ASSURED GUARANTY LTD
Form 424B3
December 12, 2006
Subject to Completion
Preliminary Prospectus Supplement Dated December 12, 2006

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

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Prospectus Supplement
December , 2006
(To Prospectus dated June 30, 2005)

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Assured Guaranty US Holdings Inc.

Series A Enhanced Junior Subordinated Debentures due 2066

The Series A Enhanced Junior Subordinated Debentures
Will Be Fully and Unconditionally Guaranteed by Assured Guaranty Ltd.

This is an offering by Assured Guaranty US Holdings Inc., the issuer, of $ of its Series A Enhanced Junior Subordinated Debentures due 2066, which we refer to as the capital securities. Interest on the capital securities will accrue from, and including, the issue date to, but not including, , 2016 at a fixed rate equal to % per year and will be payable semi-annually in arrears on and of each year, commencing on , 2007, subject to the right of the issuer to defer interest payments as described in this prospectus supplement. From, and including, , 2016 until maturity, interest on the capital securities will accrue at a floating rate, reset quarterly, equal to 3-month LIBOR plus a margin equal to %, payable quarterly in arrears on , , and of each year, commencing on , 2017, subject to the right of the issuer to defer interest payments as described in this prospectus supplement. The capital securities will be fully and unconditionally guaranteed by Assured Guaranty Ltd., the parent corporation of the issuer, which we refer to as the guarantor.

The issuer may redeem the capital securities, in whole or in part, at any time, on or after , 2016, subject to the replacement capital covenant described in this prospectus supplement, at 100% of the principal amount of the capital securities to be redeemed, plus accrued and unpaid interest, together with any compounded interest, on the capital securities to the date of redemption, which amount we refer to as the par redemption amount.

Prior to , 2016, the issuer may redeem the capital securities, in whole but not in part, at the greater of the par redemption amount and the applicable make-whole redemption amount. See Description of the Capital Securities Redemption.

The capital securities will be the issuer s junior subordinated unsecured obligations and will be subordinated in right of payment to the issuer s existing or future senior indebtedness, as defined in this prospectus supplement, including any non-junior subordinated indebtedness of the issuer and will be effectively subordinated to all indebtedness and policyholder obligations of the issuers subsidiaries. The guarantees will be unsecured junior subordinated obligations of the guarantor and will be subordinated in right of payment to the guarantor s existing or future senior indebtedness, including any non-junior subordinated indebtedness.

As further described in this prospectus supplement, following the earlier of the fifth anniversary of the commencement of a deferral period or a payment, during a deferral period, of current interest on the capital securities, the issuer and the guarantor will be required to make commercially reasonable efforts to sell qualifying warrants and non-cumulative perpetual preferred stock and must pay optionally deferred interest on the capital securities only from the net proceeds of those sales. An event of default will occur if non-payment of interest, due to an optional deferral or otherwise, continues for 10 consecutive years without all accrued and unpaid interest (including compounded interest) having been paid in full, such non-payment continues for 30 days and the guarantor fails to make guarantee payments with respect thereto. In certain events of the issuer s bankruptcy, insolvency or receivership prior to the maturity or redemption of any capital securities, whether voluntary or not, a holder of capital securities will have no claim for interest that is unpaid (including compounded interest thereon) and that has not been settled through the application of the alternative coupon satisfaction mechanism (as described herein) to the extent the amount of such interest (including compounded interest thereon) relates to the first two years of the portion of the deferral period for which interest has not so been paid.

The capital securities will not be subject to redemption at the option of the holder or to any sinking fund payments.

The capital securities are not listed and the issuer does not plan to apply to list the capital securities on any securities exchange or to include them in any automated quotation system.

Investing in the capital securities involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement.

	Per Capital Security	**Total**
Public offering price (1)	%	$
Underwriting discounts	%	$
Proceeds to Issuer (before expenses)	%	$

(1) Plus accrued interest, if any, from December , 2006, if settlement occurs after that date.

The Securities and Exchange Commission, state securities regulators, the Minister of Finance and the Registrar of Companies in Bermuda and the Bermuda Monetary Authority have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete.

The underwriters expect to deliver the capital securities only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, on or about December , 2006.

Banc of America Securities LLC

Sole Structuring Advisor and Bookrunner

Deutsche Bank Securities | **Merrill Lynch & Co.**

Joint Bookrunner | *Joint Bookrunner*

Citigroup | **JPMorgan** | **Wachovia Securities**

Co-Managers

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

References in this prospectus supplement and the accompanying prospectus to Assured Guaranty, the guarantor, we, us, our and the Compa refer to Assured Guaranty Ltd. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries. References in this prospectus supplement to Holdings or the issuer are to Assured Guaranty US Holdings Inc., the issuer of the capital securities and a wholly owned subsidiary of Assured Guaranty. The capital securities are being offered by Holdings.

FORWARD-LOOKING STATEMENTS CAUTIONARY LANGUAGE

Some of the statements under Summary, Risk Factors, and elsewhere in this prospectus supplement and the accompanying prospectus may include forward-looking statements which reflect our 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 wo 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 our actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to those described under Risk Factors below and the following:

- downgrades of the financial strength ratings assigned by the major rating agencies to any of our insurance subsidiaries at any time, which has occurred in the past;
- our inability to execute our business strategy;
- reduction in the amount of reinsurance ceded by one or more of our principal ceding companies;
- contract cancellations;
- developments in the world s financial and capital markets that adversely affect our loss experience, the demand for our products or our investment returns;
- more severe or frequent losses associated with our insurance products;
- changes in regulation or tax laws applicable to us, our subsidiaries or customers;
- governmental actions;
- natural catastrophes;

- dependence on customers;
- decreased demand for our insurance or reinsurance products or increased competition in our markets;
- loss of key personnel;
- technological developments;
- the effects of mergers, acquisitions and divestitures;
- changes in accounting policies or practices;
- 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 this prospectus supplement and the accompanying prospectus. We undertake no obligation publicly to update 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 our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus supplement or the accompanying prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or to individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified in this prospectus supplement and the accompanying prospectus that could cause actual results to differ before making an investment decision.

SUMMARY

This summary contains basic information about Assured Guaranty and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing in the capital securities. You should read this entire prospectus supplement, including the section entitled Risk Factors, our financial statements and the notes thereto incorporated by reference into this prospectus supplement, and the accompanying prospectus carefully before making an investment decision.

Assured Guaranty

Assured Guaranty Ltd. is a Bermuda-based holding company that provides, through our operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guaranty or other types of support, including credit derivatives, that improve the credit of underlying debt obligations. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. Under a reinsurance agreement, the reinsurer, in consideration of a premium paid to it, agrees to indemnify another insurer, called the ceding company, for part or all of the liability of the ceding company under one or more insurance policies that the ceding company has issued. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We market our products directly and through financial institutions, serving the U.S. and international markets.

Assured Guaranty Ltd. was incorporated in Bermuda in August 2003. Its principal executive offices are at 30 Woodbourne Avenue, Hamilton HM 08 Bermuda, and its telephone number is (441) 296-4004.

We operate through wholly-owned subsidiaries including Assured Guaranty Corp. (AGC), Assured Guaranty Re Ltd. (AG Re), Assured Guaranty (UK) Ltd. and Assured Guaranty Finance Overseas Ltd. (AGFOL). Our principal operating subsidiaries are AGC and AG Re.

- AGC, a Maryland-domiciled insurance company, was organized in 1985 and commenced operations in January 1988, provides insurance and reinsurance of investment grade financial guaranty exposures, including municipal and non-municipal reinsurance, and credit default swap transactions. Prior to April 2004, AGC also wrote trade credit reinsurance, but has ceased writing this business since our initial public offering. AGC owns 100% of Assured Guaranty (UK) Ltd., a United Kingdom (UK) incorporated company licensed as a UK insurance company, and Assured Value Insurance Company (formerly Assured Guaranty Risk Assurance Company), a Maryland domiciled insurance company.

- AG Re is incorporated under the laws of Bermuda and is licensed as a Class 3 Insurer and a Long-Term Insurer under the Insurance Act 1978 and related regulations of Bermuda. AG Re directly owns Assured Guaranty Overseas US Holdings Inc., a Delaware corporation. AG Re indirectly owns, through a United States holding company, the entire share capital of a Bermuda reinsurer, Assured Guaranty Re Overseas Ltd. (AGRO). AGRO, in turn, owns Assured Guaranty Mortgage Insurance Company (Assured Guaranty Mortgage), a New York corporation. AG Re and AGRO underwrite financial guaranty and residential mortgage reinsurance. AG Re and AGRO write business as direct reinsurers of third-party primary insurers and as reinsurers/retrocessionaires of certain affiliated companies and also provide portfolio credit default swaps, where the counterparty is usually an investment bank.

- AGFOL, based in the UK, is regulated by the Financial Services Authority as an Arranger that markets and sources derivative transactions. AGFOL does not itself take risk in the transactions it arranges or places, and may not hold funds on behalf of its customers.

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

The Offering

Issuer	Assured Guaranty US Holdings Inc.
Guarantor	Assured Guaranty Ltd.
Securities	Series A Enhanced Junior Subordinated Debentures due 2066 (the capital securities).

The capital securities will be junior subordinated debentures which will be issued under a junior subordinated indenture among Assured Guaranty US Holdings Inc., as issuer, Assured Guaranty Ltd., as guarantor, and The Bank of New York, as junior subordinated indenture trustee. The capital securities will be issued in denominations of $2,000 principal amount and integral multiples of $1,000 in excess thereof.

Aggregate Principal Amount	$.
Maturity Date	, 2066.
Interest	As described below:

- interest on the capital securities will accrue from, and including, the issue date to, but not including, , 2016 at a fixed rate equal to % per year, payable semi-annually in arrears on and of each year, commencing on , 2007; and
- from, and including, , 2016 until maturity, interest on the capital securities will accrue at a floating rate, reset quarterly, equal to 3-month LIBOR plus a margin equal to %, payable quarterly in arrears on , , and of each year, commencing on , 2017,

subject to the right of the issuer to defer interest payments as described below.

Redemption	The issuer may redeem the capital securities, in whole or in part, at any time, on or after , 2016, subject to the replacement capital covenant described below, at the par redemption amount, as defined herein. However, if the capital securities are not redeemed in whole, the issuer may not effect such redemption unless at least $50 million aggregate principal amount of the capital securities, excluding any capital securities held by the issuer or any of its affiliates, remains outstanding after giving effect to such redemption.

	The issuer may redeem the capital securities prior to , 2016, in whole but not in part, at a price equal to the greater of (i) the par redemption amount and (ii) the applicable make-whole redemption amount, as defined herein. See Description of the Capital Securities Redemption.
Replacement Capital Covenant	In connection with the initial issuance of the capital securities, the issuer and the guarantor will enter into a replacement capital covenant, as described herein under Certain Terms of the Replacement Capital Covenant, in which the issuer and the guarantor will covenant for the benefit of holders of a designated series of the issuer s long-term indebtedness, other than the capital securities, or in certain limited cases a designated series of long-term indebtedness of the guarantor, that • the issuer will not redeem or repurchase the capital securities and • the guarantor will not purchase the capital securities on or before , 2046, except, subject to certain limitations, to the extent that the applicable redemption, repurchase or purchase price does not exceed a specified amount of proceeds from the sale, during the 180 days prior to the date of that redemption, repurchase or purchase, of common stock, rights to acquire common stock, and qualifying capital securities. The replacement capital covenant is not intended for the benefit of holders of the capital securities and may not be enforced by them, and is not a term of the junior subordinated indenture pursuant to which the capital securities will be issued, the subordinated guarantees or the capital securities.
Optional Deferral	So long as no event of default, as described below, with respect to the capital securities has occurred and is continuing, the issuer may elect to defer one or more interest payments on the capital securities at any time and from time to time for up to ten years. Deferred interest will continue to accrue and will compound semi-annually to, but not including, , 2016, and quarterly, on and after , 2016, in each case, at the rate of interest applicable to the capital securities, to the extent permitted by applicable law.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment, during a deferral period, of current interest on the capital securities, the alternative coupon satisfaction mechanism described below in this summary under Alternative Coupon Satisfaction Mechanism will apply, with the consequence, among others, that the issuer and the guarantor must (except upon an event of default with respect to the capital securities) make commercially reasonable efforts to sell qualifying warrants and non-cumulative perpetual preferred stock. If such efforts are successful, the issuer must pay optionally deferred interest out of the net proceeds from the sale of such securities by the issuer or the guarantor on the next succeeding interest payment date following such five-year period or such current interest payment date. The issuer cannot pay such optionally deferred interest from sources other than the net proceeds from the sale of such securities by the issuer or the guarantor. Additionally, during any optional deferral period the restrictions on payment by the issuer and the guarantor of dividends and other distributions on capital stock described below in this summary under Payment Restrictions will apply.

Upon the termination of any optional deferral period and the payment of all amounts then due, the issuer may commence a new optional deferral period, subject to the above requirements. There is no limit to the number of such new optional deferral periods that the issuer may begin. See Description of the Capital Securities Optional Deferral of Interest.

If the issuer defers interest for a period of 10 consecutive years from the commencement of an optional deferral period, the issuer will be required to pay all accrued and unpaid interest (including compounded interest) at the conclusion of the 10-year period, and to the extent it does not do so, the guarantor will be required to make guarantee payments in accordance with the subordinated guarantees with respect thereto. If the issuer fails to pay in full all accrued and unpaid interest (including compounded interest) at the conclusion of the 10-year period, due to an optional deferral or otherwise, such failure continues for 30 days and the guarantor fails to make guarantee payments with respect thereto, an event of default will occur.

Alternative Coupon Satisfaction Mechanism	If the issuer has optionally deferred interest payments otherwise due on the capital securities, then following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment, during a deferral period, of current interest on the capital securities, the issuer and the guarantor must make commercially reasonable efforts to satisfy the issuer s obligation to pay interest in full on the capital securities (subject to the limitations described below) by selling qualifying warrants and non-cumulative perpetual preferred stock, the sale of which will provide a cash amount to be paid to the holders of the capital securities in satisfaction of accrued and unpaid interest, together with any compounded interest. Such obligation will continue until all unpaid interest (including compounded interest) has been paid in full (subject to the limitations described below). The issuer s and the guarantor s obligation to make commercially reasonable efforts to sell qualifying warrants and non-cumulative perpetual preferred stock to satisfy the issuer s obligation to pay interest is subject to market disruption events and subject to certain caps (each as defined herein), and does not apply if an event of default with respect to the capital securities has occurred and is continuing. The net proceeds received by the issuer or the guarantor from the issuance of qualifying warrants or non-cumulative perpetual preferred stock (i) during the 180 days prior to any interest payment date on which the issuer and the guarantor are required to use the alternative coupon satisfaction mechanism and (ii) designated by the issuer or the guarantor at or before the time of such issuance as available to pay interest on the capital securities will, at the time such proceeds are delivered to the junior subordinated indenture trustee to satisfy the relevant interest payment, be deemed to satisfy the issuer s obligations to pay interest on the capital securities pursuant to the alternative coupon satisfaction mechanism though any interest not so paid will continue to be treated as optionally deferred interest and such interest will continue to accrue and compound as described above.
Payment Restrictions	On any date on which accrued interest through the most recent interest payment date has not been paid in full, whether because of an optional deferral or otherwise, the issuer and the guarantor will not, and will not permit any subsidiary to, declare or pay any dividends or any distributions on, or make any payments of interest, principal or premium, or any guarantee payments on, or redeem, repurchase, purchase, acquire or make a liquidation payment on, any of the issuer s or the guarantor s capital stock, debt securities that rank equal or junior to the capital securities or the subordinated guarantees or guarantees that rank equal or junior to the capital securities or the subordinated guarantees, other than pro rata payments on debt securities that rank equally with the capital securities and the subordinated guarantees with certain exceptions detailed in Description of the Capital Securities Certain Restrictions during Optional Deferral Periods.

Subordination	The payment of principal of and interest on the capital securities, to the extent provided in the junior subordinated indenture, will be subordinated in right of payment to the prior payment in full of all present and future senior and non-junior subordinated indebtedness, as described in Description of the Capital Securities Subordination, and will be effectively subordinated to all indebtedness and policyholder obligations of the issuer s subsidiaries. The junior subordinated indenture places no limitation on the amount of additional indebtedness that is senior in right of payment to the capital securities that the issuer may incur. The guarantees of the guarantor will be unsecured junior subordinated obligations of the guarantor and will be subordinated in right of payment to the guarantor s existing or future senior indebtedness, including any non-junior subordinated indebtedness. Because Assured Guaranty US Holdings Inc., the issuer, and Assured Guaranty Ltd., the guarantor, are each a holding company, their rights and the rights of their creditors, including the holders of capital securities, to participate in any distribution of assets of any subsidiary upon that subsidiary s liquidation or reorganization or otherwise would be subject to the prior claims of the subsidiary s creditors, except to the extent that the issuer or the guarantor, as applicable, is a creditor of the subsidiary. The rights of creditors of the issuer and the guarantor, including the holders of capital securities, to participate in the distribution of stock owned by the issuer or the guarantor, as applicable, in its subsidiaries, including the issuer s or the guarantor s insurance subsidiaries, may also be subject to the approval of insurance regulatory authorities having jurisdiction over the subsidiaries.
Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership	In certain events of the issuer s bankruptcy, insolvency or receivership prior to the maturity or redemption of any capital securities, whether voluntary or not, a holder of capital securities will have no claim for, and thus no right to receive, interest that is unpaid (including compounded interest thereon) and has not been settled through the application of the alternative coupon satisfaction mechanism, to the extent the amount of such interest (including compounded interest thereon) relates to the first two years of the portion of the deferral period for which interest has not so been paid.

Events of Default	The junior subordinated indenture will provide that only the following constitute events of default with respect to the capital securities that give a right to accelerate the amounts due under the capital securities: • default for 30 calendar days in the payment of any interest on the capital securities when such interest becomes due and payable (whether or not such payment is prohibited by the subordination provisions); however, a default under this provision will not arise if the issuer has properly deferred the interest in connection with an optional deferral period; • any non-payment of interest, whether due to an optional deferral or otherwise, that continues for 10 consecutive years without all accrued and unpaid interest (including compounded interest thereon) having been paid in full, such non-payment continues for 30 days and the guarantor fails to make guarantee payments with respect thereto; • default in the payment of the principal of, and premium, if any, on the capital securities when due; or • certain events of bankruptcy, insolvency, or receivership, whether voluntary or not. Failure to comply with covenants, including the alternative coupon satisfaction mechanism, is not an event of default under the junior subordinated indenture for purposes of declaring an acceleration of payment of the capital securities.
Material U.S. Federal Income Tax Consequences	A holder will generally take into account interest on the capital securities at the time it is accrued or received, in accordance with such holder s method of accounting for U.S. federal income tax purposes. During any deferral period, a holder will be required to include interest in income as it accrues, regardless of such holder s method of accounting for U.S. federal income tax purposes, using a constant yield method. Consequently, holders of capital securities would be required to include interest in income even though no cash payments would be made during the deferral period. See Material U.S. Federal Income Tax Consequences.
Form	The capital securities will be represented by one or more global securities registered in the name of Cede & Co., as nominee for The Depository Trust Company (which we refer to as DTC). Beneficial interests in the capital securities will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in DTC.

Trustee	The Bank of New York.
Delivery and Clearance	The issuer will deposit the global securities representing the capital securities with DTC in New York. You may hold an interest in the capital securities through DTC, Clearstream Bank, société anonyme, (which we refer to as Clearstream, Luxembourg) or Euroclear SA/NV (which we refer to as Euroclear), directly as a participant of any such system or indirectly through organizations that are participants in such systems.
Governing Law	New York.
Accounting Treatment	The capital securities will be reflected on the guarantor s consolidated balance sheets as debt, and interest payments on the capital securities will be included as interest expense on the guarantor s consolidated statements of income.
Use of Proceeds	We anticipate that Holdings will use the net proceeds from this offering to purchase common shares of Assured Guaranty from ACE Limited, our largest shareholder. See Use of Proceeds.
Anticipated Ratings	Moody s A3 Standard & Poor s A- Fitch A An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The rating of the capital securities should be evaluated independently from similar ratings of other securities. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

RISK FACTORS

You should carefully consider the risks described below before investing in the capital securities. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business, financial condition and results of operations could be materially affected. In that case, the value of the capital securities could decline substantially. For additional risks related to our Company, see Risk Factors in Part I, Item 1A, in Assured Guaranty s annual report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

Risks Related to the Ownership of the Capital Securities

The issuer may elect to defer interest payments on the capital securities.

So long as no event of default with respect to the capital securities, as described below, has occurred and is continuing, the issuer may elect to defer one or more interest payments on the capital securities at any time and from time to time for up to ten years. Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment, during a deferral period, of current interest on the capital securities, the alternative coupon satisfaction mechanism described below under Description of the Capital Securities Alternative Coupon Satisfaction Mechanism will apply, with the consequences, among others, that the issuer and the guarantor must (except upon an event of default with respect to the capital securities) make commercially reasonable efforts to sell qualifying warrants and non-cumulative perpetual preferred stock as described under Description of the Capital Securities Alternative Coupon Satisfaction Mechanism and must pay optionally deferred interest only out of the net proceeds of such securities, subject to certain caps. An event of default will occur if non-payment of interest, due to an optional deferral or otherwise, continues for 10 consecutive years without all accrued and unpaid interest (including compounded interest thereon) having been paid in full, such non-payment continues for 30 days and the guarantor fails to make guarantee payments with respect thereto. Upon termination of any optional deferral period and the payment of all amounts then due, the issuer may commence a new optional deferral period, subject to certain requirements. There is no limit to the number of such new optional deferral periods that the issuer may begin. See Description of the Capital Securities Optional Deferral of Interest.

The issuer and the guarantor may not be able to sell securities when and in the amount necessary to pay interest on the capital securities.

The issuer s and the guarantor s ability to raise proceeds in connection with an optional deferral by issuing qualifying warrants and non-cumulative perpetual preferred stock will depend on, among other things, market conditions at the time, the acceptability to prospective investors of the terms of the securities issued, the Company s financial performance and a variety of other factors beyond our control, including our ability to obtain any required consents or approvals, such as any corporate, stockholder, governmental or regulatory authorization that may be required. Accordingly, there could be circumstances where the issuer would wish to or be required to pay interest on the capital securities and sufficient cash is available for that purpose, but can not do so because the issuer and the guarantor have not been able to obtain proceeds from sales of qualifying warrants and non-cumulative perpetual preferred stock sufficient for that purpose.

Holders of the capital securities have limited rights to accelerate payments of the amounts due under the capital securities.

The holder of the capital securities may accelerate payment of the capital securities only upon the occurrence and continuation of the following events:

- default for 30 calendar days in the payment of any interest on the capital securities when it becomes due and payable (whether or not such payment is prohibited by the subordination provisions); however, a default under this provision will not arise if we have properly deferred the interest in connection with an optional deferral period;

- any non-payment of interest, whether due to an optional deferral or otherwise, that continues for 10 consecutive years without all accrued and unpaid interest (including compounded interest) having been paid in full, such non-payment continues for 30 days and the guarantor fails to make guarantee payments with respect thereto;

- default in the payment of the principal of, and premium, if any, on the capital securities when due; or

- certain events of bankruptcy, insolvency or receivership, whether voluntary or not.

A failure to comply with or breach of the other covenants in the junior subordinated indenture with respect to the capital securities (an other covenant default), including the covenant to sell certain securities through the alternative coupon satisfaction mechanism to meet certain interest payment obligations, will not result in the acceleration of payment of the capital securities. Although an other covenant default will not constitute an event of default that gives a right to accelerate payments, it will otherwise constitute a default under the junior subordinated indenture and could give rise to a claim against the issuer relating to the specific breach; however, the remedy of holders of the capital securities may be limited to direct monetary damages (if any).

The aftermarket price of the capital securities may be discounted significantly if the issuer defers interest payments or is unable to pay interest.

If the issuer defers interest payments on the capital securities due to an optional deferral or is unable to pay interest as a result of an optional deferral period, you may be unable to sell your capital securities at a price that reflects the value of deferred amounts. To the extent a trading market develops for the capital securities, that market may not continue during such a deferral period, or during periods in which investors perceive that there is a likelihood of a deferral, and you may be unable to sell capital securities at those times, either at a price that reflects the value of required payments under the capital securities or at all.

An active after-market for the capital securities may not develop.

The capital securities constitute a new issue of securities with no established trading market. We cannot assure you that an active after-market for the capital securities will develop or be sustained or that holders of the capital securities will be able to sell their capital securities at favorable prices or at all. Although the underwriters have indicated to us that they intend to make a market in the capital securities, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market-making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the capital securities. The capital securities are not listed and we do not plan to apply to list the capital securities on any securities exchange or to include them in any automated quotation system.

Interest payments on the capital securities may be deferred and, in such case, holders of the capital securities will be required to recognize income for U.S. federal income tax purposes in advance of the receipt of cash attributable to such income.

If interest payments on the capital securities are deferred, each holder will thereafter be required to accrue interest income in respect of the capital securities for U.S. federal income tax purposes using a constant yield method, regardless of such holder s method of accounting for such purposes, before such holder receives any cash payment attributable to such income. See Material U.S. Federal Income Tax Consequences U.S. Holders Interest and Original Issue Discount.

The issuer may redeem the capital securities prior to the maturity date and you may not be able to reinvest in a comparable security.

The issuer has the option to redeem the capital securities for cash, in whole or in part, from time to time on and after , 2016, subject to the replacement capital covenant described in this prospectus supplement. The redemption price will equal 100% of the principal amount of the capital securities to be redeemed, plus accrued and unpaid interest, together with any compounded interest, on the capital securities to the redemption date (the par redemption amount). Additionally, the issuer has the option to redeem the capital securities for cash, in whole, but not in part, prior to , 2016 at a redemption price equal to the greater of (i) the par redemption amount of the capital securities to be redeemed and (ii) the applicable make-whole redemption amount as defined herein. See Description of the Capital Securities Redemption. In the event the issuer chooses to redeem your capital securities, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the capital securities.

The capital securities and the guarantees are effectively subordinated to almost all of the issuer s and the guarantor s other indebtedness and obligations.

The issuer s obligations under the capital securities are subordinated in right of payment to all of its current and future senior indebtedness (including the issuer s outstanding senior notes) or subordinated indebtedness, except any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, the capital securities and certain other obligations, including obligations incurred in the ordinary course of business. This means that the issuer cannot make any payments on the capital securities if it defaults on a payment of such senior or non-junior subordinated indebtedness and does not cure the default within the applicable grace period, if the holders of the indebtedness ranking senior to the capital securities have the right to accelerate the maturity of such indebtedness and request that the issuer cease payments on the capital securities or if the terms of the issuer s indebtedness ranking senior in right of payment to the capital securities otherwise restrict it from making payments to junior creditors.

The guarantor s obligations under the guarantees are subordinate and junior in right of payment to all of its senior indebtedness (including the guarantor s outstanding senior notes), except any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, the subordinated guarantees. In addition, the guarantor s obligations under the guarantees shall rank equal in right of payment to indebtedness incurred for the purchase of goods or materials or for services obtained in the ordinary course of business. This means that the guarantor cannot make any payments on the subordinated guarantees if it defaults on a payment of senior indebtedness and does not cure the default within the applicable grace period, if the holders of the senior indebtedness have the right to accelerate the maturity of the senior indebtedness and request that the guarantor cease payments on the subordinated guarantees or if the terms of the guarantor s senior indebtedness otherwise restrict it from making payments to junior creditors.

Due to the subordination provisions described in Description of the Capital Securities Subordination and Description of the Capital Securities Guarantees in the event of the issuer s or the guarantor s insolvency, funds which the issuer or the guarantor would otherwise use to pay the holders of

the capital securities will be used to pay the holders of their respective indebtedness and guarantees ranking senior in right of payment to the capital securities or the guarantees, as applicable, to the extent necessary to pay such senior indebtedness and guarantees in full. As a result of those payments, the issuer s and the guarantor s general creditors may recover less, ratably, than the holders of the issuer s or the guarantor s senior indebtedness and guarantees and these general creditors may recover more, ratably, than the holders of the capital securities. In addition, the holders of the issuer s and the guarantor s indebtedness and guarantees ranking senior in right of payment to the capital securities or the guarantees, as applicable, may, under certain circumstances, restrict or prohibit the issuer from making payments on the capital securities or the guarantees, as applicable.

Because the issuer and the guarantor are each a holding company, their rights and the rights of their creditors, including the holders of capital securities, to participate in any distribution of assets of any subsidiary upon that subsidiary s liquidation or reorganization or otherwise would be subject to the prior claims of the subsidiary s creditors and policyholders, except to the extent that the issuer or the guarantor, as applicable, is a creditor of the subsidiary. The rights of creditors of the issuer and the guarantor, including the holders of capital securities, to participate in the distribution of stock owned by the issuer or the guarantor, as applicable, in its subsidiaries, including the issuer s or the guarantor s insurance subsidiaries, may also be subject to the approval of insurance regulatory authorities having jurisdiction over the subsidiaries.

The issuer s indebtedness as of September 30, 2006, was approximately $200 million, all of which would be senior in right of payment to the capital securities. As of September 30, 2006, the issuer s subsidiaries had approximately $413.9 million of outstanding liabilities that effectively rank senior to the capital securities.

As of September 30, 2006, the guarantor had no outstanding indebtedness. The guarantor has guaranteed the issuer s $200 million of 7.00% Senior Notes due 2034. As of September 30, 2006, the guarantor s subsidiaries had approximately $1,088.0 million of outstanding liabilities that effectively rank senior to the guarantees.

There are no terms in the junior subordinated indenture, the capital securities or the guarantees that limit the issuer s or the guarantor s ability to incur additional indebtedness, and the issuer and the guarantor expect from time to time to incur additional indebtedness ranking senior in right of payment to the capital securities and the guarantees thereof.

The ability of the issuer and the guarantor to meet their obligations under the capital securities and the guarantees may be constrained by their holding company structure.

The issuer and the guarantor are holding companies and, as such, have no direct operations of their own. The issuer and the guarantor do not expect to have any significant operations or assets other than their ownership of the shares of their subsidiaries. Dividends and other permitted payments from the operating subsidiaries of the issuer and the guarantor are expected to be their primary source of funds to meet their obligations under the capital securities and the guarantees. The insurance subsidiaries of the issuer and the guarantor are subject to regulatory and rating agency restrictions limiting their ability to declare and to pay dividends and make other payments to the issuer and the guarantor. The inability of the insurance subsidiaries of the issuer and the guarantor to pay sufficient dividends and make other permitted payments to the issuer and the guarantor would have an adverse effect on the issuer s and the guarantor s ability to pay their obligations as they become due, including payments on the capital securities and the guarantees.

Upon the occurrence of a bankruptcy, insolvency or receivership with respect to the issuer, claims for payment may be limited.

In certain events of the issuer s bankruptcy, insolvency or receivership prior to the maturity or redemption of any capital securities, whether voluntary or not, a holder of capital securities will have no claim for interest that is unpaid (including compounded interest thereon) and has not been settled through the application of the alternative coupon satisfaction mechanism to the extent the amount of such interest (including compounded interest thereon) relates to the first two years of the portion of the deferral period for which interest has not so been paid. See Description of the Capital Securities Limitations on Claims in the Event of Bankruptcy, Insolvency or Receivership.

Moreover, the claims of capital security holders in a bankruptcy, insolvency or similar proceeding are subject to the broad equitable powers of the court. For example, although we do not believe such an argument should prevail, a party in interest in such a proceeding might argue that such holders should be treated as equity holders rather than creditors, and the court could rule in favor of such party. This could further limit or reduce any amounts that a holder of capital securities could receive in a bankruptcy, insolvency, receivership or similar proceeding.

The interest rate of the capital securities will fluctuate when the fixed rate period ends, and may decline below the fixed rate.

At the conclusion of the fixed rate period for the capital securities on , 2016, the capital securities will begin to accrue interest at a floating rate. The floating rate may be volatile over time and could be substantially less than the fixed rate, which could reduce the value of the capital securities in any available after-market, apart from the reduction in current interest income.

General market conditions and unpredictable factors could adversely affect market prices for the capital securities.

There can be no assurance about the market prices for the capital securities. Several factors, many of which are beyond our control, will influence the market value of the capital securities. Factors that might influence the market value of the capital securities include, but are not limited to:

- whether interest payments have been made and are likely to be made on the capital securities from time to time;
- the issuer s and the guarantor s creditworthiness, financial condition, performance and prospects;
- whether the ratings on the capital securities provided by any ratings agency have changed;
- regulatory investment classifications of the capital securities for purposes of certain types of investors and whether those classifications have changed;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

If you purchase capital securities, whether in this offering or in the secondary market, the capital securities may subsequently trade at a discount to the price that you paid for them.

The issuer is not obligated to redeem the capital securities prior to their maturity date and has made a covenant in favor of classes of senior indebtedness restricting its right to redeem the capital securities.

The issuer has the right to redeem the capital securities under circumstances and on terms specified in this prospectus supplement. However, in connection with the initial issuance of the capital securities, the

issuer and the guarantor will enter into a replacement capital covenant, which is described below under Certain Terms of the Replacement Capital Covenant, that will limit (1) the issuer s ability to redeem or repurchase the capital securities and (2) the guarantor s ability to purchase the capital securities. In the replacement capital covenant, the issuer and the guarantor will covenant for the benefit of holders of a designated series of the issuer s indebtedness that ranks senior to the capital securities, or in certain limited cases holders of a designated series of long-term indebtedness of the guarantor, that (a) the issuer will not redeem or repurchase the capital securities and (b) the guarantor will not purchase the capital securities, in each case on or before , 2046, except, subject to certain limitations, to the extent that the applicable redemption, repurchase or purchase price does not exceed a specified amount of proceeds from the sale, during the 180 days prior to the date of that redemption, repurchase or purchase, of common stock, rights to acquire common stock and qualifying capital securities.

The ability to raise proceeds from qualifying capital securities during the 180 days prior to a proposed redemption or repurchase by the issuer or purchase by the guarantor will depend on, among other things, market conditions at that time as well as the acceptability to prospective investors of the terms of those qualifying capital securities. Accordingly, there could be circumstances where the issuer would wish to redeem or repurchase some or all of the capital securities, or the guarantor would wish to purchase some or all of the capital securities, and sufficient cash is available for that purpose, but the issuer and the guarantor are restricted from doing so because of the inability to obtain proceeds from the sale of qualifying capital securities.

The guarantor is a Bermuda company and it may be difficult for you to enforce judgments against the guarantor or against its directors and executive officers.

Assured Guaranty is incorporated pursuant to the laws of Bermuda and its business is based in Bermuda. In addition, certain of Assured Guaranty s directors and officers reside outside the United States, and a portion of its assets and the assets of such persons may be located in jurisdictions outside the United States. As such, it may be difficult or impossible to effect service of process within the United States upon Assured Guaranty or those persons, or to recover against Assured Guaranty or them on judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. Further, no claim may be brought in Bermuda against Assured Guaranty or its directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial application under Bermuda law and do not have force of law in Bermuda; however, a Bermuda court may impose civil liability, including the possibility of monetary damages, on it or its directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

Assured Guaranty has been advised by Conyers Dill & Pearman, its special Bermuda counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against Assured Guaranty or its directors and officers, as well as the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws, or original actions brought in Bermuda against Assured Guaranty or such persons predicated solely upon U.S. federal securities laws. Further, Assured Guaranty has been advised by Conyers Dill & Pearman that there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce the judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to public policy in Bermuda. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against Assured Guaranty based upon such judgments.

USE OF PROCEEDS

We estimate that, after deducting expenses and underwriting discounts, the net proceeds to Holdings from this offering will be approximately $. Holdings intends to use the net proceeds from this offering to purchase common shares of Assured Guaranty from ACE Limited, our largest shareholder.

As of November 30, 2006, ACE Limited owned 26,000,000 of our common shares, representing approximately 35.6% of our common shares outstanding. On December 7, 2006, Holdings agreed to purchase 5,692,599 common shares of Assured Guaranty from a subsidiary of ACE Limited at $26.35 per share after which ACE Limited would own approximately 30% of our common shares then outstanding. The obligation of Holdings to purchase these shares is conditioned upon, among other things, the completion of this offering.

CAPITALIZATION

The following table sets forth Assured Guaranty s consolidated capitalization as of September 30, 2006. The Actual column reflects Assured Guaranty s capitalization as of September 30, 2006 on a historical basis, without any adjustments to reflect subsequent or anticipated events. The As Adjusted column is adjusted to give effect to this offering and the application of net proceeds from this offering by Holdings to purchase 5,692,599 common shares of Assured Guaranty as described above under Use of Proceeds. The following data is qualified in its entirety by, and should be read in conjunction with, our consolidated financial statements and notes thereto incorporated in this prospectus supplement and the accompanying prospectus by reference.

	As of September 30, 2006	
	Actual	As Adjusted
	(in millions, except share amounts)	
Debt:		
Long-term debt	$ 197.4	$ 197.4
Series A Enhanced Junior Subordinated Debentures due 2066		
Shareholders equity:		
Common shares, $0.01 par value, 500,000,000 shares authorized, 73,144,785 shares issued and outstanding, 67,452,186 shares issued and outstanding, as adjusted	0.7	0.7
Additional paid-in capital	856.2	706.3
Retained earnings	857.1	857.1
Accumulated other comprehensive income	42.8	42.8
Total shareholders equity	1,756.9	1,606.9
Total capitalization	$ 1,954.3	$

RATIO OF EARNINGS TO FIXED CHARGES

For purposes of computing the following ratios, earnings consist of net income before income tax expense, excluding interest costs capitalized, plus fixed charges to the extent that these charges are included in the determination of earnings. Fixed charges consist of interest costs, including interest costs capitalized, plus one-third of minimum rental payments under operating leases, which are estimated by management to be the interest factor of these rentals.

	Nine Months Ended September 30,	Fiscal Year Ended December 31,				
	2006	2005	2004	2003	2002	2001
Ratio of Earnings to Fixed Charges	13.82 x	16.81 x	20.85 x	36.49 x	8.18 x	9.90 x

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents Assured Guaranty s selected consolidated financial information as of and for the nine-month periods ended September 30, 2006 and 2005 and as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001. The financial data for the years ended December 31, 2005, 2004, and 2003, is derived from our audited financial statements incorporated by reference in this prospectus supplement and the financial data for the years ended December 31, 2002 and 2001, is derived from our audited financial statements not incorporated by reference in this prospectus supplement. The financial data for the nine-month periods ended September 30, 2006 and September 30, 2005 is derived from our unaudited financial statements. The unaudited financial statements reflect, in the opinion of management, all normal recurring adjustments considered necessary for a fair presentation of the Company s consolidated financial condition and results of operations during that period and as of that date. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of those to be expected for the full fiscal year.

The following data should be read in conjunction with the financial statements and the related notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Nine Months Ended September 30,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(in millions, except per share amounts)						
Statement of operations data:							
Gross written premiums	$ 240.5	$ 194.1	$ 252.1	$ 190.9	$ 349.2	$ 417.2	$ 442.9
Net written premiums(1)	234.2	159.9	217.3	79.6	491.5	352.5	206.6
Net earned premiums	148.2	150.9	198.7	187.9	310.9	247.4	293.5
Net investment income	82.0	71.2	96.8	94.8	96.3	97.2	99.5
Net realized investment (losses) gains	(1.9)	3.6	2.2	12.0	5.5	7.9	13.1
Unrealized (losses) gains on derivative financial instruments	4.2	(9.1)	(3.5)	52.5	98.4	(54.2)	(16.3)
Other income		0.2	0.2	0.8	1.2	3.6	2.9
Total revenues	232.4	216.8	294.5	347.9	512.3	302.0	392.9
Loss and loss adjustment expenses	(6.0)	(69.3)	(69.6)	(32.0)	144.6	120.3	177.5
Profit commission expense	4.7	6.4	12.9	15.5	9.8	8.5	9.0
Acquisition costs	33.4	34.9	45.3	50.9	64.9	48.4	51.1
Other operating expenses	49.3	44.0	59.0	67.8	41.0	31.0	29.8
Other expense(2)	1.9	3.1	3.7	1.6			3.8
Interest expense	10.1	10.1	13.5	10.7	5.7	10.6	11.5
Total expenses	93.4	29.2	64.9	114.6	266.1	218.8	282.8
Income before provision for income taxes	139.0	187.6	229.6	233.3	246.2	83.2	110.1
Provision for income taxes	21.7	37.3	41.2	50.5	31.7	10.6	22.2
Net income before cumulative effect of new accounting standard	117.3	150.3	188.4	182.8	214.5	72.6	87.9
Cumulative effect of new accounting standard, net of taxes							(24.1)
Net income	$ 117.3	$ 150.3	$ 188.4	$ 182.8	$ 214.5	$ 72.6	$ 63.8

	Nine Months Ended September 30,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(in millions, except per share amounts)						
Balance sheet data (end of period):							
Investments and cash	$ 2,395.1	$ 2,262.4	$ 2,256.0	$ 2,157.9	$ 2,222.1	$ 2,061.9	$ 1,710.8
Prepaid reinsurance premiums	9.0	12.9	12.5	15.2	11.0	179.5	171.5
Total assets	2,844.8	2,766.7	2,689.1	2,694.0	2,857.9	2,719.9	2,322.1
Unearned premium reserves	619.7	527.9	537.1	521.3	625.4	613.3	500.3
Reserves for losses and loss adjustment expenses	116.9	201.2	121.2	226.5	522.6	458.8	401.1
Long-term debt	197.4	197.3	197.3	197.4	75.0	75.0	150.0
Total liabilities	1,088.0	1,133.1	1,027.6	1,166.4	1,420.2	1,462.6	1,260.4
Accumulated other comprehensive income	42.8	52.9	45.8	79.0	81.2	89.0	43.3
Shareholders equity	1,756.9	1,633.6	1,661.5	1,527.6	1,437.6	1,257.2	1,061.6
Book value per share(3)	$ 24.02	$ 21.81	$ 22.22	$ 20.19	$ 19.17	$ 16.76	$ 14.15
GAAP financial information:							
Loss and loss adjustment expense ratio(4)	(4.0)%	(45.9)%	(35.0)%	(17.0)%	46.5%	48.6%	60.5%
Expense ratio(5)	58.9%	56.5%	58.9%	65.4%	37.2%	35.5%	30.6%
Combined ratio	54.9%	10.6%	23.9%	48.4%	83.7%	84.1%	91.1%
Combined statutory financial information:							
Contingency reserve(6)	$ 626	$ 556	$ 612.1	$ 531.1	$ 410.5	$ 315.5	$ 228.9
Policyholders surplus(7)	1,001	959	960.6	867.2	911.3	884.1	872.2
Additional financial guaranty information (end of period):							
Net in-force business (principal and interest)	$ 167,382	$ 139,093	$ 145,694	$ 136,120	$ 130,047	$ 124,082	$ 117,909
Net in-force business (principal only)	121,579	97,320	102,465	95,592	87,524	80,394	75,249

(1) Net written premiums exceeded gross written premiums for the year ended December 31, 2003 due to $154.8 million of return premium from two terminated ceded reinsurance contracts.

(2) Amount for 2005 represents investment banking fees and put option premiums associated with Assured Guaranty Corp. s $200.0 million committed capital securities. Amounts for 2001 and 2002 represent the amortization of goodwill, which arose from ACE s acquisition of Capital Re Corporation 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. During 2004, a goodwill impairment of $1.6 million was recognized for the trade credit business which the Company exited as part of its IPO strategy. No such impairment was recognized in the years ended December 31, 2005, 2003 and 2002.

(3) Per share data for 2003, 2002 and 2001 are based on 75,000,000 shares outstanding prior to the IPO.

(4) The loss and loss adjustment expense ratio is calculated by dividing loss and loss adjustment expenses by net earned premiums.

(5) The expense ratio is calculated by dividing the sum of profit commission expense, acquisition costs and operating expenses by net earned premiums.

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

(7) Combined policyholders surplus represents the addition of our combined U.S. based statutory surplus and our Bermuda based statutory surplus.

CERTAIN TERMS OF THE REPLACEMENT CAPITAL COVENANT

This section briefly summarizes the material provisions of the replacement capital covenant. This summary does not contain a complete description of the replacement capital covenant. You should read this summary together with the replacement capital covenant for a complete understanding of all the provisions. The replacement capital covenant is available from Assured Guaranty or Holdings upon request.

Assured Guaranty and Holdings will covenant in the replacement capital covenant for the benefit of holders of a designated series of the issuer s long-term indebtedness that ranks senior to the capital securities or, in certain limited cases, holders of a designated series of long-term indebtedness of the guarantor, that

- the issuer will not redeem or repurchase the capital securities and
- the guarantor will not purchase the capital securities

on or before , 2046, except, subject to certain limitations, to the extent that the applicable redemption, repurchase or purchase price does not exceed a specified amount of proceeds from the sale, during the 180 days prior to the date of that redemption, repurchase or purchase, of common stock, rights to acquire common stock and qualifying capital securities.

The covenants of the issuer and the guarantor in the replacement capital covenant run only to the benefit of holders of the designated series of the issuer s long-term indebtedness or the long-term indebtedness of the guarantor, as applicable. The replacement capital covenant is not intended for the benefit of holders of the capital securities and may not be enforced by them, and the replacement capital covenant is not a term of the junior subordinated indenture, the subordinated guarantees or the capital securities.

The ability to raise proceeds from qualifying capital securities during the 180 days prior to a proposed redemption or repurchase by the issuer or purchase by the guarantor of the capital securities will depend on, among other things, market conditions at that time as well as the acceptability to prospective investors of the terms of those qualifying capital securities.

The replacement capital covenant may be terminated if the holders of a majority of the aggregate principal amount of the then existing covered debt as defined in the replacement capital covenant agree to terminate the replacement capital covenant, or if the issuer and the guarantor no longer have outstanding any indebtedness that qualifies as covered debt, and will be terminated on , 2046, if not so terminated earlier.

DESCRIPTION OF THE CAPITAL SECURITIES

Assured Guaranty US Holdings Inc. will issue the Series A Enhanced Junior Subordinated Debentures due 2066 (the capital securities) under a Subordinated Indenture to be dated as of December 1, 2006, as supplemented by a First Supplemental Subordinated Indenture to be dated as of the date of the issuance of the capital securities, each among Assured Guaranty US Holdings Inc., as issuer, Assured Guaranty Ltd., as guarantor, and The Bank of New York, as junior subordinated indenture trustee. We refer to the Subordinated Indenture and the First Supplemental Subordinated Indenture collectively as the junior subordinated indenture. The capital securities are junior subordinated debentures issued by the issuer under the junior subordinated indenture and the guarantees are subordinated guarantees of the guarantor under the junior subordinated indenture.

The following description of certain terms of the capital securities and subordinated guarantees and certain provisions of the junior subordinated indenture in this prospectus supplement supplements the description under Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee in the accompanying prospectus and, to the extent it is inconsistent with that description, replaces the description in the accompanying prospectus. This description is only a summary of the material terms and does not purport to be complete. We urge you to read the junior subordinated indenture in its entirety because it, and not this description, will define your rights as a beneficial holder of the capital securities. We will file the junior subordinated indenture and the capital securities as exhibits to a Current Report on Form 8-K, which will be incorporated by reference in this prospectus supplement and the accompanying prospectus. Unless otherwise specified, in this section, guarantor and Assured Guaranty refer to Assured Guaranty Ltd. and not to any of its subsidiaries.

General

The issuer will initially issue $ million aggregate principal amount of the capital securities. The issuer may from time to time, without the consent of the existing holders of the capital securities, create and issue further capital securities having the same terms and conditions as the capital securities being offered hereby in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon. Additional capital securities issued in this manner will be consolidated with, and will form a single series with, the previously outstanding capital securities, unless such additional capital securities will not be treated as fungible with the previously issued and outstanding capital securities for U.S. federal income tax purposes.

The capital securities will be issued in denominations of $2,000 principal amount and integral multiples of $1,000 in excess thereof.

The capital securities will not be subject to a sinking fund provision. The entire principal amount of the capital securities will mature and become due and payable, together with any accrued and unpaid interest thereon, including compounded interest (as defined under Optional Deferral of Interest), if any, on , 2066.

Interest

The capital securities will accrue interest at a fixed rate from, and including, the issue date to, but excluding , 2016. We refer to this period as the fixed rate period. The capital securities will accrue interest at a floating rate reset quarterly from, and including, , 2016 to, but excluding, the maturity date, and we refer to this period as the floating rate period. All percentages resulting from any interest rate calculation will be rounded upward or downward, as appropriate, to the next higher or lower one hundred thousandth of a percentage point. The manner in which interest is computed, and the time at which such interest is payable (absent optional deferral) is as follows:

Fixed Rate Period

During the fixed rate period, interest will accrue at an annual rate equal to %, and will be payable semi-annually in arrears on and of each year, commencing on , 2007. The amount of interest payable on any interest payment date during the fixed rate period will be computed on the basis of a 360-day year consisting of twelve 30-day months and will include interest from, and including, the last scheduled interest payment date for which interest has been paid or duly provided for (or, if none, the issue date) to, but excluding, the scheduled interest payment date. Interest calculated for any period less than a 30-day month will be calculated based on the actual number of days elapsed in such month. In the event that any date on which interest for a fixed rate period is payable on the capital securities is not a business day, payment of the interest payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay).

Floating Rate Period

During the floating rate period, interest on the capital securities will accrue at a floating rate, reset quarterly, equal to 3-month LIBOR plus a margin equal to %, payable quarterly in arrears , and of each year, commencing on , 2017. We refer to the period from, and including, a scheduled floating rate interest payment date to, but excluding, the next following floating rate interest payment date (in each case as adjusted pursuant to the business day convention) as a floating rate payment period. The amount of interest payable on any floating rate interest payment date will be computed on the basis of the actual number of days elapsed during the floating rate payment period then ending and a 360-day year. If a scheduled interest payment date is not a business day, then such interest payment date will be postponed to the next succeeding day that is a business day, except that if such business day is in the next succeeding calendar month, then such interest payment date will be the immediately preceding business day. Interest will accrue to, but not including, the date that interest is actually paid.

The calculation agent will calculate the floating rate and the amount of interest payable on each quarterly interest payment date relating to the floating rate period. Promptly upon such determination, the calculation agent will notify the issuer and, if the trustee is not then serving as the calculation agent, the trustee, of the floating rate for the new quarterly interest payment period. The floating rate determined by the calculation agent, absent manifest error, will be binding and conclusive on the issuer and the holders of the capital securities and the trustee. The Bank of New York will initially act as the calculation agent.

3-month LIBOR, with respect to an interest payment during the floating rate period, means the rate (expressed as a percentage per year) for deposits in U.S. dollars for a three-month period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London banking day immediately preceding the first day of such interest payment period (the LIBOR determination date). The term Telerate Page 3750 means the display on Moneyline Telerate, Inc. on page 3750 or any successor service or page for the purpose of displaying the London interbank offered rates of major banks.

If 3-month LIBOR cannot be determined as described above, the issuer will select four major banks in the London interbank market. The issuer will request that the principal London offices of those four selected banks provide their offered quotations to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the LIBOR determination date for such distribution period. These quotations will be for deposits in U.S. dollars for a three-month period. Offered quotations must be based on a principal amount equal to an amount that is representative of a single transaction in U.S. dollars in the market at the time.

If two or more quotations are provided, 3-month LIBOR for the interest payment period will be the arithmetic mean of the quotations. If fewer than two quotations are provided, the issuer will select three

offered rates quoted by three major banks in New York City on the LIBOR determination date for that interest payment period. The rates quoted will be for loans in U.S. dollars for a three-month period. Rates quoted must be based on a principal amount equal to an amount that is representative of a single transaction in U.S. dollars in the market at the time. If fewer than three New York City banks selected by the issuer are quoting rates, 3-month LIBOR for the applicable interest payment period will be the same as for the immediately preceding interest payment period or, if the immediately preceding interest payment period is a fixed rate interest payment period, the same as for the most recent quarter for which 3-month LIBOR can be determined.

Business day means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions or trust companies located in New York City are authorized or obligated by law to close.

London banking day means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Record Dates

Interest is payable on each interest payment date to the person in whose name the capital security is registered at the close of business on the day next preceding the interest payment date. In the event the capital securities will not continue to remain in book-entry only form or are not in the form of a global certificate, the issuer will have the right to select record dates, which will be at least one business day before an interest payment date.

Optional Deferral of Interest

So long as no event of default, as described below, with respect to the capital securities has occurred and is continuing, the issuer may elect to defer one or more interest payments on the capital securities at any time and from time to time for up to ten years. Deferred interest will continue to accrue and will compound semi-annually to, but not including, , 2016, and quarterly, on and after , 2016, in each case, at the then applicable rate of interest on the capital securities, to the extent permitted by applicable law.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment, during a deferral period, of current interest on the capital securities, the alternative coupon satisfaction mechanism described below under Alternative Coupon Satisfaction Mechanism will apply, with the consequence, among others, that the issuer and the guarantor must (except upon an event of default with respect to the capital securities) make commercially reasonable efforts to sell qualifying warrants and non-cumulative perpetual preferred stock, as described below. If such efforts are successful, the issuer must pay optionally deferred interest out of the net proceeds from the sale of such securities by the issuer or the guarantor on the next succeeding interest payment date following such five year period or such current interest payment date. The issuer cannot pay such optionally deferred interest from sources other than the net proceeds from the sale of such securities by the issuer or the guarantor. The issuer s use of other sources to fund interest payments after an optional deferral period would be a breach of its obligations under the capital securities but would not be an event of default under the junior subordinated indenture. Additionally, during any optional deferral period the restrictions on payment by the issuer and the guarantor of dividends and other distributions on capital stock described below under Certain Restrictions during Optional Deferral Periods will apply.

If the issuer defers interest for a period of 10 consecutive years from the commencement of an optional deferral period, the issuer will be required to pay all accrued and unpaid interest (including compounded interest) at the conclusion of the 10-year period, and to the extent it does not do so, the

guarantor will be required to make guarantee payments in accordance with the subordinated guarantees with respect thereto. If the issuer fails to pay in full all accrued and unpaid interest (including compounded interest) at the conclusion of the 10-year period, due to an optional deferral or otherwise, such failure continues for 30 days and the guarantor fails to make guarantee payments with respect thereto, an event of default will occur.

The issuer must provide a notice of its election to defer interest to the trustee no more than 60 and no fewer than 15 days prior to the relevant interest payment date. A notice of optional deferral, once given, will be irrevocable and the deferral of payments on the related interest payment date will be considered an optional deferral. Unpaid interest on the capital securities will continue to accrue and compound during the pendency of any optional deferral period at the then applicable interest rate. When an optional deferral period ends and the issuer has paid all accrued and unpaid interest on the capital securities, together with interest thereon, to the extent permitted by applicable law, compounded semi-annually or quarterly, as applicable, at the then applicable rate of interest on the capital securities, which we refer to as compounded interest, the issuer may begin a new optional deferral period, subject to the terms described above. There is no limit on the number of optional deferral periods that the issuer may begin. Any deferral of interest on the capital securities by election of the issuer under this provision is referred to as an optional deferral, and the period during which such interest is deferred is referred to as an optional deferral period.

Certain Restrictions during Optional Deferral Periods

On any date on which accrued interest through the most recent interest payment date has not been paid in full, whether because of an optional deferral or otherwise, the issuer and the guarantor will not, and will not permit any subsidiary to:

- declare or pay any dividends on, make distributions regarding, or redeem, repurchase, purchase, acquire or make a liquidation payment with respect to, any shares of capital stock of the issuer or the guarantor, other than:

(1) purchases of the capital stock of the guarantor in connection with employee or agent benefit plans or the satisfaction of its obligations under any contract or security then outstanding requiring the guarantor to purchase capital stock or under any dividend reinvestment plan;

(2) in connection with the reclassifications of any class or series of the guarantor s capital stock, or the exchange or conversion of one class or series of the guarantor s capital stock for or into another class or series of the guarantor s capital stock;

(3) the purchase of fractional interests in shares of the guarantor s capital stock in connection with the conversion or exchange provisions of that capital stock or the security being converted or exchanged;

(4) dividends or distributions of the guarantor s capital stock, or rights to acquire common stock, or repurchases or redemptions of common stock, in each case solely from the issuance or exchange of common stock; or

(5) any declaration of a dividend in connection with the implementation of a shareholders rights plan, or issuances of capital stock under any such plan in the future, or redemptions or repurchases of any rights outstanding under a shareholder rights plan;

- make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the issuer or the guarantor that rank in right of payment equally with or junior to the capital securities or the subordinated guarantees, respectively, other than any payment,

repurchase or redemption in respect of debt securities of the issuer that rank in right of payment equally with the capital securities or debt securities of the guarantor that rank equally with the subordinated guarantees (parity debt securities) made ratably and in proportion to the respective amount of (1) accrued and unpaid amounts on such parity debt securities, on the one hand, and (2) accrued and unpaid amounts on the capital securities or the subordinated guarantees, as applicable, on the other hand; and

- make any guarantee payments with respect to any guarantee by the issuer or the guarantor of the debt securities of any subsidiary, if such guarantee ranks in right of payment equally with or junior to the capital securities or the subordinated guarantees, respectively, other than any payment in respect of guarantees that rank in right of payment equally with the capital securities and the subordinated guarantees (parity guarantees) made ratably and in proportion to the respective amount of (1) accrued and unpaid amounts on such parity guarantees, on the one hand, and (2) accrued and unpaid amounts on the capital securities or the subordinated guarantees, as applicable, on the other hand.

In addition, if any deferral period lasts longer than one year, the issuer and the guarantor will not, subject to the same limited exceptions and unless required to do so by any applicable regulatory authority, repurchase, or permit any subsidiary to purchase, the guarantor s common stock for a one-year period following the date on which all deferred interest has been paid.

If the issuer or the guarantor is involved in a business combination where immediately after its consummation more than 50% of the surviving entity s voting stock is owned by the shareholders of the other party to the business combination, then the immediately preceding sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

Alternative Coupon Satisfaction Mechanism

If the issuer has optionally deferred interest payments otherwise due on the capital securities, then following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment, during a deferral period, of current interest on the capital securities, the issuer and the guarantor must make commercially reasonable efforts to satisfy the issuer s obligation to pay interest in full on the capital securities (subject to the limitations described below) by selling qualifying warrants and non-cumulative perpetual preferred stock, the sale of which will provide cash to be paid to the holders of the capital securities in satisfaction of accrued and unpaid interest, together with any compounded interest. Such obligation will continue until all unpaid interest (including compounded interest) has been paid in full (subject to the limitations described below). The issuer s and the guarantor s obligation to make commercially reasonable efforts to sell such securities to satisfy the issuer s obligation to pay interest is subject to market disruption events and subject to certain caps, and does not apply if an event of default with respect to the capital securities has occurred and is continuing. The net proceeds received by the issuer and the guarantor from the issuance of qualifying warrants and non-cumulative perpetual preferred stock (i) during the 180 days prior to any interest payment date on which the issuer and the guarantor are required to use the alternative coupon satisfaction mechanism and (ii) designated by the issuer or the guarantor at or before the time of such issuance as available to pay interest on the capital securities will, at the time such proceeds are delivered to the junior subordinated indenture trustee to satisfy the relevant interest payment, be deemed to satisfy the issuer s obligations to pay interest on the capital securities pursuant to the alternative coupon satisfaction mechanism though any interest not so paid will continue to be treated as optionally deferred interest and such interest will continue to accrue and compound as described above.

Under the alternative coupon satisfaction mechanism, we are not required to issue qualifying warrants and non-cumulative perpetual preferred stock, as applicable, to the extent that (i) with respect to deferred interest attributable to the first 5 years of any deferral period (including compounded interest thereon), the number of shares of the guarantor s common stock underlying any issuance of qualifying warrants applied to pay such interest, together with the number of shares underlying all prior issuances of qualifying warrants during such deferral period so applied, would exceed 2% of the total number of issued and outstanding shares of the guarantor s common stock as of the date of our then most recent publicly available consolidated financial statements (the warrant issuance cap) or (ii) the net proceeds of any issuance of non-cumulative perpetual preferred stock applied to pay interest on the capital securities pursuant to the alternative coupon satisfaction mechanism, together with the net proceeds of all prior issuances of non-cumulative perpetual preferred stock so applied, would exceed 25% of the aggregate principal amount of the capital securities initially issued under the indenture (the preferred stock issuance cap).

Once we reach the warrant issuance cap, the guarantor will not be required to issue more qualifying warrants under the alternative coupon satisfaction mechanism with respect to deferred interest attributable to the first 5 years of any deferral period (including compounded interest thereon) even if there is a subsequent increase in the number of outstanding shares of the guarantor s common stock. The warrant issuance cap will cease to apply following the fifth anniversary of the commencement of any deferral period, at which point we may only pay any deferred interest, regardless of the time at which it was deferred, using the alternative coupon satisfaction mechanism, subject to the preferred stock issuance cap and any market disruption event. If the warrant issuance cap has been reached during a deferral period and we subsequently pay all deferred payments (and compound amounts) prior to the fifth anniversary of such deferral period, the warrant issuance cap will cease to apply, and will only apply again once we start a new deferral period. The preferred stock issuance cap will apply so long as the capital securities remain outstanding and all proceeds of issuances of non-cumulative perpetual preferred stock used to pay deferred interest hereunder will count against such cap.

As used in this section:

Commercially reasonable efforts to sell the issuer s or guarantor s qualifying warrants and non-cumulative perpetual preferred stock means commercially reasonable efforts to complete the offer and sale of such securities to third parties that are not subsidiaries of the issuer or the guarantor in public offerings or private placements, provided that the issuer and the guarantor will be deemed to have made such commercially reasonable efforts during a market disruption event, as defined below, regardless of whether the issuer or the guarantor makes any offers or sales during such market disruption event. For the avoidance of doubt, the issuer and the guarantor will not be considered to have made commercially reasonable efforts to effect a sale of qualifying warrants and non-cumulative perpetual preferred stock if the issuer or the guarantor determines to not pursue or complete such sale solely due to pricing, dividend rate or dilution considerations.

Non-cumulative perpetual preferred stock means non-cumulative perpetual preferred stock of the issuer or the guarantor or their subsidiaries that (i) contains no remedies other than permitted remedies and (ii)(a) is subject to intent-based replacement disclosure as such term is defined below and provides for mandatory deferral tied to the breach of certain financial triggers, or (b) is subject to a replacement capital covenant substantially similar to the replacement capital covenant applicable to the capital securities.

Permitted Remedies means, with respect to any securities, one or more of the following remedies: (a) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the issuer (including any such rights required by the listing requirements of any stock or securities

exchange on which such securities may be listed or traded), and (b) complete or partial prohibitions on the issuer paying distributions on or repurchasing common shares or other securities that rank pari passu with or junior as to distributions to such securities for so long as distributions on such securities, including unpaid distributions, remain unpaid. **Distributions** in this definition means, as to a security or combination of securities, dividends, interest payments or other income distributions to the holders thereof that are not subsidiaries of the guarantor.

Intent-based replacement disclosure means, as to any security or combination of securities, that the issuer has publicly stated its intention, either in the prospectus or other offering document under which such securities were initially offered for sale or in filings with the SEC made by the issuer under the Exchange Act prior to or contemporaneously with the issuance of such securities, to redeem or repurchase such securities only with the proceeds of specified replacement capital securities that have terms and provisions at the time of redemption or repurchase that are as or more equity-like than the securities then being redeemed or repurchased, raised within 180 days prior to the applicable redemption or repurchase date.

Qualifying warrants means net share settled warrants to purchase the guarantor s common stock that:

- have an exercise price greater than the current stock market price of the guarantor s common stock as of their date of issuance; and

- we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances.

The guarantor intends to issue qualifying warrants with exercise prices at least 10% above the current stock market price of the guarantor s common stock on the date of issuance. The current stock market price of the guarantor s common stock on any date shall be the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if the guarantor s common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which the guarantor s common stock is traded. If the guarantor s common stock is not listed on any U.S. securities exchange on the relevant date, the current stock market price shall be the last quoted bid price for the guarantor s common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If the guarantor s common stock is not so quoted, the current stock market price shall be the average of the mid-point of the last bid and ask prices for the guarantor s common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

A **market disruption event** means the occurrence or existence of any of the following events or sets of circumstances:

- Trading in securities generally on the principal exchange on which the issuer s or guarantor s securities are then listed and traded (as of today, the New York Stock Exchange) shall have been suspended or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the SEC, by such exchange or by any other regulatory body or governmental authority having jurisdiction;

- a material disruption or banking moratorium occurs or has been declared in commercial banking or securities settlement or clearance services in the United States;

- the guarantor would be required to obtain the consent or approval of its shareholders or the issuer or the guarantor would be required to obtain the consent or approval of a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue the issuer s or the guarantor s securities, and the issuer or the guarantor fail to obtain such consent or approval notwithstanding the issuer s and the guarantor s commercially reasonable efforts to such effect;

- there is such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, such that trading in the issuer s or the guarantor s securities shall have been materially disrupted or the effect of international conditions on the financial markets in the United States is such, as to make it, in the issuer s or the guarantor s judgment, impracticable to proceed with the offer and sale of the issuer s or guarantor s securities; or

- an event occurs and is continuing as a result of which the offering document for such offer and sale of securities would, in that issuer s reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and either (1) the disclosure of that event at such time, in that issuer s judgment, would have a material adverse effect on its business or (2) the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede that issuer s ability to consummate such transaction, provided that no single suspension period contemplated by this provision may exceed 90 consecutive days and multiple suspension periods contemplated by this provision may not exceed an aggregate of 180 days in any 360-day period.

Any interest payment made pursuant to the alternative coupon satisfaction mechanism will first be allocated to payment of the interest due on that payment date. Any payment of interest in excess of the amount of the interest due on that payment date will be applied first against any then existing accrued and unpaid interest, in chronological order beginning with the earliest unpaid interest payment date, and then against any accrued and unpaid compounded interest. In the event that the issuer defers the interest payment on the capital securities and on other securities that rank equally with the capital securities and contain similar requirements to pay interest pursuant to the alternative coupon satisfaction mechanism, the issuer will apply any net proceeds so raised on a pro rata basis towards its obligations to pay interest on the capital securities and such equally ranking securities.

Although our failure to comply with our obligations with respect to the alternative coupon satisfaction mechanism will breach the indenture, it will not constitute an event of default that gives a right of acceleration thereunder.

Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership

The junior subordinated indenture provides that a holder of capital securities, by such holder s acceptance of the capital securities, agrees that in certain events of the issuer s bankruptcy, insolvency or receivership prior to the maturity or redemption of any capital securities, whether voluntary or not, such holder of capital securities will have no claim for, and thus no right to receive, interest that is unpaid (including compounded interest thereon) and has not been settled through the application of the alternative coupon satisfaction mechanism to the extent the amount of such interest (including compounded interest thereon) relates to the first two years of the portion of the deferral period for which interest has not so been paid.

Consolidation, Merger, Conveyance, Sale of Assets and Other Transfers

The provisions of the junior subordinated indenture relating to the issuer s and the guarantor s possible consolidation, merger, conveyance, sale of assets and other transfers will apply to the capital securities. You should refer to the description of these provisions under Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee Consolidation, Amalgamation, Merger and Sale of Assets in the accompanying prospectus.

Subordination

The payment of principal of and interest on the capital securities, to the extent provided in the junior subordinated indenture, will be subordinated in right of payment to the prior payment in full of all present and future senior and non-junior subordinated indebtedness, as defined below. As noted below, the capital securities will rank *pari passu* with indebtedness for the purchase of goods or materials or for services obtained in the ordinary course of business, and any indebtedness which by its terms is expressly made equal in rank and payment with the capital securities.

Subject to the qualifications described below, the term senior indebtedness includes principal of, and interest and premium, if any, on the following:

- all indebtedness of the issuer, whether outstanding on the date of the issuance of the capital securities or thereafter created, incurred or assumed, which is for money borrowed (including, without limitation, trust preferred securities of statutory trusts and related subordinated debentures and guarantees of the issuer issued under the junior subordinated indenture), or which is evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets, including securities;

- all obligations of the issuer under leases required or permitted to be capitalized under generally accepted accounting principles;

- all obligations of the issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

- all obligations of the issuer for the reimbursement of any obligor on any letter of credit, banker s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in the three bullet points above) entered into in the ordinary course of business of the issuer to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by the issuer of a demand for reimbursement following payment on the letter of credit);

- any indebtedness of others of the kinds described in the four bullet points above for the payment of which the issuer is responsible or liable as guarantor or otherwise;

- all obligations of the type referred to in the five bullets above of other persons secured by any lien on any property or asset of the issuer (whether or not such obligation is assumed by the issuer), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

- amendments, modifications, renewals, extensions, deferrals and refundings of any of the above types of indebtedness.

The senior indebtedness will continue to be senior indebtedness and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of the senior indebtedness or extension or renewal of the senior indebtedness. Notwithstanding anything to the contrary in the foregoing, senior indebtedness will not include (1) indebtedness incurred for the purchase of goods or materials or for services obtained in the ordinary course of business, (2) any indebtedness which by its terms is expressly made equal in rank and payment with or subordinated to the capital securities and (3) obligations owed by the issuer to its subsidiaries.

No direct or indirect payment, in cash, property or securities, by set-off or otherwise, may be made or agreed to be made on account of the capital securities or interest thereon, or in respect of any repayment, redemption, retirement, purchase or other acquisition of the capital securities, if:

- the issuer defaults in the payment of any principal, or premium, if any, or interest on any senior indebtedness, whether at maturity or at a date fixed for prepayment or declaration or otherwise; or

- an event of default occurs with respect to any senior indebtedness permitting the holders of senior indebtedness to accelerate the maturity and written notice of such event of default, requesting that payments on the capital securities cease, is given to the issuer by any holder of senior indebtedness, unless and until such default in payment or event of default has been cured or waived or ceases to exist.

All present and future senior indebtedness, which will include, without limitation, interest accruing after the commencement of any proceeding, assignment or marshaling of assets described below, will first be paid in full before any payment, whether in cash, securities or other property, will be made by the issuer on account of the capital securities in the event of:

- any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the issuer, its creditors or its property;

- any proceeding for the liquidation, dissolution or other winding-up of the issuer, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;

- any assignment by the issuer for the benefit of creditors; or

- any other marshaling of the assets of the issuer.

In any such event, payments which would otherwise be made on the capital securities will generally be paid to the holders of senior indebtedness, or their representatives, in accordance with the priorities existing among these creditors at that time until the senior indebtedness is paid in full. If the payments on the capital securities are in the form of the issuer s securities or those of any other corporation under a plan of reorganization or readjustment and are subordinated to outstanding senior indebtedness and to any securities issued with respect to such senior indebtedness under a plan of reorganization or readjustment, they will be made to the holders of senior indebtedness and then, if any amounts remain, to the holders of the capital securities. No present or future holder of any senior indebtedness will be prejudiced in the right to enforce the subordination of the capital securities by any act or failure to act on the part of the issuer.

In the event that, notwithstanding any of the foregoing prohibitions, the junior subordinated indenture trustee or the holders of the capital securities receive any payment on account of or in respect of the capital securities at a time when a responsible officer of the junior subordinated indenture trustee or such holder has actual knowledge that such payment should not have been made to it, the trustee or such holder will hold such payment in trust for the benefit of, and, upon written request, will pay it over to, the

holders of the senior indebtedness or their agents or representatives, for application to the payment of all principal, premium, if any, and interest then payable with respect to any senior indebtedness.

Senior indebtedness will only be deemed to have been paid in full if the holders of such indebtedness have received cash, securities or other property which is equal to the amount of the outstanding senior indebtedness.

After payment in full of all present and future senior indebtedness, holders of the capital securities will be subrogated to the rights of any holders of senior indebtedness to receive any further payments that are applicable to the senior indebtedness until all the capital securities are paid in full. In matters between holders of the capital securities and any other type of the issuer s creditors, any payments that would otherwise be paid to holders of senior indebtedness and that are made to holders of the capital securities because of this subrogation will be deemed a payment by the issuer on account of senior indebtedness and not on account of the capital securities.

Moreover, the junior subordinated indenture provides that a holder of capital securities, by such holder s acceptance of the capital securities, agrees that in certain events of the issuer s bankruptcy, insolvency or receivership prior to the maturity or redemption of any capital securities, whether voluntary or not, such holder of capital securities will have no claim for, and thus no right to receive, interest that is unpaid (including compounded interest thereon) and has not been settled through the application of the alternative coupon satisfaction mechanism to the extent the amount of such interest (including compounded interest thereon) relates to the first two years of the portion of the deferral period for which interest has not so been paid. We refer to the unpaid interest for which the holder has no claim pursuant to the limitations described in this paragraph as foregone interest.

The junior subordinated indenture places no limitation on the amount of additional senior indebtedness that may be incurred by the issuer. The issuer expects from time to time to incur additional indebtedness constituting senior indebtedness.

In addition to the contractual subordination provisions described above, the rights of the holders of the capital securities will be structurally subordinated to all existing and future obligations of the issuer s subsidiaries. The issuer is a holding company. As a result, it relies primarily on dividends or other payments from its direct and indirect operating subsidiaries, which generally are regulated insurance companies, to pay principal and interest on its outstanding debt obligations, and to make dividend distributions on its capital stock. Regulatory rules, and certain covenants contained in various debt agreements, may restrict the issuer s ability to withdraw capital from its subsidiaries by dividends, loans or other payments. The issuer can also utilize investment securities maintained in its portfolio for these payments. The principal source of funds for the issuer s operating subsidiaries is from current operations.

Due to the subordination provisions described above, in the event of the issuer s insolvency, funds which it would otherwise use to pay the holders of the capital securities will be used to pay the holders of indebtedness and guarantees ranking senior in right of payment to the capital securities, to the extent necessary to pay such senior indebtedness in full. As a result of these payments, the issuer s general creditors may recover less, ratably, than the holders of its senior indebtedness and these general creditors may recover more, ratably, than the holders of the capital securities.

The issuer s indebtedness as of September 30, 2006, was approximately $200 million, all of which would be senior in right of payment to the capital securities. As of September 30, 2006, the issuer s subsidiaries had approximately $413.9 million of outstanding liabilities that effectively rank senior to the capital securities.

The capital securities will be structurally subordinated in right of payment to all of the issuer s subsidiaries current and future obligations. The issuer only has a stockholder s claim in the assets of its subsidiaries. This stockholder s claim is junior in right of payment to claims that creditors and insurance contract holders of the issuer s subsidiaries have against those subsidiaries. Holders of the capital securities will only be creditors of the issuer, and such holders will not be creditors of the issuer s subsidiaries, where most of the issuer s consolidated assets are located. All of the issuer s subsidiaries current and future liabilities, including any claims of trade creditors, claims under insurance contracts, debt obligations and other liabilities and third-party preferred shareholders, will be effectively senior in right of payment to the capital securities.

Guarantees

The guarantor s obligations under the guarantees are subordinate and junior in right of payment to all of its senior indebtedness (including the guarantor s outstanding senior notes), except any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, the subordinated guarantees. In addition, the guarantor s obligations under the guarantees shall rank equal in right of payment to indebtedness incurred for the purchase of goods or materials or for services obtained in the ordinary course of business. This means that the guarantor cannot make any payments on the subordinated guarantees if it defaults on a payment of senior indebtedness and does not cure the default within the applicable grace period, if the holders of the senior indebtedness have the right to accelerate the maturity of the senior indebtedness and request that the guarantor cease payments on the subordinated guarantees or if the terms of the guarantor s senior indebtedness otherwise restrict it from making payments to junior creditors.

The guarantor had no outstanding indebtedness as of September 30, 2006. The guarantor has guaranteed the issuer s $200 million of 7.00% Senior Notes due 2034. As of September 30, 2006, the guarantor s subsidiaries had approximately $1,088.0 million of outstanding liabilities that effectively rank senior to the guarantees.

In the event of the guarantor s insolvency, funds which the guarantor would otherwise use to pay the holders of the capital securities will be used to pay the holders of indebtedness and guarantees ranking senior in right of payment to the guarantees, to the extent necessary to pay such senior indebtedness in full. As a result of those payments, the guarantor s general creditors may recover less, ratably, than the holders of the guarantor s senior indebtedness and these general creditors may recover more, ratably, than the holders of the capital securities. In addition, the holders of the guarantor s indebtedness and guarantees ranking senior in right of payment to the guarantees, may, under certain circumstances, restrict or prohibit the guarantor from making payments on the subordinated guarantees.

There are no terms in the junior subordinated indenture, the capital securities or the subordinated guarantees that limit the guarantor s ability to incur additional indebtedness, and the guarantor expects from time to time to incur additional indebtedness ranking senior in right of payment to the capital securities and the guarantees thereof.

Because the guarantor is a holding company, the guarantor s rights and the rights of its creditors, including the holders of capital securities who would be a creditor of the guarantor by virtue of the subordinated guarantees, and shareholders to participate in any distribution of the assets of any subsidiary upon the subsidiary s liquidation or reorganization or otherwise would be subject to prior claims of the subsidiary s creditors and policyholders, except to the extent that the guarantor may be a creditor of the subsidiary. The right of the guarantor s creditors, including the holders of capital securities, to participate in the distribution of the stock owned by the guarantor in some of its subsidiaries, including its insurance

subsidiaries, may also be subject to approval by insurance regulatory authorities having jurisdiction over the subsidiaries.

Redemption

The issuer may redeem the capital securities:

- in whole or in part, at its option, on and after , 2016, at a cash redemption price equal to the par redemption amount; provided that if the capital securities are not redeemed in whole, at least $50 million aggregate principal amount of the capital securities (excluding any capital securities held by the issuer or any of its affiliates) remains outstanding after giving effect to such redemption; or

- in whole, at its option, including, but not limited to, upon the occurrence of a tax event or a rating agency event, each as defined in this prospectus supplement, prior to , 2016, at a cash redemption price of the greater of (i) the par redemption amount and (ii) the applicable make-whole redemption amount.

As used in this section:

Comparable treasury issue means the U.S. Treasury security selected by the quotation agent as having a term comparable to the period from the redemption date to , 2016 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a term comparable to such period.

Comparable treasury price means, with respect to a redemption date (1) the average of four reference treasury dealer quotations for such redemption date, after excluding the highest and lowest reference treasury dealer quotations, or (2) if the quotation agent obtains fewer than four such reference treasury dealer quotations, the average of all such quotations.

- **H.15(519)** means the weekly statistical release designated as such, or any successor publication, published by the Federal Reserve System Board of Governors, available through the Board of Governors of the Federal Reserve System s website at http://www.federalreserve.gov/releases/H15/ or any successor site or publication. We make no representation or warranty as to the accuracy or completeness of the information displayed on such website, and such information is not incorporated by reference herein and should not be considered a part of this prospectus supplement.

Make-whole rate means the treasury rate plus, (x) in the case of a tax event or a rating agency event, basis points, and (y) in the case of a redemption for any other reason, basis points.

Make-whole redemption amount means the sum of the present value of (i) the aggregate principal amount outstanding of the capital securities discounted from the interest payment date falling on , 2016 to the date fixed for redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable make-whole rate, and (ii) the present values of scheduled semi-annual interest payments from the date fixed for redemption through and including the interest payment date on , 2016, each discounted from such interest payment date to the date fixed for redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable make-whole rate, plus any accrued and unpaid interest, together with any compounded interest to the date of redemption, as calculated by the quotation agent.

Par redemption amount means a cash redemption price of 100% of the principal amount of the capital securities to be redeemed, plus accrued and unpaid interest, together with any compounded interest, on such capital securities to the date of redemption.

Quotation agent means one of the reference treasury dealers appointed by the issuer.

Rating agency event means the determination by the issuer or the guarantor of a change by any nationally recognized statistical rating organization within the meaning of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended, that currently publishes a rating for the issuer or the guarantor (a rating agency) in the equity credit criteria for securities such as the capital securities resulting in a lower equity credit to the issuer or the guarantor than the equity credit assigned by such rating agency to the capital securities on their issue date.

Reference treasury dealer means (1) Banc of America Securities LLC, Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and (2) any additional primary U.S. government securities dealers in New York City (each, a primary treasury dealer) selected by the issuer and their successors, provided, however, that if any of them ceases to be a primary treasury dealer the issuer will substitute another primary treasury dealer.

Reference treasury dealer quotations means, with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Tax event means, with respect to the capital securities, the receipt by the issuer or the guarantor of an opinion of counsel, rendered by a law firm with experience in such matters, to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any official administrative pronouncement (including a private letter ruling, technical advice memorandum or similar pronouncement) or judicial decision interpreting or applying such laws or regulations, or (c) a threatened challenge asserted in connection with an audit of the issuer or the guarantor or any of their subsidiaries, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the capital securities, which amendment or change is effective or which pronouncement or decision is announced or which challenge occurs on or after the date of issuance of the capital securities, there is more than an insubstantial increase in the risk that interest accruing or payable by the issuer on the capital securities is not or, at any time subsequent to the issuer s or the guarantor s receipt of such opinion, will not be, wholly deductible by the issuer for U.S. federal income tax purposes.

With respect to any redemption of capital securities as a result of a tax event, the date fixed for such redemption will be within 180 days following the occurrence of the tax event; provided, however, that if at that time the issuer or the guarantor is able to eliminate, within the 180-day period, the tax event by taking some ministerial action (such as making an election or filing a form) that has no adverse effect on the issuer or the guarantor or the holders of the capital securities, the issuer and the guarantor will pursue such action in lieu of redemption. The issuer will have no right or obligation to redeem the capital securities while it is pursuing such measure.

Treasury rate means the yield, under the heading that represents the average for the week immediately prior to the redemption date, appearing in the most recently published statistical release designated H.15(519) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the comparable treasury issue (if no maturity is within three months before or after the end of the relevant interest payment period, yields for the two published maturities most closely corresponding to the comparable treasury issue will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, treasury rate means the rate per year equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date. The treasury rate will be calculated on the third business day preceding the redemption date.

The issuer will mail, or cause the junior subordinated indenture trustee to mail, notice of every redemption of capital securities by first class mail, postage prepaid, addressed to the holders of record of the capital securities to be redeemed at their respective last addresses appearing on the issuer s books. Such mailing will be at least 15 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing of such notice, to any holder of capital securities designated for redemption will not affect the redemption of any other capital securities. Each notice will state (i) the redemption date; (ii) the redemption price; (iii) that the capital securities are being redeemed pursuant to the junior subordinated indenture or the terms of the capital securities together with the facts permitting such redemption; (iv) if less than all outstanding capital securities are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular capital securities to be redeemed; (v) the place or places where the capital securities are to be redeemed; and (vi) that interest on the capital securities to be redeemed will cease to accrue on the redemption date.

Any capital securities to be redeemed pursuant to the aforementioned notice will, on the date fixed for redemption, become due and payable at the redemption price. From and after such date such capital securities will cease to bear interest. Upon surrender of any such capital securities for redemption in accordance with said notice, such capital securities will be paid by the issuer at the redemption price, subject to certain conditions. If any capital securities called for redemption are not so paid upon surrender thereof for redemption, the redemption price will, until paid, bear interest from the redemption date at the rate prescribed therefor in the capital securities. Any capital securities redeemed only in part will be surrendered in accordance with the provisions of the junior subordinated indenture. In exchange for the unredeemed portion of such surrendered capital securities, new capital securities in an aggregate principal amount equal to the unredeemed portion will be issued.

Junior Subordinated Indenture Events of Default

An event of default with respect to the capital securities that gives a right to declare an acceleration of payment in capital securities means:

- default for 30 calendar days in the payment of any interest on the capital securities when it becomes due and payable (whether or not such payment is prohibited by the subordination provisions); however, a default under this provision will not arise if the issuer has properly deferred the interest in connection with an optional deferral period or when the alternative coupon satisfaction mechanism applies;

- any non-payment of interest, whether due to an optional deferral or otherwise, that continues for 10 consecutive years without all accrued and unpaid interest (including compounded interest) having been paid in full, such non-payment continues for 30 days and the guarantor fails to make guarantee payments with respect thereto;

- default in the payment of the principal of, and premium, if any, on the capital securities when due; or

- certain events of bankruptcy, insolvency or receivership, whether voluntary or not.

Junior subordinated indenture events of default with respect to the capital securities that gives a right to declare an acceleration of payment in capital securities, which replace the events of default described in Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee Events of Default in the accompanying prospectus, do not include failure to comply with or breach of other covenants in the junior subordinated indenture with respect to the capital securities (an other covenant default), including the covenant to sell qualifying warrants and non-cumulative perpetual preferred stock through the alternative coupon satisfaction mechanism to meet certain interest payment obligations. Accordingly, an other covenant default will not result in the acceleration of payment of the capital securities. Although an other covenant default will not constitute an event of default for purposes of declaring an acceleration of payment of the capital securities, it will otherwise constitute a default under the junior subordinated indenture and could give rise to a claim against the issuer relating to the specific breach; however, the remedy of holders of the capital securities may be limited to direct monetary damages (if any). An other covenant default will only give rise to possible remedies if it continues for 60 days after delivery of specified notice.

Holders of the capital securities may not themselves institute a proceeding against the issuer on account of an other covenant default unless, among other things, the junior subordinated indenture trustee fails to institute such a proceeding, subject to the terms of the junior subordinated indenture. However, the holders of a majority in principal amount of the capital securities may direct the junior subordinated indenture trustee to bring such a proceeding if an other covenant default continues for a period of 60 days after delivery of specified notice to the issuer from the junior subordinated indenture trustee or to the issuer and the junior subordinated indenture trustee from the holders of a majority in principal amount of the capital securities, subject to the terms of the junior subordinated indenture. Except with respect to covenants relating to the issuer s and the guarantor s obligation to file periodic or other reports and an annual statement with respect to junior subordinated indenture defaults, the junior subordinated indenture will not require the junior subordinated indenture trustee to take any action in case of an other covenant default (other than to give notice of such default to the holders of the capital securities under certain circumstances, as described below) unless so directed by the holders of the capital securities. In the case of an other covenant default resulting from the issuer s or the guarantor s failure or breach in regards to the issuer s and guarantor s obligation under the junior subordinated indenture, such other covenant default, after its continuance for 60 days after delivery of such specified notice, will be treated under the junior subordinated indenture as if it were an event of default with respect to the capital securities, and the junior subordinated indenture trustee will have all of the rights, duties and obligations, and the holders of the capital securities will have all of the rights, in respect of such other covenant default as if such other covenant default were such an event of default, except that there will be no right to accelerate the payment of the capital securities.

The junior subordinated indenture provides, as to both events of default and other covenant defaults, that holders of the capital securities only have the right to institute a direct action against the issuer or the guarantor upon compliance with certain conditions specified in the junior subordinated indenture. These conditions include, among other things, prior notice by the requisite percentage of holders of the capital

securities, offer of indemnification to the junior subordinated indenture trustee, and failure of the junior subordinated indenture trustee to act for 60 days.

Within 90 days after a default, the junior subordinated indenture trustee must give to the holders of the capital securities notice of all uncured and unwaived defaults by the issuer or the guarantor known to it. However, except in the case of default in payment, the junior subordinated indenture trustee may withhold such notice if it determines that such withholding is in the interest of such holders.

If an event of default occurs in respect of any outstanding capital securities, the junior subordinated indenture trustee or the holders of at least 25% in principal amount of the outstanding capital securities may declare the principal amount, premium, if any and all unpaid and accrued interest (other than foregone interest in case of certain events of bankruptcy, insolvency or receivership, whether voluntary or not) to be due and payable immediately by written notice thereof to the issuer and the guarantor, and to the junior subordinated indenture trustee if given by the holders of the capital securities, subject to the terms of the junior subordinated indenture. However, the payment of principal, premium, if any, and interest on the capital securities and the subordinated guarantees will remain subordinated in right of payment to the extent provided in the junior subordinated indenture. In addition, at any time after such a declaration of acceleration but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the capital securities may, subject to specified conditions, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, or premium, if any, or interest on the capital securities have been cured or waived as provided in the junior subordinated indenture. See Modification, Waiver, Meetings and Voting Waiver of Default in this prospectus supplement.

Satisfaction, Discharge and Defeasance

The defeasance, satisfaction and discharge provisions of the junior subordinated indenture will apply to the capital securities. You should refer to the description of these provisions under Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus.

Defeasance of Certain Covenants

The junior subordinated indenture provides that the issuer may elect to defease certain covenants with respect to any debt securities, including the capital securities offered by this prospectus supplement from the date hereof. Such defeasance will take effect when the issuer deposits, in trust for the benefit of the holders of such capital securities, money or U.S. government obligations, or both, which, through the payment of principal and interest in accordance with their terms, will provide money in an amount sufficient to pay and discharge the entire amount of principal and interest on such capital securities in accordance with their terms. Such defeasance may occur only if, among other things, the issuer has delivered to the junior subordinated indenture trustee an opinion of counsel stating that holders of the capital securities will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance were not to occur. In the event the issuer exercises this option with respect to any capital securities and such capital securities are declared due and payable because of the occurrence of any event of default, the amount of money and U.S. government obligations so deposited in trust will be sufficient to pay amounts due on such capital securities at their maturity but may not be sufficient to pay amounts due on the capital securities upon any acceleration resulting from such event of default. In such case, the issuer and the guarantor will remain liable for such payments.

Modification, Waiver, Meetings and Voting

Modification of Junior Subordinated Indenture

The modification provisions of the junior subordinated indenture will apply to the capital securities. You should refer to the description of these provisions under Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee Modification and Waiver in the accompanying prospectus.

Waiver of Default

The holders of not less than a majority in aggregate principal amount of the capital securities then outstanding may, on behalf of the holders of all capital securities, waive any past default under the junior subordinated indenture except a default in the payment of principal, premium, if any, or any interest on the capital securities and a default in respect of a covenant or provision of the junior subordinated indenture which cannot be modified or amended without the consent of each holder of the capital securities then outstanding.

Governing Law

The junior subordinated indenture and the capital securities will be governed by, and construed in accordance with, the laws of the State of New York.

Book-Entry System

Upon issuance, the capital securities will be represented by one or more fully registered global certificates, each of which we refer to as a global security. Each such global security will be deposited with, or on behalf of, DTC and registered in the name of DTC or a nominee thereof. Initial settlement for the capital securities will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules and will be settled in immediately available funds using DTC s Same-Day Funds Settlement System. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the capital securities. Unless and until it is exchanged in whole or in part for capital securities in definitive form, no global security may be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Beneficial interests in the capital securities will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the capital securities held by DTC through Clearstream, Luxembourg or Euroclear Bank S.A./N.V., as operator of the Euroclear System, the (Euroclear operator), if they are participants in such systems or indirectly through organizations that are participants in such systems. Clearstream, Luxembourg and the Euroclear operator will hold interests on behalf of their participants through customers securities accounts in Clearstream, Luxembourg s and the Euroclear operator s names on the books of their respective depositaries, which in turn will hold such interests in customers securities accounts in the depositaries names on the books of DTC.

So long as DTC, or its nominee, is a registered owner of a capital security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the capital securities represented by such capital security for all purposes under the junior subordinated indenture. Except as provided below, the actual owners of the capital securities represented by a capital security (the beneficial owner) will not be entitled to have the capital securities represented by such capital security registered in their names, will not receive or be entitled to receive physical delivery of the capital securities in definitive form and will not be considered the owners or holders thereof under the junior subordinated indenture.

Accordingly, each person owning a beneficial interest in a capital security must rely on the procedures of DTC and, if such person is not a participant of DTC (a participant), on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the junior subordinated indenture. We understand that under existing industry practices, in the event that the issuer requests any action of holders of the capital securities or that an owner of a beneficial interest that a holder is entitled to give or take under the junior subordinated indenture, DTC would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by DTC to participants, by participants to indirect participants, as defined below, and by participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The following is based on information furnished by DTC:

DTC will act as securities depositary for the capital securities. Offered securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee). One or more fully registered global securities will be issued for the capital securities in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants of DTC (direct participants) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the NASD. Access to DTC s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly (indirect participants). The rules applicable to DTC and its participants are on file with the SEC.

Purchases of the capital securities under DTC s system must be made by or through direct participants, which will receive a credit for the capital securities on DTC s records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owner entered into the transaction. Transfers of ownership interests in the capital securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the capital securities, except in the limited circumstances that may be provided in the junior subordinated indenture.

To facilitate subsequent transfers, all capital securities deposited with DTC are registered in the name of DTC s partnership nominee, Cede & Co. The deposit of the capital securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the capital securities. DTC s records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the capital securities. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts securities are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Payments on the capital securities will be made in immediately available funds to DTC. DTC s practice is to credit direct participants accounts on the applicable payment date in accordance with their respective holdings shown on DTC s records unless DTC has reason to believe that it will not receive payment on such date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of DTC, the trustee or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Any payment due to DTC on behalf of beneficial owners is the responsibility of the issuer or the applicable agent, disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct participants and indirect participants.

DTC may discontinue providing its services as securities depositary with respect to the capital securities at any time by giving reasonable notice to the issuer or the applicable agent. Under such circumstances, in the event that a successor securities depositary is not obtained, offered security certificates are required to be printed and delivered. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, offered security certificates will be printed and delivered.

Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its participating organizations (Clearstream, Luxembourg participants) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depositary, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute.

Clearstream, Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant, either directly or indirectly.

Distributions with respect to the capital securities held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream, Luxembourg.

Euroclear advises that it was created in 1968 to hold securities for its participants (Euroclear participants) and to clear and settle transactions between Euroclear participants through simultaneous

electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is owned by Euroclear Clearance System Public Limited Company and operated through a license agreement by the Euroclear operator.

Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters or agents for the capital securities. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium. Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear and applicable Belgian law (collectively, the Terms and Conditions). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to the capital securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the U.S. depositary for Euroclear.

Global Clearance and Settlement Procedures

Initial settlement for the capital securities will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules and will be settled in immediately available funds using DTC s Same-Day Funds Settlement System. If and to the extent this prospectus supplement with respect to any of the capital securities indicates that investors may elect to hold interests in the capital securities through Clearstream, Luxembourg or Euroclear, secondary market trading between Clearstream, Luxembourg participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the capital securities.

Cross-market transfers between persons holding capital securities directly or indirectly through DTC, on the one hand, and holding capital securities directly or indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Clearstream, Luxembourg or Euroclear, as the case may be, by its U.S. depositary; however, such cross-market transactions will require delivery of instruction to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). Clearstream, Luxembourg or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver to its U.S. depositary instructions to take action to effect final settlement on its behalf by delivering or receiving the capital securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to DTC.

Because of time-zone differences, credits of the capital securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and will be credited the business day following the DTC settlement date. Such credits or any transactions in the capital securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of the capital securities by or through a Clearstream, Luxembourg participant or a Euroclear participant to a DTC participant will be received with value on DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear case account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the capital securities among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

About the Trustee

The Bank of New York is the junior subordinated indenture trustee and will be the principal paying agent and registrar for the capital securities.

The trustee may resign or be removed with respect to one or more series of debt securities under the junior subordinated indenture, and a successor trustee may be appointed to act with respect to such series.

Miscellaneous

The issuer will have the right at all times to assign any of its respective rights or obligations under the junior subordinated indenture to a direct or indirect wholly-owned subsidiary of the issuer; provided that, in the event of any such assignment, the issuer will remain liable for all of its respective obligations. Subject to the foregoing, the junior subordinated indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. The junior subordinated indenture provides that it may not otherwise be assigned by the parties thereto.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Mayer, Brown, Rowe & Maw LLP, special tax counsel to us, the following summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the capital securities is accurate in all material respects.

The following is a general discussion of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the capital securities. Except where noted, this discussion only applies to capital securities that are held as capital assets by holders who purchase the capital securities upon their original issuance at their initial offering price. This discussion does not describe all of the material tax considerations that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as certain financial institutions, insurance companies, tax-exempt entities, certain former citizens or residents of the United States, dealers and certain traders in securities, persons holding the capital securities as part of a hedge, straddle or other integrated transaction or persons whose functional currency is not the U.S. dollar. In addition, this discussion does not address the effect of any state, local, foreign or other tax laws or any U.S. federal estate, gift or alternative minimum tax considerations. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as in effect on the date hereof, and all of which are subject to change or differing interpretations, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

As used in this prospectus supplement, the term U.S. Holder means a beneficial owner of a capital security that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust with respect to which (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) a valid election is in effect under applicable Treasury regulations to be treated as a U.S. person.

The term Non-U.S. Holder means a beneficial owner of a capital security that is not a U.S. Holder or a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds capital securities, the tax treatment of the partnership and its partners will generally depend on the status of the partner and the activities of the partnership and its partners. If you are a partner in a partnership (or other entity that is treated as a partnership for U.S. federal income tax purposes), you should consult your own tax advisors regarding the U.S. federal income tax considerations of the purchase, ownership and disposition of capital securities.

Persons considering the purchase of capital securities should consult their own tax advisors regarding the U.S. federal income tax considerations relating to the purchase, ownership and disposition of capital securities in light of their particular circumstances, as well as the effect of any state, local, foreign or other tax laws.

Classification of the Capital Securities

The determination of whether a security should be classified as indebtedness or equity for U.S. federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the U.S. federal income tax treatment of securities similar to the capital securities, and no rulings have been sought or are expected to be sought from the Internal Revenue Service (the IRS). In connection with the issuance of the capital securities, Mayer, Brown, Rowe & Maw LLP, our special tax counsel, will provide us with its opinion generally to the effect that, although the matter is not free from doubt, under then current law and assuming full compliance with the terms of the junior subordinated indenture and other relevant documents, and based on the facts and assumptions contained in such opinion, the capital securities will be treated as indebtedness for U.S. federal income tax purposes. Such opinion is not binding on the IRS or any court, and there can be no assurance that the IRS or a court will agree with such opinion. If the IRS were to challenge successfully the classification of the capital securities as indebtedness, interest payments on the capital securities would be treated for such purposes as dividends to the extent of our current or accumulated earnings and profits. In the case of Non-U.S. Holders, distributions treated as dividends would be subject to withholding of U.S. federal income tax, except to the extent provided by an applicable income tax treaty.

We agree, and by acquiring a capital security each holder of a capital security will agree, to treat the capital securities as indebtedness for U.S. federal income tax purposes. The remainder of this discussion assumes the capital securities will be respected as indebtedness for U.S. federal income tax purposes.

U.S. Holders

Interest Income and Original Issue Discount

Under applicable Treasury regulations, the possibility that interest on the capital securities might be deferred could result in the capital securities being treated as issued with original issue discount (OID), notwithstanding that the capital securities are issued at par, unless the likelihood of such deferral is remote. We believe that the likelihood of interest deferral on the capital securities is remote within the meaning of the Treasury regulations and therefore that the possibility of such deferral will not result in the capital securities being treated as issued with OID. Based on the foregoing, we believe that, although the matter is not free from doubt, the capital securities will not be considered to be issued with OID. Accordingly, interest paid on the capital securities will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with such U.S. Holder s method of accounting for U.S. federal income tax purposes.

However, there can be no assurance that the IRS or a court will agree with this position. If the possibility of interest deferral were determined not to be remote, the capital securities would be treated as issued with OID at the time of issuance and all stated interest would be treated as OID. In such case, a U.S. Holder would be required to include stated interest in income as it accrues, regardless of its method of accounting, using a constant yield method, and actual cash payments of interest on the capital securities would not be reported as taxable income.

Further, during any deferral period, the capital securities will be treated as issued with OID at the time of such deferral and all stated interest due after such deferral will be treated as OID. Consequently, a U.S. Holder of capital securities would be required to include OID in its gross income in the manner described above even though we would not make any actual cash payments during a deferral period.

Sale, Exchange, Redemption or Retirement of the Capital Securities

Upon the sale, exchange, redemption or retirement of a capital security, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized (less any accrued interest not

previously included in the U.S. Holder s income, which will be taxable as ordinary income) on the sale, exchange, redemption or retirement and such U.S. Holder s adjusted tax basis in the capital security. Assuming that we do not exercise our option to defer payment of interest on the capital securities and that the capital securities are not deemed to be issued with OID, a U.S. Holder s adjusted tax basis in the capital securities generally will be its initial purchase price. If the capital securities are deemed to be issued with OID, a U.S. Holder s tax basis in the capital securities generally will be its initial purchase price, increased by OID previously includible in that U.S. Holder s gross income to the date of disposition and decreased by payments received on the capital securities since and including the date that the capital securities were deemed to be issued with OID. That gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the capital securities have been held for more than one year. A U.S. Holder that is an individual is generally entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to deduct capital losses is limited.

Information Reporting and Backup Withholding

Information reporting requirements generally apply in connection with payments on the capital securities to, and the proceeds from a sale or other disposition of the capital securities by, non-corporate U.S. Holders. A U.S. Holder will be subject to backup withholding tax on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such U.S. Holder s U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Although not free from doubt, no withholding of U.S. federal income tax will apply to a payment on a capital security to a Non-U.S. Holder under the Portfolio Interest Exemption, provided that:

- such payment is not effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States (or, if certain income tax treaties apply, such payment is not attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States);

- the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock entitled to vote;

- the Non-U.S. Holder is not a controlled foreign corporation that is related directly or constructively to us through stock ownership; and

- the Non-U.S. Holder provides the withholding agent, in accordance with specified procedures, with a statement to the effect that such holder is not a U.S. person (generally through the provision of a properly executed IRS Form W-8BEN).

If a Non-U.S. Holder cannot satisfy the requirements of the Portfolio Interest Exemption described above, payments of interest on the capital securities (including payments in respect of OID, if any, on the capital securities) made to such Non-U.S. Holder will be subject to a 30 percent U.S. federal withholding tax, unless that holder provides the withholding agent with a properly executed statement (i) claiming an exemption from or reduction of withholding tax under an applicable income tax treaty; or (ii) stating that the payment on the capital securities is not subject to withholding tax because it is effectively connected with that holder s conduct of a trade or business in the United States.

If a Non-U.S. Holder is engaged in a trade or business in the United States and the interest on the capital securities is effectively connected with the conduct of that trade or business (and, if certain income tax treaties apply, is attributable to a permanent establishment maintained by the U.S. Holder within the

United States), that Non-U.S. Holder will be subject to U.S. federal income tax on the interest on a net income basis in the same manner as if that Non-U.S. Holder were a U.S. Holder. In addition, a Non-U.S. Holder that is a foreign corporation that is engaged in a trade or business in the United States may be subject to a 30 percent (or, if certain income tax treaties apply, lower rates as provided) branch profits tax.

Any gain realized by a Non-U.S. Holder on the sale, exchange, redemption or retirement of a capital security generally will not be subject to U.S. federal income tax unless:

- such gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States (and, if certain income tax treaties apply, is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States); or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

In general, information reporting and backup withholding will not apply to a payment of interest on a capital security to a Non-U.S. Holder, or to proceeds from the disposition of a capital security by a Non-U.S. Holder, in each case, if the holder certifies under penalties of perjury that it is a Non-U.S. Holder and neither we nor our paying agent has actual knowledge to the contrary. Any amounts withheld under the backup withholding rules will be allowed as a credit against the Non-U.S. Holder s U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided the required information is timely furnished to the IRS. In general, if a capital security is not held through a qualified intermediary, the amount of payments made on that capital security, the name and address of the beneficial owner and the amount, if any, of tax withheld may be reported to the IRS.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CAPITAL SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2006, the underwriters named below, for whom Banc of America Securities LLC, Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and the issuer has agreed to sell to them, severally, the respective principal amount of the capital securities set forth opposite their names below:

Underwriter	**Principal amount of capital securities**
Banc of America Securities LLC	$
Deutsche Bank Securities Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Wachovia Capital Markets, LLC	
Total	$

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the capital securities are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the capital securities if any capital securities are taken.

The underwriters initially propose to offer part of the capital securities directly to the public at the public offering price set forth on the cover page of this prospectus supplement and part to certain dealers at a price that represents a selling concession not in excess of % per capital security. Any underwriter may allow, and dealers may reallow, a selling concession not in excess of % per capital security to certain other dealers. After the initial offering of the capital securities, the offering price and other selling terms may from time to time be varied by the representatives.

The issuer and the guarantor have agreed that without the prior consent of the representatives, they will not offer, sell, contract to sell or otherwise dispose of any of debt securities or warrants to purchase or otherwise acquire debt securities, in each case issued or guaranteed by the guarantor or any of its subsidiaries, including the issuer, substantially similar to the capital securities for a period from the date of this prospectus supplement through the closing date, with the exception of commercial paper issued in the ordinary course of business.

The issuer estimates that it will spend approximately $ million for printing, rating agency, trustees and legal fees and other expenses allocable to the offering.

The guarantor and the issuer have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect thereof.

The capital securities are a new issue of securities with no established trading market. The capital securities will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the capital securities after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the capital securities or that an active public market for the capital securities will develop. If an active public market for the capital securities does not develop, the market price and liquidity of the capital securities may be adversely affected.

In connection with this offering and in accordance with applicable law and industry practice, the underwriters may over-allot or effect transactions that stabilize, maintain or otherwise affect the market

price of the capital securities at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids, each of which is described below.

- A stabilizing bid means the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security.

- A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering.

- A penalty bid means an arrangement that permits the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when capital securities originally sold by the syndicate member are purchased in syndicate covering transactions.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of capital securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the capital securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of capital securities to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of capital securities to the public in relation to any capital securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the capital securities to be offered so as to enable an investor to decide to purchase or subscribe to the capital securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the capital securities in circumstances in which Section 21(1) of the FSMA would not, if the issuer was not an authorized person, apply to the issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the capital securities in, from or otherwise involving the United Kingdom.

From time to time, certain of the underwriters have provided, and may provide, various financial advisory or investment banking services to us and our affiliates, for which they have received and will continue to receive customary fees and commissions.

VALIDITY OF THE CAPITAL SECURITIES

The validity of the capital securities offered in this offering will be passed upon for the issuer and the guarantor by Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois. Certain legal matters under Bermuda law will be passed upon for the guarantor by Conyers Dill & Pearman, Hamilton, Bermuda. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell, New York, New York.

EXPERTS

The financial statements as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) as of December 31, 2005 and the financial statement schedules listed in Item 15(a)(2) on Form 10-K for the year ended December 31, 2005 incorporated in this prospectus supplement and the accompanying prospectus by reference from our Annual Report on Form 10-K for the year ended December 31, 2005, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. The Securities and Exchange Commission allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. Any statement contained in a document which is incorporated by reference herein is automatically updated and superseded if information contained in this prospectus supplement, or information that we later file with the Securities and Exchange Commission, modifies or replaces this information. All documents we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus. We incorporate by reference the following previously filed documents (except to the extent such documents or any portion thereof are furnished and not filed):

(1) Our Current Reports on Form 8-K filed on February 3, February 8, April 12, May 9, August 22, October 10, and November 9, 2006;

(2) Our Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2006, March 31, 2006, and September 30, 2006; and

(3) Our Annual Report on Form 10-K for the year ended December 31, 2005.

To receive a free copy of any of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus (other than exhibits to the Registration Statement) call or write us at the following address: Investor Relations, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08 Bermuda, Telephone: (441) 299-9375.

PROSPECTUS

$500,000,000

Assured Guaranty Ltd.

Common Shares, Preferred Shares, Depositary Shares, Debt Securities,
Warrants to Purchase Common Shares,
Warrants to Purchase Preferred Shares,
Warrants to Purchase Debt Securities, Stock Purchase Contracts and
Stock Purchase Units

Assured Guaranty US Holdings Inc.

Debt Securities
Fully and Unconditionally Guaranteed by

Assured Guaranty Ltd.

Assured Guaranty Capital Trust I
Assured Guaranty Capital Trust II
Preferred Securities
Guaranteed to the Extent Provided in this Prospectus by

Assured Guaranty Ltd.

Assured Guaranty, Assured Guaranty US Holdings or the applicable Assured Guaranty Trust will provide the specific terms of these securities in supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

Assured Guaranty s common shares are traded on the New York Stock Exchange under the symbol AGO.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of offered securities unless accompanied by a prospectus supplement.

The date of this prospectus is June 30, 2005.

You should rely only on the information contained or incorporated by reference in this prospectus or any supplement. None of the registrants has authorized anyone else to provide you with different information. The securities offered by this prospectus are being offering only in states where the offer is permitted. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents. Our business, financial condition, results of operations and prospects may have changed since that date.

We have obtained consent from the Bermuda Monetary Authority for the issue and transfer of shares to and between persons regarded as non-resident in Bermuda for exchange control purposes and for the issue and transfer of options, warrants, depositary receipts, rights, loan notes and other securities, subject to the condition that our shares are listed on an appointed stock exchange, which includes the New York Stock Exchange, Inc. Issues and transfers of shares to any person regarded as resident in Bermuda for exchange control purposes may require specific prior approval from the Bermuda Monetary Authority. The Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus.

In this prospectus, references to dollars and $ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Assured Guaranty, Assured Guaranty US Holdings and the Assured Guaranty Trusts filed with the Securities and Exchange Commission utilizing a shelf registration process, relating to the common shares, preferred shares, depositary shares, debt securities, debt securities guarantee, warrants, stock purchase contracts, stock purchase units, preferred securities and trust preferred securities guarantees described in this prospectus. Under this shelf process, any or all of Assured Guaranty, Assured Guaranty US Holdings and the Assured Guaranty Trusts may sell the securities described in this prospectus in one or more offerings up to an aggregate initial offering price by all of Assured Guaranty, Assured Guaranty US Holdings and the Assured Guaranty Trusts of $500,000,000. This prospectus provides you with a general description of the securities Assured Guaranty, Assured Guaranty US Holdings or an Assured Guaranty Trust may offer. This prospectus does not contain all of the information set forth in the registration statement as permitted by the rules and regulations of the SEC. For additional information regarding Assured Guaranty, Assured Guaranty US Holdings and the Assured Guaranty Trusts and the offered securities, please refer to the registration statement. Each time Assured Guaranty, Assured Guaranty US Holdings or an Assured Guaranty Trust sells securities, it will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

FORWARD-LOOKING STATEMENTS

This prospectus, 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 our 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, proje anticipate, may, will, continue, further, seek, and similar words or statements of a future or forward-looking nature identify forward-looki 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 our actual results to differ materially from those indicated in these statements. We believe that these factors include the following:

- downgrades of the financial strength ratings assigned by the major rating agencies to any of our insurance subsidiaries at any time, which has occurred in the past;
- our inability to execute our business strategy;
- reduction in the amount of reinsurance ceded by one or more of our principal ceding companies;
- contract cancellations;
- developments in the world s financial and capital markets that adversely affect our loss experience, the demand for our products or our investment returns;
- more severe or frequent losses associated with our insurance or reinsurance products;
- changes in regulation or tax laws applicable to us, our subsidiaries or customers;
- dependence on customers;
- decreased demand for our insurance or reinsurance products or increased competition in our markets;

- loss of key personnel;
- technological developments;
- the effects of mergers, acquisitions and divestitures;
- changes in accounting policies or practices;
- 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 our periodic reports filed with 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 our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus or in the documents incorporated by reference reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934.

ASSURED GUARANTY LTD.

Assured Guaranty Ltd. (together with its subsidiaries, hereafter Assured Guaranty, we, us, our or the Company) is a Bermuda-based holding company providing, through our 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. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. Under a reinsurance agreement, the reinsurer, in consideration of a premium paid to it, agrees to indemnify another insurer, called the ceding company, for part or all of the liability of the ceding company under one or more insurance policies that the ceding company has issued. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We market our products directly and through financial institutions, serving the U.S. and international markets.

Our principal operating subsidiaries are Assured Guaranty Corp. (AGC) and Assured Guaranty Re Ltd. (AG Re). AGC, 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 licensed as a Class 3 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 also provides portfolio credit default swaps, where the counterparty is usually an investment bank.

Assured Guaranty Ltd. was incorporated in Bermuda in August 2003 for the purpose of becoming a holding company for ACE Limited s (ACE) subsidiaries conducting ACE s financial and mortgage guaranty businesses. On April 28, 2004, subsidiaries of ACE completed an initial public offering (IPO) of 49,000,000 of their 75,000,000 common shares of Assured Guaranty Ltd. As of May 31, 2005, ACE owned 26,000,000 of our common shares representing approximately 34.2% of our outstanding common shares.

ASSURED GUARANTY US HOLDINGS INC.

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

THE ASSURED GUARANTY TRUSTS

Assured Guaranty Capital Trust I is a statutory trust created under Delaware law pursuant to (1) a trust agreement executed by Assured Guaranty US Holdings, as original sponsor of the Assured Guaranty Trust, and the Assured Guaranty trustees for the Assured Guaranty Capital Trust I and (2) the filing of a certificate of trust with the Delaware Secretary of State on May 25, 2005. Assured Guaranty Capital Trust II is a statutory trust created under Delaware law pursuant to (1) a trust agreement executed by Assured Guaranty US Holdings, as sponsor of the Assured Guaranty Capital Trust II, and the Assured Guaranty trustees for the Assured Guaranty Trust and (2) the filing of a certificate of trust with the Delaware Secretary of State on May 25, 2005. Each trust agreement will be amended and restated in its entirety substantially in the form filed as an exhibit to the registration statement of which this prospectus forms a part. Each restated trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939. Each Assured Guaranty Trust exists for the exclusive purposes of:

- issuing and selling the preferred securities and common securities that represent undivided beneficial interests in the assets of the Assured Guaranty Trust,

- using the gross proceeds from the sale of the preferred securities and common securities to acquire a particular series of Assured Guaranty US Holdings subordinated debt securities, and

- engaging in only those other activities necessary, convenient or incidental to the issuance and sale of the preferred securities and common securities and purchase of the Assured Guaranty US Holdings subordinated debt securities.

Assured Guaranty US Holdings will directly or indirectly own all of the common securities of each Assured Guaranty Trust. The common securities of an Assured Guaranty Trust will rank equally, and payments will be made thereon *pro rata*, with the preferred securities of that Assured Guaranty Trust. However, if an event of default under the restated trust agreement resulting from an event of default under the Assured Guaranty US Holdings subordinated debt securities held by the Assured Guaranty Trust has occurred and is continuing, the rights of the holder of the common securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the preferred securities. Unless otherwise disclosed in the applicable prospectus supplement, Assured Guaranty US Holdings will, directly or indirectly, acquire common securities in an aggregate liquidation amount equal to at least 3% of the total capital of each Assured Guaranty Trust. Each of the Assured Guaranty Trusts is a legally separate entity, and the assets of one are not available to satisfy the obligations of the other.

The following is true for each Assured Guaranty Trust unless otherwise disclosed in the related prospectus supplement:

- each Assured Guaranty Trust has a term of approximately 55 years but may dissolve earlier;

- each Assured Guaranty Trust s business and affairs will be conducted by the trustees, referred to collectively as the Assured Guaranty trustees, appointed by Assured Guaranty US Holdings, as the holder of all of the common securities;

- Assured Guaranty US Holdings, as the holder of the common securities, will be entitled to appoint, remove or replace any of, or increase or reduce the number of, the Assured Guaranty trustees;

- the duties and obligations of the Assured Guaranty trustees will be governed by the restated trust agreement of the Assured Guaranty Trust;

- two of the Assured Guaranty trustees, referred to as the administrative trustees, of each Assured Guaranty Trust will be persons who are employees or officers of or affiliated with Assured Guaranty US Holdings;

- one Assured Guaranty trustee of each Assured Guaranty Trust will be a financial institution that is not affiliated with Assured Guaranty and has a minimum amount of combined capital and surplus of not less than $50,000,000, and is referred to as the property trustee. The property trustee shall act as both the property trustee and as indenture trustee for the purposes of compliance with the provisions of the Trust Indenture Act;

- one Assured Guaranty trustee of each Assured Guaranty Trust, which may be the property trustee if it otherwise meets the requirements of applicable law, will have its principal place of business or reside in the State of Delaware and is referred to as the Delaware trustee;

- Assured Guaranty US Holdings will pay all fees and expenses related to each Assured Guaranty Trust and the offering of the preferred securities and common securities.

The office of the Delaware trustee for each Assured Guaranty Trust in the State of Delaware is located at c/o The Bank of New York (Delaware), 502 White Clay Center, Route 273, P.O. Box 6973, Newark, DE 19711, Attn: Corporate Trust Administration. The principal executive offices for each of the Assured Guaranty Trusts are located at c/o Assured Guaranty US Holdings Inc., 1325 Avenue of the Americas, New York, New York 10019. The telephone number of each of the Assured Guaranty Trusts is (212) 974-0100.

USE OF PROCEEDS

Unless otherwise disclosed in the applicable prospectus supplement, Assured Guaranty and Assured Guaranty US Holdings intend to use the net proceeds from the sale of the offered securities for general corporate purposes, which may include repayment of indebtedness, expansion of our net underwriting capacity and acquisitions. Each Assured Guaranty Trust will invest all proceeds received from the sale of its preferred securities and common securities in a particular series of subordinated debt securities of Assured Guaranty US Holdings. Assured Guaranty US Holdings will use these funds for general corporate purposes, which may include repayment of indebtedness, expansion of our net underwriting capacity and acquisitions.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED SHARE DIVIDENDS OF ASSURED GUARANTY

For purposes of computing the following ratios, earnings consist of net income before income tax expense, excluding interest costs capitalized, plus fixed charges to the extent that these charges are included in the determination of earnings. Fixed charges consist of interest costs, including interest costs capitalized, plus one-third of minimum rental payments under operating leases, which are estimated by management to be the interest factor of these rentals.

	Three Months Ended March 31,	Fiscal Year Ended December 31,				
	2005	2004	2003	2002	2001	2000
Ratio of Earnings to Fixed Charges	17.01 x	20.85 x	36.49 x	8.18 x	9.90 x	10.89 x
Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends	17.01 x	20.85 x	36.49 x	8.18 x	9.90 x	10.89 x

The Assured Guaranty Trusts had no operations during the periods set forth above.

GENERAL DESCRIPTION OF THE OFFERED SECURITIES

Assured Guaranty may, from time to time, offer under this prospectus, separately or together:

- common shares,
- preferred shares, which may be represented by depositary shares as described below,
- unsecured senior or subordinated debt securities,
- warrants to purchase common shares,
- warrants to purchase preferred shares,
- warrants to purchase debt securities of Assured Guaranty,
- stock purchase contracts to purchase common shares, and
- stock purchase units, each representing ownership of a stock purchase contract and, as security for the holder s obligation to purchase common shares under the stock purchase contract, any of: debt securities of Assured Guaranty; debt securities of Assured Guaranty US Holdings, fully and unconditionally guaranteed by Assured Guaranty; debt obligations of third parties, including U.S. Treasury securities; or preferred securities of an Assured Guaranty Trust.

Assured Guaranty US Holdings may, from time to time, offer unsecured senior or subordinated debt securities, which will be fully and unconditionally guaranteed by Assured Guaranty.

Each of Assured Guaranty Capital Trust I and Assured Guaranty Capital Trust II may offer preferred securities representing undivided beneficial interests in their respective assets, which will be fully and unconditionally guaranteed to the extent described in this prospectus by Assured Guaranty.

The aggregate initial offering price of the securities offered by Assured Guaranty, Assured Guaranty US Holdings and the Assured Guaranty Trusts will not exceed $500,000,000.

DESCRIPTION OF ASSURED GUARANTY SHARE CAPITAL

The following summary of our share capital is qualified in its entirety by the provisions of Bermuda law, our memorandum of association and Bye-Laws, copies of which are incorporated by reference to the registration statement of which this prospectus is a part. In this section, the Company, we, us and our refer to Assured Guaranty Ltd. and not to any of its subsidiaries.

General

We have an authorized share capital of $5,000,000 divided into 500,000,000 shares, par value U.S. $0.01 per share, of which 74,980,919 common shares were issued and outstanding as of May 1, 2005. An additional 7,600,000 shares are reserved for issuance under our various employee benefit plans. Except as described below, our common shares have no preemptive rights or other rights to subscribe for additional common shares, no rights of redemption, conversion or exchange and no sinking fund rights. In the event of liquidation, dissolution or winding-up, the holders of our common shares are entitled to share equally, in proportion to the number of common shares held by such holder, in our assets, if any remain after the payment of all our debts and liabilities and the liquidation preference of any outstanding preferred shares. Under certain circumstances, we have the right to purchase all or a portion of the shares held by a shareholder. See Acquisition of Common Shares by Us below. All of the common and preferred shares being sold in this offering are fully paid and non-assessable. Holders of our common shares are entitled to receive such dividends as lawfully may be declared from time to time by our board of directors.

Voting Rights and Adjustments

In general, and except as provided below, shareholders have one vote for each common share held by them and are entitled to vote with respect to their fully paid shares at all meetings of shareholders. However, if, and so long as, the common shares (and other of our shares) of a shareholder are treated as controlled shares (as determined pursuant to section 958 of the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this prospectus as the Code) of any United States person as defined in the Code (a U.S. Person) and such controlled shares constitute 9.5% or more of the votes conferred by our issued and outstanding shares, the voting rights with respect to the controlled shares owned by such U.S. Person shall be limited, in the aggregate, to a voting power of less than 9.5% of the voting power of all issued and outstanding shares, under a formula specified in our Bye-laws. The formula is applied repeatedly until there is no U.S. Person whose controlled shares constitute 9.5% or more of the voting power of all issued and outstanding shares and who generally would be required to recognize income with respect to us under the Code if we were a controlled foreign corporation as defined in the Code and if the ownership threshold under the Code were 9.5% (as defined in our Bye-Laws as a 9.5% U.S. Shareholder). In addition, our board of directors may determine that shares held carry different voting rights when it deems it appropriate to do so to (i) avoid the existence of any 9.5% U.S. Shareholder; and (ii) avoid adverse tax, legal or regulatory consequences to the Company or any of its subsidiaries or any direct or indirect holder of shares or its affiliates. Controlled shares includes, among other things, all shares of Assured Guaranty that such U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the Code). The foregoing provision does not apply to ACE because it

is not a U.S. Shareholder. Further, these provisions do not apply in the event one shareholder owns greater than 75% of the voting power of all issued and outstanding shares.

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

Our board of directors is authorized to require any shareholder to provide information for purposes of determining whether any holder s voting rights are to be adjusted, which may be information on beneficial share ownership, the names of persons having beneficial ownership of the shareholder s shares, relationships with other shareholders or any other facts our board of directors may deem relevant. If any holder fails to respond to this request or submits incomplete or inaccurate information, our board of directors may eliminate the shareholder s voting rights. All information provided by the shareholder will be treated by us as confidential information and shall be used by us solely for the purpose of establishing whether any 9.5% U.S. Shareholder exists and applying the adjustments to voting power (except as otherwise required by applicable law or regulation).

Restrictions on Transfer of Common Shares

Each transfer must comply with current Bermuda Monetary Authority permission or have specific permission from the Bermuda Monetary Authority. Our board of directors may decline to register a transfer of any common shares under certain circumstances, including if they have reason to believe that any adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders or indirect holders of shares or its Affiliates may occur as a result of such transfer (other than such as our board of directors considers de minimis). Transfers must be by instrument unless otherwise permitted by the Companies Act 1981 of Bermuda, which we refer to in this prospectus as the Companies Act.

The restrictions on transfer and voting restrictions described above may have the effect of delaying, deferring or preventing a change in control of Assured Guaranty.

Acquisition of Common Shares by Us

Under our Bye-Laws and subject to Bermuda law, if our board of directors determines that any ownership of our shares may result in adverse tax, legal or regulatory consequences to us, any of our subsidiaries or any of our shareholders or indirect holders of shares or its affiliates (other than such as our board of directors considers de minimis), we have the option, but not the obligation, to require such shareholder to sell to us or to a third party to whom we assign the repurchase right the minimum number of common shares necessary to avoid or cure any such adverse consequences at a price determined in the discretion of the board of directors to represent the shares fair market value (as defined in our Bye-Laws).

Issuance of Shares

Subject to our Bye-Laws and Bermuda law, our board of directors has the power to issue any of our unissued shares as it determines, including the issuance of any shares or class of shares with preferred, deferred or other special rights.

Bye-Laws

In addition to the provisions of the Bye-Laws described above under Voting Rights and Adjustments, the following provisions are a summary of some of the other important provisions of our Bye-Laws.

Our Board of Directors and Corporate Action. Our Bye-Laws provide that our board of directors shall consist of not less than three and not more than 21 directors, the exact number as determined by the board of directors. Our board of directors consists of seven persons, and is divided into three classes. Each director generally will serve a three-year term, with termination staggered according to class. Shareholders may only remove a director for cause (as defined in our Bye-Laws) at a general meeting, provided that the notice of any such meeting convened for the purpose of removing a director shall contain a statement of the intention to do so and shall be provided to that director at least two weeks before the meeting. Vacancies on the board of directors can be filled by the board of directors if the vacancy occurs in those events set out in our Bye-Laws as a result of death, disability, disqualification or resignation of a director, or from an increase in the size of the board of directors.

Generally under our Bye-Laws, the affirmative votes of a majority of the votes cast at any meeting at which a quorum is present is required to authorize a resolution put to vote at a meeting of the board of directors. Corporate action may also be taken by a unanimous written resolution of the board of directors without a meeting. A quorum shall be at least one-half of directors then in office present in person or represented by a duly authorized representative, provided that at least two directors are present in person.

Shareholder Action. At the commencement of any general meeting, two or more persons present in person and representing, in person or by proxy, more than 50% of the issued and outstanding shares entitled to vote at the meeting shall constitute a quorum for the transaction of business. In general, anything that may be done by resolution of our shareholders in a general meeting may be taken, without a meeting, by a resolution in writing signed by all of the shareholders entitled to attend such meeting and vote on the resolution. In general, any questions proposed for the consideration of the shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the Bye-Laws.

The Bye-Laws contain advance notice requirements for shareholder proposals and nominations for directors, including when proposals and nominations must be received and the information to be included.

Amendment. The Bye-Laws may be amended only by a resolution adopted by the board of directors and by resolution of the shareholders.

Voting of Non-U.S. Subsidiary Shares. If we are required or entitled to vote at a general meeting of any of AG Re, Assured Guaranty Finance Overseas or any other directly held non-U.S. subsidiary of ours, our board of directors shall refer the subject matter of the vote to our shareholders and seek direction from such shareholders as to how they should vote on the resolution proposed by the non-U.S. subsidiary. Our board of directors in its discretion shall require substantially similar provisions are or will be contained in the bye-laws (or equivalent governing documents) of any direct or indirect non-U.S. subsidiaries other than Assured Guaranty (UK) Ltd. and Assured Guaranty Re Overseas Ltd. (AGRO).

Anti-Takeover Provisions in our Bye-laws

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

For example, our Bye-Laws contain the following provisions that could have such an effect:

- election of our directors is staggered, meaning that the members of only one of three classes of our directors are selected each year;

- shareholders have limited ability to remove directors;

- if the controlled shares of any U.S. Person constitute 9.5% or more of the votes conferred by the issued shares of Assured Guaranty, the voting rights with respect to the controlled shares of such U.S. Person shall be limited, in the aggregate, to a voting power of less than 9.5%;

- our board of directors may decline to approve or register the transfer of any common shares on our share register if it appears to the board of directors, after taking into account the limitations on voting rights contained in our Bye-Laws, that any adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any shareholder, would result from such transfer (other than such as our board of directors considers to be de minimis); and

- subject to any applicable requirements of or commitments to the New York Stock Exchange, our directors may decline to record the transfer of any common shares on our share register unless the board of directors obtains: (i) a written opinion from counsel supporting the legality of the transaction under U.S. securities laws and (ii) approval from appropriate governmental authority if such approval is required.

Differences in Corporate Law

You should be aware that the Companies Act, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. In order to highlight these differences, set forth below is a summary of certain significant provisions of the Companies Act applicable to us (including modifications adopted pursuant to our Bye-Laws) which differ in certain respects from provisions of the corporate law of the State of Delaware. Because the following statements are summaries, they do not address all aspects of Bermuda law that may be relevant to us and our shareholders.

Duties of Directors. Under Bermuda common law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company, and to exercise their powers and fulfill the duties of their office honestly. This duty has the following essential elements:

- a duty to act in good faith in the best interests of the company;

- a duty not to make a personal profit from opportunities that arise from the office of director;

- a duty to avoid conflicts of interest; and

- a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act imposes a duty on directors and officers of a Bermuda company:

- to act honestly and in good faith, with a view to the best interests of the company; and

- to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In addition, the Companies Act imposes various duties on officers of a company with respect to certain matters of management and administration of the company.

The Companies Act provides that in any proceedings for negligence, default, breach of duty or breach of trust against any officer, if it appears to a court that such officer is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably, and

that, having regard to all the circumstances of the case, including those connected with his appointment, he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, that court may relieve him, either wholly or partly, from any liability on such terms as the court may think fit. This provision has been interpreted to apply only to actions brought by or on behalf of the company against such officers. Our Bye-Laws, however, provide that we and each of our shareholders waive all claims or rights of action that they might have, individually or in the right of the Company, against any director or officer of us (and others identified in the Bye-Laws) for any act or failure to act in the performance of such director s or officer s duties, provided that this waiver does not extend to any claims or rights of action that arise out of fraud or dishonesty on the part of such director or officer.

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders.

The duty of care requires that directors act in an informed and deliberate manner, and inform themselves, prior to making a business decision, of all relevant material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of corporate employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders.

Under the business judgment rule, courts generally do not second guess the business judgment of directors and officers. A party challenging the propriety of a decision of a board of directors bears the burden of rebutting the presumption afforded to directors by the business judgment rule. If the presumption is not rebutted, the business judgment rule attaches to protect the directors from liability for their decisions. Where, however, the presumption is rebutted, the directors bear the burden of demonstrating the fairness of the relevant transaction. However, when the board of directors takes defensive actions in response to a threat to corporate control and approves a transaction resulting in a sale of control of the corporation, Delaware courts subject directors conduct to enhanced scrutiny.

Interested Directors. Under Bermuda law and our Bye-Laws, a transaction entered into by us, in which a director has an interest, will not be voidable by us, and such director will not be liable to us for any profit realized pursuant to such transaction, provided the nature of the interest is duly disclosed at the first opportunity at a meeting of directors, or in writing to the directors. In addition, our Bye-Laws allow a director to be taken into account in determining whether a quorum is present and to vote on a transaction in which the director has an interest following a declaration of the interest pursuant to the Companies Act, provided that the director is not disqualified from doing so by the chairman of the meeting. Under Delaware law, such a transaction would not be voidable if (i) the material facts with respect to such interested director s relationship or interests are disclosed or are known to the board of directors, and the board of directors in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, (ii) such material facts are disclosed or are known to the shareholders entitled to vote on such transaction, and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon, or (iii) the transaction is fair to the corporation as of the time it is authorized, approved or ratified. Under Delaware law, an interested director could be held liable for a transaction in which such director derived an improper personal benefit.

Dividends. Bermuda law does not permit the declaration or payment of dividends or distributions of contributed surplus by a company if there are reasonable grounds for believing that the company, after the payment is made, would be unable to pay its liabilities as they become due, or the realizable value of the company s assets would be less, as a result of the payment, than the aggregate of its liabilities and its issued share capital and share premium accounts. The excess of the consideration paid on issue of shares over the

aggregate par value of such shares must (except in certain limited circumstances) be credited to a share premium account. Share premium may be distributed in certain limited circumstances; for example, to pay up unissued shares which may be distributed to shareholders in proportion to their holdings, but is otherwise subject to limitation. In addition, our ability to declare and pay dividends and other distributions is subject to Bermuda insurance laws and regulatory constraints.

Under Delaware law, subject to any restrictions contained in the company s certificate of incorporation, a company may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Delaware law also provides that dividends may not be paid out of net profits at any time when capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Amalgamations, Mergers and Similar Arrangements. The amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company s board of directors and by its shareholders. We may, with the approval of our board and, except in the case of amalgamations with and between wholly owned subsidiaries being Bermuda companies, at least 75% of the votes cast at a general meeting of our shareholders at which a quorum is present, amalgamate with another Bermuda company or with a body incorporated outside Bermuda. In the case of an amalgamation, a shareholder may apply to a Bermuda court for a proper valuation of such shareholder s shares if such shareholder is not satisfied that fair market value has been paid for such shares.

Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive payment in the amount of the fair market value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

Takeovers. Bermuda law provides that where an offer is made for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer. Dissenting shareholders may apply to the court within one month of the notice objecting to the transfer. The test is one of fairness to the body of the shareholders and not to individuals and the burden is on the dissentient shareholder to prove unfairness, not merely that the scheme is open to criticism. Delaware law provides that a parent corporation, by resolution of its board of directors and without any shareholder vote, may merge with any subsidiary of which it owns at least 90% of each class of capital stock. Upon any such merger, dissenting shareholders of the subsidiary would have appraisal rights.

Certain Transactions with Significant Shareholders. As a Bermuda company, we may enter into certain business transactions with our significant shareholders, including asset sales, in which a significant shareholder receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders with prior approval from our board of directors but without obtaining prior approval from our shareholders. If we were a Delaware corporation, we would need, subject to certain exceptions, prior approval from shareholders holding at least two-thirds of our outstanding common stock not owned by such interested shareholder to enter into a business combination (which, for this purpose, includes asset sales of greater than 10% of our assets that would otherwise be considered transactions in the ordinary course of business) with an interested shareholder for a period of three years from the time the person became an interested shareholder, unless we had opted out of the relevant Delaware statute, as provided for in that statute.

Shareholders Suits. The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in our name to remedy a wrong done to us where the act complained of is alleged to be beyond our corporate power or is illegal or would result in the violation of our Memorandum of Association or Bye-Laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys fees incurred in connection with such action. Our Bye-Laws provide that shareholders waive all claims or rights of action that they might have, individually or in the right of the Company, against any director or officer for any action or failure to act in the performance of such director s or officer s duties, except such waiver shall not extend to claims or rights of action that arise out of any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys fees incurred in connection with such action.

Indemnification of Directors and Officers. Under Bermuda law we may, and under our Bye-Laws we will, indemnify our directors, officers, any other person appointed to a committee of the board of directors and certain other persons identified in the Bye-Laws (and their respective heirs, executors or administrators) against all actions, costs, charges, losses, damages and expenses incurred or sustained by such person by reason of any act done, concurred in or omitted in the execution of his/her duties or supposed duties; provided that such indemnification shall not extend to any matter involving any fraud or dishonesty on the part of such director, officer or other person. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if (i) such director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (ii) with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his conduct was unlawful. Under our Bye-Laws, we and each of our shareholders agree to waive any claim or right of action, other than those involving fraud or dishonesty, against any of our officers or directors or others identified in our Bye-Laws.

Inspection of Corporate Records. Members of the general public have the right to inspect our public documents available at the office of the Registrar of Companies in Bermuda and our registered office in Bermuda, which will include our memorandum of association (including its objects and powers) and any alteration to our memorandum of association and documents relating to any increase or reduction of authorized capital. Our shareholders have the additional right to inspect our Bye-Laws, minutes of general meetings and audited annual financial statements, which must be presented to the annual general meeting of shareholders. The register of our shareholders is also open to inspection by shareholders without charge, and to members of the public for a fee. We are required to maintain our share register in Bermuda but, after our shares are listed on the New York Stock Exchange and giving the required notice to the Bermuda Registrar of Companies, we may establish a branch register outside of Bermuda. We are required to keep at our registered office a register of our directors and officers (containing that information required under Bermuda law) which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records. Delaware law permits any shareholder to inspect or obtain copies of a corporation s shareholder list and its other books and records for any purpose reasonably related to such person s interest as a shareholder.

Shareholder Proposals. Under Bermuda law, the Companies Act provides that shareholders may, as set forth below and at their own expense (unless a company otherwise resolves), require a company to give notice of any resolution that the shareholders can properly propose at the next annual general meeting and/or to circulate a statement prepared by the requesting shareholders in respect of any matter referred to in a proposed resolution or any business to be conducted at a general meeting. The number of shareholders necessary for such a requisition is either that number of shareholders representing at least 5% of the total voting rights of all shareholders having a right to vote at the meeting to which the requisition relates or not less than 100 shareholders. Our Bye-Laws also include advance-notice provisions regarding shareholder proposals and nominations. Delaware law does not include a provision restricting the manner in which nominations for directors may be made by shareholders or the manner in which business may be brought before a meeting.

Calling of Special Shareholders Meetings. Under our Bye-Laws, a special general meeting may be called by our President or by our Chairman or any director and the secretary of the Company or our board of directors. Under Bermuda law, a special meeting may also be called by the shareholders when requisitioned by the holders of at least 10% of the paid-up voting share capital of the Company as provided by the Companies Act. Delaware law permits the board of directors or any person who is authorized under a corporation s certificate of incorporation or bylaws to call a special meeting of shareholders.

Approval of Corporate Matters by Written Consent. Under Bermuda law, the Companies Act provides that shareholders may take action by written consent with 100% of shareholder s consent required. Delaware law permits shareholders to take action by the consent in writing by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of shareholders at which all shares entitled to vote thereon were present and voted.

Amendment of Memorandum of Association. Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. An amendment to the memorandum of association that alters a company s business objects may require approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of a company s issued share capital have the right to apply to the Bermuda courts for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company s share capital as provided in the Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company s memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their designees as such holders may appoint in writing for such purpose. No application may be made by the shareholders voting in favor of the amendment.

Under Delaware law, amendment of the certificate of incorporation, which is the equivalent of a memorandum of association, of a company must be made by a resolution of the board of directors setting forth the amendment, declaring its advisability, and either calling a special meeting of the shareholders entitled to vote or directing that the amendment proposed be considered at the next annual meeting of the shareholders. Delaware law requires that, unless a different percentage is provided for in the certificate of incorporation, a majority of the outstanding shares entitled to vote thereon is required to approve the amendment of the certificate of incorporation at the shareholders meeting. If the amendment would alter the number of authorized shares or otherwise adversely affect the rights or preference of any class of a company s stock, Delaware law provides that the holders of the outstanding shares of such affected class should be entitled to vote as a class upon the proposed amendment, regardless of whether such holders are

entitled to vote by the certificate of incorporation. However, the number of authorized shares of any class may be increased or decreased, to the extent not falling below the number of shares then outstanding, by the affirmative vote of the holders of a majority of the stock entitled to vote, if so provided in the company s certificate of incorporation or any amendment that created such class or was adopted prior to the issuance of such class or that was authorized by the affirmative vote of the holders of a majority of such class of stock.

Amendment of Bye-Laws. Consistent with the Companies Act, the Company s Bye-Laws provide that the Bye-Laws may only be rescinded, altered or amended upon approval by a resolution of our board of directors and by a resolution of our shareholders.

Under Delaware law, holders of a majority of the voting power of a corporation and, if so provided in the certificate of incorporation, the directors of the corporation, have the power to adopt, amend and repeal the bylaws of a corporation.

Staggered Board of Directors. Under Bermuda law, the Companies Act does not contain statutory provisions specifically mandating staggered board arrangements for a Bermuda exempted company. Such provisions, however, may validly be provided for in the Bye-Laws governing the affairs of such a company. Delaware law permits corporations to have a staggered board of directors.

Listing

Our common shares are listed on the New York Stock Exchange under the trading symbol AGO.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is Mellon Investor Services LLC, whose principal executive office is located at Overpeck Centre, 85 Challenger Road, Ridgefield Park, New Jersey 07660.

DESCRIPTION OF THE DEPOSITARY SHARES

General

We may offer depositary shares, each representing a specified fraction of a share of a particular series of preferred shares. Depositary receipts evidencing depositary shares will be issued to those persons purchasing the fractional shares of the related preferred shares.

The shares of any class or series of preferred shares represented by depositary shares will be deposited under a deposit agreement among Assured Guaranty, a depositary selected by Assured Guaranty and the holders of the depositary receipts, whom we refer to in this section as owners. Subject to the terms of the deposit agreement, each owner will be entitled to all the rights and preferences of the preferred shares represented by the depositary share in proportion to the fraction of a preferred share represented by the depositary share, including dividend, voting, redemption and liquidation rights.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other distributions received on the related preferred shares to the owners in proportion to the number of depositary shares owned. In the event of a distribution other than in cash, the depositary will distribute property received by it to the owners, unless the depositary determines that it is not feasible to make the distribution, in which case the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the owners.

Withdrawal of Shares

Upon surrender of the depositary receipts, unless the related depositary shares have previously been called for redemption, the owner is entitled to delivery of the number of whole shares of the related preferred shares and any money or other property represented by his depositary shares. Holders of the whole preferred shares will not be entitled to exchange the preferred shares for depositary shares. If the delivered depositary receipts evidence a number of depositary shares in excess of the number of whole preferred shares to be withdrawn, the depositary will deliver to the owner a new depositary receipt evidencing this excess number at the same time. In no event will fractional preferred shares be delivered upon surrender of depositary receipts.

Redemption of Depositary Shares

Whenever we redeem preferred shares held by the depositary, the depositary will redeem the number of depositary shares representing the related preferred shares. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per preferred share. If less than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot or *pro rata* as may be determined by the depositary or us.

Voting the Preferred Shares

Upon receipt of notice of any meeting at which the holders of the preferred shares are entitled to vote, the depositary will mail the information contained in the notice to the record owners of the depositary shares. Each record owner on the record date, which will be the same as the record date for the preferred shares, may instruct the depositary how to exercise its voting rights pertaining to the preferred shares represented by the owner s depositary shares. The depositary will endeavor, insofar as practicable, to vote the number of the preferred shares represented by these depositary shares in accordance with the instructions, and we will agree to take all action which the depositary deems necessary in order to enable the depositary to do so. The depositary will not vote preferred shares if it does not receive specific instructions from the record owners.

Amendment and Termination of the Deposit Agreement

Unless otherwise provided in the applicable prospectus supplement, the form of depositary receipt and any provision of the deposit agreement may be amended at any time by agreement between us and the depositary. However, any amendment which materially and adversely alters the rights of the owners will not be effective unless it has been approved by the owners representing at least a majority, or, in the case of amendments affecting rights to receive dividends or distributions or voting or redemption rights, 662⁄3% of the depositary shares then outstanding. We or the depositary may terminate the deposit agreement only:

- if all outstanding depositary shares have been redeemed;

- if there has been a final distribution on the preferred shares in connection with any liquidation, dissolution or winding up of Assured Guaranty and the distribution has been distributed to the owners; or

- with the consent of owners representing not less than 662⁄3% of the depositary shares outstanding.

Charges of Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will also pay charges of the depositary in connection with the initial deposit of preferred shares and any redemption of the preferred shares. Owners will pay all other transfer and other taxes and governmental charges and any other charges as are expressly provided in the deposit agreement to be for their accounts.

The depositary may refuse to transfer a depositary receipt or any withdrawal of preferred shares evidenced by the depositary receipts until all taxes and charges with respect to the receipts or preferred shares are paid by the owners.

Miscellaneous

The depositary will forward all reports and communications which it receives from us and which we are required to furnish to the holders of the preferred shares.

Neither the depositary nor we will be liable if the depositary is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the deposit agreement. Our and the depositary s obligations will be limited to performance of the duties under the deposit agreement in a manner that does not constitute bad faith, and neither we nor the depositary will be obligated to prosecute or defend any legal proceeding in respect of any depositary or preferred shares unless satisfactory indemnity is furnished.

Resignation and Removal of Depositary

The depositary may resign at any time by delivering to us notice of its election to resign, and we may at any time remove the depositary. Any resignation or removal of the depositary will take effect upon the appointment of a successor depositary, which successor depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000 or be an affiliate of such bank or trust company.

DESCRIPTION OF THE ASSURED GUARANTY DEBT SECURITIES

The following description of the Assured Guaranty debt securities sets forth the material terms and provisions of the Assured Guaranty debt securities. The Assured Guaranty senior debt securities will be issued under an indenture, referred to in this prospectus as the Assured Guaranty senior indenture,

between us and The Bank of New York, as trustee, the form of which is incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. The Assured Guaranty subordinated debt securities will be issued under an indenture, referred to in this prospectus as the Assured Guaranty subordinated indenture, between us and The Bank of New York, as trustee, the form of which is incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. The Assured Guaranty senior indenture and the Assured Guaranty subordinated indenture are sometimes referred to in this prospectus collectively as the Assured Guaranty indentures and each individually as an Assured Guaranty indenture. The specific terms applicable to a particular issuance of Assured Guaranty debt securities and any variations from the terms set forth below will be set forth in the applicable prospectus supplement.

The following is a summary of the material terms and provisions of the Assured Guaranty indentures and the Assured Guaranty debt securities. You should refer to the forms of the Assured Guaranty indentures and the Assured Guaranty debt securities for complete information regarding the terms and provisions of the Assured Guaranty indentures and the Assured Guaranty debt securities. The Assured Guaranty indentures are substantially identical, except for the covenants of Assured Guaranty and provisions relating to subordination.

General

The Assured Guaranty indentures do not limit the aggregate principal amount of Assured Guaranty debt securities which we may issue. We may issue Assured Guaranty debt securities under the Assured Guaranty indentures from time to time in one or more series. The Assured Guaranty indentures do not limit the amount of other indebtedness, or Assured Guaranty debt securities other than secured indebtedness, which we or our subsidiaries may issue.

Unless otherwise provided in a prospectus supplement, the Assured Guaranty senior debt securities will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness. The Assured Guaranty subordinated debt securities will be our unsecured obligations and will be subordinated in right of payment to the prior payment in full of all of our senior indebtedness, which term includes Assured Guaranty senior debt securities, as described below under Subordination of Assured Guaranty Subordinated Debt Securities.

Because we are a holding company, our rights and the rights of our creditors, including you, as a holder of Assured Guaranty debt securities, and shareholders to participate in any distribution of assets of any subsidiary upon the subsidiary s liquidation or reorganization or otherwise would be subject to the prior claims of the subsidiary s creditors, except to the extent that we are a creditor of the subsidiary. The right of our creditors, including you, to participate in the distribution of stock owned by us in some of our subsidiaries, including our insurance subsidiaries, may also be subject to approval by insurance regulatory authorities having jurisdiction over these subsidiaries.

Each prospectus supplement will describe the following terms of the offered Assured Guaranty debt securities:

- the title of the series;
- any limit on the aggregate principal amount;
- the principal payment dates;
- the interest rates, if any, which rate may be zero if the Assured Guaranty debt securities are issued at a discount from the principal amount payable at maturity, or the method by which the interest rates will be determined, including, if applicable, any remarketing option or similar method;

- the date or dates from which interest, if any, will accrue or the method by which the date or dates will be determined;

- the interest payment dates and regular record dates;

- whether and under what circumstances we will pay additional amounts because of taxes or governmental charges that might be imposed on holders of the Assured Guaranty debt securities and, if so, whether and on what terms we will have the option to redeem the Assured Guaranty debt securities in lieu of paying these additional amounts; whether and on what terms we will have the option to redeem the Assured Guaranty debt securities in lieu of paying additional amounts in respect of Bermuda taxes, fees, duties, assessments or governmental charges that might be imposed on you and the terms of the option;

- the place or places where the principal of, any premium or interest on or any additional amounts with respect to any Assured Guaranty debt securities will be payable, where any of Assured Guaranty debt securities that are issued in registered form may be surrendered for registration of transfer or exchange, and where any Assured Guaranty debt securities may be surrendered for conversion or exchange;

- whether any of the Assured Guaranty debt securities are to be redeemable at our option and, if so, the date or dates on which, the period or periods within which, the price or prices at which and the other terms and conditions upon which they may be redeemed, in whole or in part;

- whether we will be obligated to redeem or purchase any of the Assured Guaranty debt securities pursuant to any sinking fund or analogous provision or at your option, and, if so, the dates or prices and the other terms on which the Assured Guaranty debt securities must be redeemed or purchased pursuant to this obligation and any provisions for the remarketing of the Assured Guaranty debt securities so redeemed or purchased;

- if other than denominations of $1,000 and any integral multiple of $1,000, the denominations in which any Assured Guaranty debt securities to be issued in registered form will be issuable and, if other than denominations of $5,000, the denominations in which any Assured Guaranty debt securities to be issued in bearer form will be issuable;

- whether the Assured Guaranty debt securities will be convertible into common shares and/or exchangeable for other securities, whether or not issued by us and, if so, the terms and conditions upon which the Assured Guaranty debt securities will be convertible or exchangeable;

- if other than the principal amount, the portion of the principal amount, or the method by which the portion will be determined, of the Assured Guaranty debt securities that will be payable upon declaration of acceleration of the maturity of the Assured Guaranty debt securities;

- if other than United States dollars, the currency of payment in which the principal of, any premium or interest on or any additional amounts on the Assured Guaranty debt securities will be paid;

- whether the principal of, any premium or interest on or any additional amounts on the Assured Guaranty debt securities will be payable, at our or your election, in a currency other than that in which the Assured Guaranty debt securities are stated to be payable, and the dates and the other terms upon which this election may be made;

- any index, formula or other method used to determine the amount of principal of, any premium or interest on or any additional amounts on the Assured Guaranty debt securities;

- whether the Assured Guaranty debt securities are to be issued in the form of one or more global securities and, if so, the identity of the depositary for the global security or securities;

- whether the Assured Guaranty debt securities are senior or subordinated and, if subordinated, the applicable subordination provisions;

- in the case of Assured Guaranty subordinated debt securities, the relative degree, if any, to which the Assured Guaranty subordinated debt securities will be senior to or be subordinated to other series of Assured Guaranty subordinated debt securities or other indebtedness of Assured Guaranty in right of payment, whether the other series of Assured Guaranty subordinated debt securities or other indebtedness is outstanding or not;

- any deletions from, modifications of or additions to the events of default or covenants of Assured Guaranty;

- whether the provisions described below under Discharge, Defeasance and Covenant Defeasance will be applicable to the Assured Guaranty debt securities;

- whether any of the Assured Guaranty debt securities are to be issued upon the exercise of warrants and the time, manner and place for the Assured Guaranty debt securities to be authenticated and delivered; and

- any other terms of the Assured Guaranty debt securities and any other deletions from or modifications or additions to the applicable Assured Guaranty indenture.

We will have the ability under the Assured Guaranty indentures to reopen a previously issued series of Assured Guaranty debt securities and issue additional Assured Guaranty debt securities of that series or establish additional terms of that series. We are also permitted to issue Assured Guaranty debt securities with the same terms as previously issued Assured Guaranty debt securities.

Unless otherwise set forth in the applicable prospectus supplement, principal of, premium and interest on and additional amounts, if any, on the Assured Guaranty debt securities will initially be payable at the corporate trust office of the trustee or any other office or agency designated by us. Interest on Assured Guaranty debt securities issued in registered form:

- may be paid by check mailed to the persons entitled to the payments at their addresses appearing on the security register or by transfer to an account maintained by the payee with a bank located in the United States; and

- will be payable on any interest payment date to the persons in whose names the Assured Guaranty debt securities are registered at the close of business on the regular record date with respect to the interest payment date.

We will designate the initial paying agents, which will be named in the applicable prospectus supplement, and may, at any time, designate additional paying agents, rescind the designation of any paying agent or approve a change in the office through which any paying agent acts. However, we are required to maintain a paying agent in each place where the principal of, any premium or interest on or any additional amounts with respect to the Assured Guaranty debt securities are payable.

Unless otherwise set forth in the applicable prospectus supplement, you may present the Assured Guaranty debt securities for transfer, duly endorsed or accompanied by a written instrument of transfer if so required by Assured Guaranty or the security registrar, or exchange for other Assured Guaranty debt securities of the same series containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount, in each case at the office or agency maintained by us for this purpose, which will initially be the corporate trust office of the trustee. Any transfer or exchange will be made without service charge, although we may require payment of a sum sufficient to cover any tax or other governmental charge and any other expenses then payable. Assured Guaranty is not required to:

- issue, register the transfer of, or exchange Assured Guaranty debt securities during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any Assured Guaranty debt securities and ending at the close of business on the day of mailing; or

- register the transfer of or exchange any Assured Guaranty debt security selected for redemption, in whole or in part, except the unredeemed portion of any Assured Guaranty debt security being redeemed in part.

Unless otherwise set forth in the applicable prospectus supplement, we will only issue the Assured Guaranty debt securities in fully registered form without coupons in minimum denominations of $1,000 and any integral multiple of $1,000. If the Assured Guaranty debt securities are issued in bearer form, any restrictions and considerations, including offering restrictions and U.S. federal income tax considerations applicable to these securities and to payment on and transfer and exchange of these securities, will be described in the applicable prospectus supplement.

The Assured Guaranty debt securities may be issued as original issue discount securities, which means that they will bear no interest or bear interest at a rate which, at the time of issuance, is below market rates. Assured Guaranty debt securities issued as original issue discount securities will be sold at a substantial discount below their principal amount.

U.S. Federal income tax and other considerations applicable to original issue discount securities will be described in the applicable prospectus supplement.

If the purchase price, or the principal of, or any premium or interest on, or any additional amounts with respect to, any Assured Guaranty debt securities is payable in, or if any Assured Guaranty debt securities are denominated in, one or more foreign currencies or currency units, the restrictions, elections, U.S. Federal income tax considerations, specific terms and other information will be set forth in the applicable prospectus supplement.

Unless otherwise set forth in the applicable prospectus supplement, other than as described below under Covenants Applicable to Assured Guaranty Senior Debt Securities Limitation on Liens on Stock of Designated Subsidiaries, the Assured Guaranty indentures do not limit our ability to incur indebtedness or protect holders of the Assured Guaranty debt securities in the event of a sudden and significant decline in our credit quality or a takeover, recapitalization or highly leveraged or similar transaction involving us. Accordingly, we could in the future enter into transactions that could increase the amount of its outstanding indebtedness or otherwise affect its capital structure or credit rating.

Conversion and Exchange

The terms, if any, on which Assured Guaranty debt securities are convertible into or exchangeable for, either mandatorily or at our or your option, property or cash, common shares, preferred shares or other securities, whether or not issued by us, or a combination of any of these, will be set forth in the applicable prospectus supplement.

Global Securities

The Assured Guaranty debt securities may be issued, in whole or in part, in the form of one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement and registered in the name of the depositary or its nominee. Interests in any global Assured Guaranty debt security will be shown on, and transfers of the Assured Guaranty debt securities will be effected only through, records maintained by the depositary and its participants as described below.

The specific terms of the depositary arrangement will be described in the applicable prospectus supplement.

Payment of Additional Amounts

We will make all payments on the Assured Guaranty debt securities without withholding of any present or future taxes or governmental charges of Bermuda, referred to as a taxing jurisdiction, unless we are required to do so by applicable law or regulation.

If we are required to withhold amounts, we will, subject to the limitations described below, pay to you additional amounts so that every net payment made to you, after the withholding, will be the same amount provided for in the Assured Guaranty debt security and the applicable Assured Guaranty indenture.

We will not be required to pay any additional amounts for:

- any tax or governmental charge which would not have been imposed but for the fact that you:

- were a resident of, or engaged in business or maintained a permanent establishment or were physically present in, the taxing jurisdiction or otherwise had some connection with the taxing jurisdiction other than the mere ownership of, or receipt of payment on, the Assured Guaranty debt security;

- presented the Assured Guaranty debt security for payment in the taxing jurisdiction, unless the Assured Guaranty debt security could not have been presented for payment elsewhere; or

- presented the Assured Guaranty debt security for payment more than 30 days after the date on which the payment became due unless you would have been entitled to these additional amounts if you had presented the Assured Guaranty debt security for payment within the 30-day period;

- any estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge;

- any tax or other governmental charge that is imposed or withheld because of your failure to comply with any reasonable request by us:

- to provide information concerning your nationality, residence or identity or that of the beneficial owner; or

- to make any claim or satisfy any information or reporting requirement, which in either case is required by the taxing jurisdiction as a precondition to exemption from all or part of the tax or other governmental charge; or

- any combination of the above items.

In addition, we will not pay additional amounts if you are a fiduciary or partnership or other than the sole beneficial owner of the Assured Guaranty debt security if the beneficiary or partner or settlor would not have been entitled to the additional amounts had it been the holder of the Assured Guaranty debt security.

Covenants Applicable to Assured Guaranty Senior Debt Securities

Limitation on Liens on Stock of Designated Subsidiaries

Under the Assured Guaranty senior indenture, we will covenant that, so long as any Assured Guaranty senior debt securities are outstanding, we will not, nor will we permit any subsidiary to, create, incur, assume or guarantee or otherwise permit to exist any indebtedness secured by any security interest on any shares of capital stock of any designated subsidiary, unless we concurrently provide that the Assured Guaranty senior debt securities and, if we elect, any other indebtedness that is not subordinate to the Assured Guaranty senior debt securities and with respect to which the governing instruments require, or pursuant to which we are obligated, to provide such security, will be secured equally with this indebtedness for at least the time period this other indebtedness is so secured.

The term designated subsidiary means any present or future consolidated subsidiary, the consolidated net worth of which constitutes at least 5% of our consolidated net worth.

For purposes of the Assured Guaranty indentures, the term indebtedness means, with respect to any person:

- the principal of and any premium and interest on:
- indebtedness for money borrowed; and
- indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which the person is responsible or liable;
- all capitalized lease obligations;
- all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement, but excluding trade accounts payable arising in the ordinary course of business;
- all obligations for the reimbursement of any obligor on any letter of credit, banker s acceptance or similar credit transaction, generally other than obligations with respect to letters of credit securing obligations (other than the obligations described above), entered into in the ordinary course of business to the extent these letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by the person of a demand for reimbursement following payment or a letter of credit;
- all obligations of the type referred to above of other persons and all dividends of other persons for the payment of which, in either case, the person is responsible or liable as obligor, guarantor or otherwise;
- all obligations of the type referred to above of other persons secured by any mortgage, pledge, lien, security interest or other encumbrance on any property or asset of the person, whether or not the obligation is assumed by the person; and
- any amendments, modifications, refundings, renewals or extensions of any indebtedness or obligation described above.

Limitations on Disposition of Stock of Designated Subsidiaries

The Assured Guaranty senior indenture also provides that, so long as any Assured Guaranty senior debt securities are outstanding and except in a transaction otherwise governed by the Assured Guaranty indentures, we will not issue, sell, assign, transfer or otherwise dispose of any shares of securities convertible into, or warrants, rights or options to subscribe for or purchase shares of, capital stock, other than preferred stock having no voting rights, of any designated subsidiary. Similarly, we will not permit any

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designated subsidiary to issue, other than to us, these types of securities, warrants, rights or options, other than director s qualifying shares and preferred stock having no voting rights, of any designated subsidiary, if, after giving effect to the transaction and the issuance of the maximum number of shares issuable upon the conversion or exercise of all the convertible securities, warrants, rights or options, we would own, directly or indirectly, less than 80% of the shares of capital stock of the designated subsidiary, other than preferred stock having no voting rights.

However, we may issue, sell, assign, transfer or otherwise dispose of securities if the consideration is at least a fair market value as determined by our board or if required by law or regulation. We may also merge or consolidate any designated subsidiary into or with another direct or indirect subsidiary, the shares of capital stock of which we own at least 80% or, subject to the provisions described under Consolidation, Amalgamation, Merger and Sale of Assets below, sell, transfer or otherwise dispose of the entire capital stock of any designated subsidiary at one time if the consideration is at least fair market value as determined by our board.

Consolidation, Amalgamation, Merger and Sale of Assets

Each Assured Guaranty indenture provides that we may not:

- consolidate or amalgamate with or merge into any person or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any person; or

- permit any person to consolidate or amalgamate with or merge into us, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to us;

unless:

- the person is a corporation organized and existing under the laws of the United States of America, any state of the United States, the District of Columbia, Bermuda or any other country that, on March 15, 2002, was a member of the Organization for Economic Cooperation and Development;

- the surviving entity expressly assumes the payment of all amounts on all of the Assured Guaranty debt securities and the performance of our obligations under the Assured Guaranty indenture and the Assured Guaranty debt securities;

- the surviving entity provides for conversion or exchange rights in accordance with the provisions of the Assured Guaranty debt securities of any series that are convertible or exchangeable into common shares or other securities; and

- immediately after giving effect to the transaction and treating any indebtedness which becomes our obligation as a result of the transaction as having been incurred by us at the time of the transaction, no event of default, and no event which after notice or lapse of time or both would become an event of default, will have happened and be continuing.

Events of Default

Each of the following events will constitute an event of default under each Assured Guaranty indenture:

- default in the payment of any interest on, or any additional amounts payable with respect to, any Assured Guaranty debt security when the interest or additional amounts become due and payable, and continuance of this default for a period of 30 days;

- default in the payment of the principal of or any premium on, or any additional amounts payable with respect to, any Assured Guaranty debt security when the principal, premium or additional

amounts become due and payable either at maturity, upon any redemption, by declaration of acceleration or otherwise;

- default in the deposit of any sinking fund payment when due;

- default in the performance, or breach, of any covenant or warranty for the benefit of the holders of the Assured Guaranty debt securities, and the continuance of this default or breach for a period of 60 days after we have received written notice from the holders;

- if any event of default under a mortgage, indenture or instrument under which we issue, or by which we secure or evidence, any indebtedness, including an event of default under any other series of Assured Guaranty debt securities, whether the indebtedness now exists or is later created or incurred, happens and consists of default in the payment of more than $50,000,000 in principal amount of indebtedness at the maturity of the indebtedness, after giving effect to any applicable grace period, or results in the indebtedness in principal amount in excess of $50,000,000 becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and this default is not cured or the acceleration is not rescinded or annulled within a period of 30 days after Assured Guaranty has received written notice;

- we fail within 60 days to pay, bond or otherwise discharge any uninsured judgment or court order for the payment of money in excess of $50,000,000, which is not stayed on appeal or is not otherwise being appropriately contested in good faith;

- our bankruptcy, insolvency or reorganization; and

- any other event of default, which will be described in the applicable prospectus supplement.

If an event of default with respect to the Assured Guaranty debt securities of any series, other than events of bankruptcy, insolvency or reorganization, occurs and is continuing, either the trustee or the holders of not less than 25% in principal amount of the outstanding Assured Guaranty debt securities of the series may declare the principal amount, or a lesser amount as may be provided for in the Assured Guaranty debt securities, of all outstanding Assured Guaranty debt securities of the series to be immediately due and payable by written notice. At any time after a declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained by the trustee, generally, the holders of not less than a majority in principal amount of the Assured Guaranty debt securities of the series may rescind and annul the declaration of acceleration. Any event of bankruptcy, insolvency or reorganization will cause the principal amount and accrued interest, or the lesser amount as provided for in the Assured Guaranty debt securities, to become immediately due and payable without any declaration or other act by the trustee or any holder.

Each Assured Guaranty indenture provides that, within 90 days after the occurrence of any event which is, or after notice or lapse of time or both would become, an event of default the trustee will transmit notice of the default to each holder of the Assured Guaranty debt securities unless the default has been cured or waived. However, except in the case of a default in the payment of principal of, or premium, or interest, if any, on or additional amounts or any sinking fund or purchase fund installment with respect to any Assured Guaranty debt security, the trustee may withhold this notice if and so long as the board of directors, executive committee or trust committee of directors and/or responsible officers of the trustee determines in good faith that the withholding of the notice is in the best interest of the holders.

If an event of default occurs and is continuing with respect to the Assured Guaranty debt securities of any series, the trustee may, in its discretion, proceed to protect and enforce its rights and the rights of the holders of Assured Guaranty debt securities by all appropriate judicial proceedings. Each Assured Guaranty indenture provides that, subject to the duty of the trustee during any default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers

under the Assured Guaranty indenture at the request or direction of any of the holders, unless the holders have offered the trustee reasonable indemnity. Subject to these indemnification provisions, the holders of a majority in principal amount of the outstanding Assured Guaranty debt securities of any series will generally have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the Assured Guaranty debt securities of the series.

Modification and Waiver

Assured Guaranty and the trustee may modify or amend either Assured Guaranty indenture with the consent of the holders of not less than a majority in principal amount of the outstanding Assured Guaranty debt securities of each series affected by the modification or amendment, so long as the modification or amendment does not, without the consent of each affected holder:

- change the stated maturity of the principal of, any premium or installment of interest on or any additional amounts with respect to any Assured Guaranty debt security;

- reduce the principal amount of, or the rate, or modify the calculation of the rate, of interest on, or any additional amounts with respect to, or any premium payable upon the redemption of, any Assured Guaranty debt security;

- change the obligation of Assured Guaranty to pay additional amounts;

- reduce the amount of the principal of an original issue discount security that would be due and payable upon a declaration of acceleration of the maturity of the original issue discount security or the amount provable in bankruptcy;

- change the redemption provisions or adversely affect the right of repayment at the option of any holder;

- change the place of payment or the coin or currency in which the principal of, any premium or interest on or any additional amounts with respect to any Assured Guaranty debt security is payable;

- impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any Assured Guaranty debt security or, in the case of redemption, on or after the redemption date or, in the case of repayment at the option of any holder, on or after the repayment date;

- reduce the percentage in principal amount of the outstanding Assured Guaranty debt securities, the consent of whose holders is required in order to take specific actions;

- reduce the requirements for quorum or voting by holders of Assured Guaranty debt securities in specified circumstances;

- modify any of the provisions regarding the waiver of past defaults and the waiver of specified covenants by the holders of Assured Guaranty debt securities, except to increase any percentage vote required or to provide that other provisions of the Assured Guaranty indenture cannot be modified or waived without the consent of the holder of each Assured Guaranty debt security affected by the modification;

- make any change that adversely affects the right to convert or exchange any Assured Guaranty debt security into or for common shares of Assured Guaranty or other securities, whether or not issued by Assured Guaranty, cash or property in accordance with its terms;

- modify any of the provisions of the Assured Guaranty subordinated indenture relating to the subordination of the Assured Guaranty subordinated debt securities in a manner adverse to holders of Assured Guaranty subordinated debt securities; or

- modify any of the above provisions.

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In addition, no supplemental indenture may, directly or indirectly, modify or eliminate the subordination provisions of the Assured Guaranty subordinated indenture in any manner that might terminate or impair the subordination of the Assured Guaranty subordinated debt securities of any series to senior indebtedness without the prior written consent of the holders of the senior indebtedness.

Assured Guaranty and the trustee may modify or amend the Assured Guaranty indenture and the Assured Guaranty debt securities of any series without the consent of any holder in order to, among other things:

- provide for a successor to Assured Guaranty pursuant to a consolidation, amalgamation, merger or sale of assets;
- add to the covenants of Assured Guaranty for the benefit of the holders of all or any series of Assured Guaranty debt securities or to surrender any right or power conferred upon Assured Guaranty;
- provide for a successor trustee with respect to the Assured Guaranty debt securities of all or any series;
- cure any ambiguity or correct or supplement any provision which may be defective or inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under either Assured Guaranty indenture which will not adversely affect the interests of the holders of Assured Guaranty debt securities of any series;
- change the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Assured Guaranty debt securities;
- add any additional events of default with respect to all or any series of Assured Guaranty debt securities;
- secure the Assured Guaranty debt securities;
- provide for conversion or exchange rights of the holders of any series of Assured Guaranty debt securities; or
- make any other change that does not materially adversely affect the interests of the holders of any Assured Guaranty debt securities then outstanding.

The holders of at least a majority in principal amount of the outstanding Assured Guaranty debt securities of any series may, on behalf of the holders of all Assured Guaranty debt securities of that series, waive compliance by Assured Guaranty with specified covenants. The holders of not less than a majority in principal amount of the outstanding Assured Guaranty debt securities of any series may, on behalf of the holders of all Assured Guaranty debt securities of that series, waive any past default and its consequences with respect to the Assured Guaranty debt securities of that series, except a default:

- in the payment of principal of, any premium or interest on or any additional amounts with respect to Assured Guaranty debt securities of that series; or
- in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each outstanding Assured Guaranty debt security of any series affected.

Under each Assured Guaranty indenture, Assured Guaranty must annually furnish the trustee with a statement regarding its performance of specified obligations and any default in its performance under the applicable Assured Guaranty indenture. Assured Guaranty is also required to deliver to the trustee, within five days after its occurrence, written notice of any event of default, or any event which after notice or lapse of time or both would constitute an event of default, resulting from the failure to perform, or breach of,

any covenant or warranty contained in the applicable Assured Guaranty indenture or the Assured Guaranty debt securities.

Discharge, Defeasance and Covenant Defeasance

We may discharge our payment obligations on the Assured Guaranty debt securities, which we refer to as defeasance, or elect to be discharged from complying with the covenants in the Assured Guaranty indentures, except for certain ministerial obligations, like registering transfers or exchanges of the Assured Guaranty debt securities, which we refer to as covenant defeasance.

Defeasance or covenant defeasance, as the case may be, will be conditioned upon the irrevocable deposit by us with the trustee, in trust, of a cash amount or government obligations, or both, which, through the scheduled payment of principal and interest in accordance with their terms, will provide money in an amount sufficient to pay the principal of, any premium and interest on and any additional amounts with respect to, the Assured Guaranty debt securities on the scheduled due dates.

We may only do this if, among other things:

- the defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, the applicable Assured Guaranty indenture or any other material agreement or instrument to which Assured Guaranty is a party or by which it is bound;

- no event of default or event which with notice or lapse of time or both would become an event of default with respect to the Assured Guaranty debt securities to be defeased will have occurred and be continuing on the date of establishment of the trust and, with respect to defeasance only, at any time during the period ending on the 123rd day after that date; and

- we have delivered to the trustee an opinion of counsel to the effect that you will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to U.S. Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. The opinion of counsel, in the case of defeasance, must refer to and be based upon a letter ruling of the I.R.S. received by us, a revenue ruling published by the I.R.S. or a change in applicable U.S. Federal income tax law occurring after the date of the applicable Assured Guaranty indenture.

Subordination of Assured Guaranty Subordinated Debt Securities

The Assured Guaranty subordinated debt securities will generally be subordinate in right of payment to the prior payment in full of all senior indebtedness. Upon any payment or distribution of our assets, whether in cash, property or securities, to creditors upon our dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all senior indebtedness will first be paid in full, or payment provided for in money in accordance with its terms, before the holders of Assured Guaranty subordinated debt securities are entitled to receive or retain any payment on account of principal of, or any premium or interest on or any additional amounts with respect to the Assured Guaranty subordinated debt securities. This means that the holders of senior indebtedness will be entitled to receive any payment or distribution of any kind or character, including any payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of Assured Guaranty being subordinated to the payment of Assured Guaranty subordinated debt securities, which may be payable or deliverable in respect of the Assured Guaranty subordinated debt securities upon any dissolution, winding-up, liquidation or reorganization or in any bankruptcy, insolvency, receivership or