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Research Update:

Assured Guaranty U.S. Holdings Inc.'s Proposed \$150M Of Equity Units Assigned 'A+' Rating

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Table Of Contents

- Rating Action
- Rationale
- Outlook
- Related Articles
- Ratings List

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Assured Guaranty U.S. Holdings Inc.'s Proposed \$150M Of Equity Units Assigned 'A+' Rating

Rating Action

On June 17, 2009, Standard & Poor's Ratings Services assigned its 'A+' rating to \$150 million of equity units that will be issued by Assured Guaranty U.S. Holdings Inc. Assured Guaranty Ltd. (Assured Ltd.) will guarantee the notes. The outlook on both of these companies is stable.

Rationale

The equity units consist of a stock-purchase contract and a senior note. The notes mature in 2014, two years following the mandatory equity purchase. Assured Ltd. will fully and unconditionally guarantee the senior notes. The purchase contract requires holders to purchase Assured Ltd. common shares no later than June 1, 2012. We expect that proceeds from the equity units will support the acquisition of Financial Security Assurance Holdings Ltd.

The rating on the notes is based on the counterparty credit rating on Assured Ltd., a Bermuda-based holding company. Through its subsidiaries, Assured Ltd. provides credit enhancement products to the municipal finance, structured finance, and mortgage markets on a global basis. The company operates in three segments: financial guaranty direct, financial guaranty reinsurance, and mortgage guaranty. We consider each of Assured Ltd.'s operating companies to be appropriately capitalized for the rating.

In general, Standard & Poor's views the financial guaranty reinsurance and mortgage guaranty businesses as more consistent with ratings in the 'AA' category, while the financial guaranty direct business can support 'AAA' ratings. The business mix of Assured Ltd.'s operating companies, when viewed on a consolidated basis, works out to a weighted average rating of 'AA+'. Applying our traditional notching of one full category between an insurance operating company financial strength rating and a holding company debt rating, which reflects the structurally subordinated position of the holding company, results in the 'A+' debt rating.

We will give the equity units high equity content when determining leverage ratios at Assured Ltd. On a pro forma basis, Assured Ltd.'s leverage ratios would be a hybrid equity ratio of 7.9%, a total hybrid equity ratio of 12.0%, and a debt-to-capital ratio of 6.0%.

Outlook

The stable outlook on Assured Ltd. is based on what we view as strong capitalization for the rating level, a favorable market position, conservative investment policy, and dividend capacity of Assured Ltd.'s principle operating subsidiary, 'AAA' rated Assured Guaranty Corp.

Related Articles

- "Hybrid Capital Handbook: September 2008 Edition," Sept. 15, 2008, RatingsDirect.

Ratings List

New Rating

| | |
|--------------------------------|----|
| Assured Guaranty U.S. Holdings | |
| Senior Unsecured | A+ |

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