ASSURED GUARANTY LTD
Form DEF 14A
March 18, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

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

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Assured Guaranty Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(2) Aggregate number of securities to which transaction applies:

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Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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Table of Contents

March 18, 2011
Hamilton, Bermuda

Dear Shareholders:

It is with great pleasure that we invite you to our 2011 Annual General Meeting of shareholders. The meeting will be held on Wednesday, May 4, 2011 at the Fairmont Hamilton Princess Hotel, 76 Pitts Bay Road, Hamilton, Bermuda at 8:00 a.m. Atlantic Time.

Our formal agenda for this year's meeting is to vote on the election of directors, to vote on a Bye-Law amendment providing for the annual election of directors, to vote on an advisory basis on executive compensation, to vote on an advisory basis on the frequency of submitting the advisory vote on executive compensation to shareholders, to ratify the selection of independent auditors for 2011, and to direct us to vote on directors and independent auditors for one of our subsidiaries. In addition, we will report to you the highlights of 2010 and discuss the development of our business in 2011. We will also answer any questions you may have. Representatives of our independent accountants will be in attendance at the meeting and will be available to answer questions as well.

This year, we are taking advantage of the Securities and Exchange Commission rules that allow companies to furnish proxy materials to shareholders via the Internet. This electronic process gives you fast, convenient access to the materials, reduces the impact on the environment and reduces our printing and mailing costs. If you received a Notice Regarding the Availability of Proxy Materials ("Notice") by mail, you will not receive a printed copy of the proxy materials, unless you specifically request one. The Notice instructs you on how to access and review all of the important information contained in the Proxy Statement, as well as how to submit your proxy over the Internet or by telephone. If you would still like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials which are included in the Notice.

Whether or not you plan to attend the meeting, your vote on these matters is important to us. Shareholders of record can vote their shares via the Internet or by using a toll-free telephone number or by requesting and completing a proxy card and mailing it in the return envelope provided. Instructions for accessing the proxy materials appear in the Notice Regarding the Availability of Proxy Materials mailed to you on or around March 21, 2011. If you hold shares through your broker or other intermediary, that person or institution will provide you with instructions on how to vote your shares.

If you are a beneficial holder of our shares, we urge you to give voting instructions to your broker so that your vote can be counted. This is especially important since the New York Stock Exchange no longer allows brokers to cast votes with respect to the election of directors unless they have received instructions from the beneficial owner of shares.

We look forward to seeing you at the meeting.

Sincerely,

Walter A. Scott
Chairman of the Board

Dominic J. Frederico
President and Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL GENERAL MEETING

March 18, 2011
Hamilton, Bermuda

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as AGL, will be held on Wednesday, May 4, 2011, at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda, for the following purposes:

1. To elect four directors;

2. To vote on an amendment to the Bye-Laws of AGL to provide for the annual election of all directors;

3. To vote, on an advisory basis, on executive compensation;

4. To vote, on an advisory basis, on whether executive compensation should be submitted to shareholders for an advisory vote every one, two or three years;

5. To ratify the appointment of PricewaterhouseCoopers LLP as AGL's independent auditors for the fiscal year ending December 31, 2011;

6. To direct AGL to vote for directors of, and the ratification of the appointment of independent auditors for, its subsidiary Assured Guaranty Re Ltd.; and

7. To transact such other business, if any, as lawfully may be brought before the meeting.

Shareholders of record have been mailed a Notice of Internet Availability of Proxy Materials on or around March 21, 2011, which provides shareholders with instructions on how to access the proxy materials and our Annual Report on the Internet, and if they prefer, how to request paper copies of these materials.

Only shareholders of record, as shown by the transfer books of AGL, at the close of business on March 9, 2011, are entitled to notice of, and to vote at, the Annual General Meeting.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL GENERAL MEETING IN PERSON AND REGARDLESS OF THE NUMBER OF SHARES YOU OWN, PLEASE VOTE AS PROMPTLY AS POSSIBLE VIA THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS IN YOUR NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS. ALTERNATIVELY, IF YOU HAVE REQUESTED WRITTEN PROXY MATERIALS, PLEASE SIGN, DATE AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ATTACHED PROXY STATEMENT.

By Order of the Board of Directors,

James M. Michener
Secretary

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

ASSURED GUARANTY LTD.

30 Woodbourne Avenue
Hamilton HM 08 Bermuda
March 18, 2011

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING

Why did I receive a notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

In accordance with the rules of the Securities and Exchange Commission (the "SEC"), instead of mailing a printed copy of the proxy statement, annual report and other materials (the "proxy materials") for the Annual General Meeting of Shareholders of Assured Guaranty Ltd. (which we refer to as AGL, we, us or our; we use Assured Guaranty or the Company to refer to AGL and its subsidiaries), the Company is furnishing proxy materials to shareholders on the Internet by providing a Notice Regarding the Availability of Proxy Materials (the "Notice") to inform shareholders when the materials are available on the Internet. If you receive the Notice by mail, you will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice will instruct you on how you may access and review all of the Company's proxy materials, as well as how to submit your proxy, over the Internet.

The Company intends to commence distribution of the Notice to shareholders on or about March 21, 2011.

The Company will first make available the proxy statement, form of proxy card and 2010 annual report to shareholders at *www.assuredguaranty.com/annualmeeting*. The proxy materials will also be available at *www.proxyvote.com* on or about March 21, 2011 to all shareholders entitled to vote at the Annual General Meeting. You may also request a printed copy of the proxy solicitation materials by any of the following methods: via Internet at *www.proxyvote.com*; by telephone at 1-800-579-1639; or by sending an e-mail to *sendmaterial@proxyvote.com*. Our 2010 annual report to shareholders will be made available at the same time and by the same methods.

We elected to use electronic notice and access for our proxy materials because we believe it will reduce our printing and mailing costs related to our annual shareholders' meeting.

Why has this proxy statement been made available?

Our board of directors is soliciting proxies for use at our Annual General Meeting of shareholders to be held on May 4, 2011, and any adjournments or postponements of the meeting. The meeting will be held at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda.

This proxy statement summarizes the information you need to vote at the Annual General Meeting. You do not need to attend the Annual General Meeting to vote your shares.

What proposals will be voted on at the Annual General Meeting?

The following proposals are scheduled to be voted on at the Annual General Meeting:

The election of four directors.

An amendment to the Bye-Laws of AGL to provide for the annual election of all directors.

Table of Contents

An advisory vote to approve executive compensation.

An advisory vote on whether executive compensation should be submitted to shareholders for approval every one, two or three years.

The ratification of the selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, which we refer to as PwC, as our independent auditors for 2011.

Directing AGL to vote for the election of the directors of, and the ratification of the appointment of the independent auditors for, our subsidiary Assured Guaranty Re Ltd., which we refer to as AG Re.

AGL's Board recommends that you vote your shares "FOR" each of the nominees to the Board, "FOR" the amendment to the Bye-Laws of AGL, "FOR" approval of executive compensation, "FOR" submitting executive compensation to shareholders for approval every year, "FOR" the appointment of the selection of PwC as our independent auditors for 2011 and "FOR" directing AGL to vote for the election of the directors of, and the ratification of the appointment of independent auditors for, our subsidiary, AG Re.

At the 2011 Annual General Meeting, the Bye-law amendment providing for the annual election of all directors, which is described in Proposal No. 2, will be voted upon before directors are elected pursuant to Proposal No. 1. If approved, the Bye-law amendment will be effective immediately and will be applicable to the election of directors at the 2011 Annual General Meeting.

Are proxy materials available on the Internet?

Yes. Our proxy statement for the 2011 Annual General Meeting, form of proxy card and 2010 Annual Report are available at *www.assuredguaranty.com/annualmeeting*. The proxy materials will also be available at *www.proxyvote.com* on or about March 21, 2011 to all shareholders entitled to vote at the Annual General Meeting.

Who is entitled to vote?

March 9, 2011 is the record date for the Annual General Meeting. If you owned our common shares at the close of business on March 9, 2011, you are entitled to vote. On that date, we had 184,102,389 of our common shares outstanding and entitled to vote at the Annual General Meeting, including 53,266 unvested restricted common shares. Our common shares are our only class of voting stock. The closing price of our common shares on March 9, 2011 was $14.37.

How many votes do I have?

You have one vote for each of our common shares that you owned at the close of business on March 9, 2011. However, if your shares are considered "controlled shares," which our Bye-Laws define generally to include all of our common shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons, owned by any "United States person," as defined in the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the "Internal Revenue Code," and such shares constitute 9.5% or more of our issued common shares, the voting rights with respect to your controlled shares will be limited, in the aggregate, to a voting power of approximately 9.5%, pursuant to a formula specified in our Bye-Laws.

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

Table of Contents

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Many of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

Shareholder of Record

If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly. As the shareholder of record, you have the right to grant your voting proxy directly to AGL or to vote in person at the Annual General Meeting. You may vote by telephone or via the Internet as described below under the heading "Information About the Annual General Meeting and Voting May I vote by telephone or via the Internet?" or you may request a paper copy of the proxy materials and vote your proxy card by mail.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name" and our proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker or nominee on how to vote your shares and are also invited to attend the Annual General Meeting. However, since you are not the shareholder of record, you may only vote these shares in person at the Annual General Meeting if you follow the instructions described below under the heading "Information About the Annual General Meeting and Voting How do I vote in person at the Annual General Meeting?" Your broker or nominee has provided a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares. You may also vote by telephone or on the Internet as described below under the heading "Information About the Annual General Meeting and Voting May I vote by telephone or via the Internet?"

How do I vote by proxy if I am a shareholder of record?

If you are a shareholder of record and you properly submit your proxy card (by telephone, via the Internet or by mail) so that it is received by us in time to vote, your "proxy" (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card (including electronic signatures in the case of Internet or telephonic voting) but do not make specific choices, your proxy will vote your shares as recommended by the Board:

"FOR" the election of four Class I directors,

"FOR" the amendment to the Bye-Laws of AGL,

"FOR" approval of our executive compensation,

"FOR" submitting executive compensation to shareholders every year,

"FOR" the ratification of PwC as our independent auditors for 2011, and

"FOR" directing AGL to vote for the election of directors of, and the ratification of the appointment of independent auditors for, our subsidiary, AG Re.

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

Table of Contents

How do I give voting instructions if I am a beneficial holder?

If you are a beneficial owner of shares, the broker will ask you how you want your shares to be voted. If you give the broker instructions, the broker will vote your shares as you direct. If your broker does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal. Pursuant to rules of the New York Stock Exchange, which we refer to as the NYSE, brokers have discretionary power to vote your shares with respect to "routine" matters, but they do not have discretionary power to vote your shares on "non-routine" matters. Brokers holding shares beneficially owned by their clients no longer have the ability to cast votes with respect to the election of directors unless they have received instructions from the beneficial owner of the shares. Similarly, brokers do not have discretion to vote uninstructed shares with respect to the advisory vote on executive compensation or the advisory vote on the frequency of submission of executive compensation to shareholders. **It is therefore important that you provide instructions to your broker if your shares are beneficially held by a broker so that your vote with respect to directors, executive compensation and executive compensation frequency, and any other matters treated as non-routine by the NYSE, is counted.**

May I vote by telephone or via the Internet?

Yes. If you are a shareholder of record, you have a choice of voting over the Internet, voting by telephone using a toll-free telephone number or voting by requesting and completing a proxy card and mailing it in the return envelope provided. We encourage you to vote by telephone or over the Internet because your vote is then tabulated faster than if you mailed it. Please note that there are separate telephone and Internet arrangements depending on whether you are a shareholder of record (that is, if you hold your stock in your own name), or whether you are a beneficial owner and hold your shares in "street name" (that is, if your stock is held in the name of your broker or bank).

If you are a shareholder of record, you may vote by telephone, or electronically through the Internet, by following the instructions provided on the Notice.

If you are a beneficial owner and hold your shares in "street name," you may need to contact your bank or broker to determine whether you will be able to vote by telephone or electronically through the Internet.

The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions and to confirm that shareholders' instructions have been recorded properly. If you vote via the Internet, you may incur costs, such as usage charges from Internet access providers and telephone companies. You will be responsible for those costs.

Whether or not you plan to attend the Annual General Meeting, we urge you to vote. Voting by telephone or over the Internet or returning your proxy card by mail will not affect your right to attend the Annual General Meeting and vote.

May I revoke my proxy?

Yes. If you change your mind after you vote, you may revoke your proxy by following any of the procedures described below. To revoke your proxy:

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

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

Attend the Annual General Meeting and vote in person.

Table of Contents

If you wish to revoke your proxy, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

How do I vote in person at the Annual General Meeting?

You may vote shares held directly in your name as the shareholder of record in person at the Annual General Meeting. If you choose to vote your shares in person at the Annual General Meeting, please bring the Notice of Internet Availability containing your control number or proof of identification. Shares held in "street name" may be voted in person by you only if you obtain a signed proxy from the shareholder of record giving you the right to vote the shares. If your shares are held in the name of your broker, bank or other nominee, you must bring to the Annual General Meeting an account statement or letter from the broker, bank or other nominee indicating that you are the owner of the shares and a signed proxy from the shareholder of record giving you the right to vote the shares. The account statement or letter must show that you were beneficial owner of the shares on March 9, 2011.

Even if you plan to attend the Annual General Meeting, AGL recommends that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual General Meeting.

You can obtain directions to attend the 2011 Annual General Meeting by contacting Natasha Medeiros at 441-279-5705 or at *nmedeiros@assuredguaranty.bm*.

What votes need to be present to hold the Annual General Meeting?

To have a quorum for our Annual General Meeting, two or more persons must be present, in person or by proxy, representing more than 50% of the common shares that were outstanding on March 9, 2011.

What vote is required to approve each proposal?

The affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting is required for each of:

The election of each nominee for Class I director,

The amendment to the Bye-Laws of AGL,

The ratification of the selection of PwC as independent auditors for 2011,

Directing AGL to vote for the election of directors of, and the ratification of the appointment of independent auditors for, our subsidiary, AG Re, and

The votes on executive compensation and the frequency of submission of executive compensation to shareholders are advisory in nature so there is no specified requirement for approval. It will be up to the Compensation Committee and the Board to determine how such votes will impact compensation decisions and the frequency of submitting executive compensation to shareholders.

How are votes counted?

In the election of AGL directors, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. Your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN" with respect to the proposals relating to the

amendment of the Bye-Laws of AGL, the advisory vote on executive compensation and the ratification of AGL's independent auditors. With respect to the advisory vote on the frequency of submission of executive

Table of Contents

compensation to shareholders, you may vote for "ONE YEAR" "TWO YEARS" or "THREE YEARS" or you may "ABSTAIN". With respect to directing AGL to vote for the election of directors of our subsidiary, AG Re, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. With respect to directing AGL to vote for the ratification of AG Re's independent auditors, your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN." If you sign (including electronic signatures in the case of Internet or telephonic voting) your proxy card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. If you sign (including electronic signatures in the case of Internet or telephonic voting) your broker voting instruction card with no further instructions, your shares will be voted in the broker's discretion with respect to routine matters but will not be voted with respect to non-routine matters. As described in "How do I give voting instructions if I am a beneficial holder?", election of directors is now considered a non-routine matter. We will appoint one or more inspectors of election to count votes cast in person or by proxy.

What is the effect of broker non-votes and abstentions?

A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Common shares owned by shareholders electing to abstain from voting with respect to any proposal will be counted towards the presence of a quorum. Common shares that are beneficially owned and are voted by the beneficiary through a broker will be counted towards the presence of a quorum, even if there are broker non-votes with respect to some proposals, as long as the broker votes on at least one proposal. Although such broker non-votes and abstentions will be counted towards the presence of a quorum, they will not be included in the tabulation of the shares voting with respect to elections of directors or other matters to be voted upon at the Annual General Meeting. Therefore, abstentions and "broker non-votes" will have no direct effect on the outcome of the proposals to elect directors or to amend AGL's Bye-Laws, the advisory vote on executive compensation, the advisory vote on frequency of submitting the executive compensation advisory vote to shareholders, or the proposals to ratify the appointment of AGL's independent accountants or to approve the subsidiary matters.

Are there any voting agreements with respect to our common shares?

The funds affiliated with Wilbur L. Ross, Jr., one of our directors, have each agreed that they will vote all common shares of AGL owned by them solely in proportion with the votes cast by holders of AGL's common shares on any matter put before them.

The funds affiliated with Mr. Ross have each agreed to be subject to the 9.5% voting limitation described in "How many votes do I have?"

What are the costs of soliciting these proxies and who will pay them?

AGL will pay all the costs of soliciting these proxies. Our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Morrow & Co., LLC is assisting us with the solicitation of proxies for a fee of $9,000 plus out-of-pocket expenses.

Where can I find the voting results?

We will publish the voting results in a Form 8-K that we will file with the Securities and Exchange Commission, which we refer to as the SEC, by May 10, 2011. You can find the Form 8-K on our website at *www.assuredguaranty.com*.

Table of Contents

Will AGL's independent accountants attend the Annual General Meeting?

PwC will attend the Annual General Meeting and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

Do directors attend the Annual General Meeting?

Our Corporate Governance Guidelines provide that directors are expected to attend our annual meeting of shareholders and any special meeting of shareholders called by AGL to consider extraordinary business transactions, unless they are unable to do so as a result of special circumstances; directors are encouraged to attend all other special meetings of shareholders called by AGL. All but two of our directors attended the Annual General Meeting that was held on May 6, 2010.

Can a shareholder, employee or other interested party communicate directly with our Board? If so, how?

Our Board provides a process for shareholders, employees or other interested parties to send communications to our Board. Shareholders, employees or other interested parties wanting to contact the Board concerning accounting or auditing matters may send an e-mail to the Chairman of the Audit Committee at *chmaudit@assuredguaranty.com*. Shareholders, employees or other interested parties wanting to contact the Board, the independent directors, the Chairman of the Board, the chairman of any Board committee or any other director, as to other matters may send an e-mail to *corpsecy@assuredguaranty.com*. The Secretary has access to both of these e-mail addresses. Alternatively, shareholders, employees or other interested parties may send written communications to the Board c/o Secretary, 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, although mail to Bermuda is not as prompt as e-mail. Communication with the Board may be anonymous. The Secretary will forward all communications to the Board to the Chairman of the Audit Committee or the Chairman of the Nominating and Governance Committee, who will determine when it is appropriate to distribute such communications to other members of the Board or to management.

Whom should I call if I have any questions?

If you have any questions about the Annual General Meeting or voting, please contact James M. Michener, our Secretary, at 441-279-5702 or at *jmichener@assuredguaranty.com*. If you have any questions about your ownership of AGL common shares, please contact Sabra Purtill, our Managing Director, Investor Relations, at 441-279-5700 or 212-408-6044 or at *spurtill@assuredguaranty.com*.

Table of Contents

CORPORATE GOVERNANCE

Overview

In General

Our Board of Directors has maintained corporate governance policies since becoming a public company following our 2004 initial public offering, which we refer to as our IPO. We have reviewed internally and with the Board the provisions of the Sarbanes Oxley Act of 2002, the rules of the SEC and the NYSE's listing standards regarding corporate governance policies and processes and are in compliance with the rules and listing standards. We have adopted Corporate Governance Guidelines covering issues such as executive sessions of the Board of Directors, director qualification standards, including independence, director responsibilities and Board self-evaluations. Our Corporate Governance Guidelines contains our Categorical Standards for Director Independence. We have also adopted a Code of Conduct for our employees and directors and charters for each of our Compensation Committee, Audit Committee, Nominating and Governance Committee, Finance Committee and Risk Oversight Committee. The full text of our Corporate Governance Guidelines, our Code of Conduct and each committee charter, are available on our website at *http://www.assuredguaranty.com/governance*. In addition, you may request copies of the Corporate Governance Guidelines, the Code of Conduct, Categorical Standards for Director Independence and the committee charters by contacting our Secretary via:

Telephone	441-279-5702
Facsimile	441-279-5701
e-mail	*jmichener@assuredguaranty.com*

Director Executive Sessions

The independent directors meet at regularly scheduled executive sessions without the participation of management or any director who is not independent and our non-management directors meet periodically at executive sessions without the participation of management. The Chairman of the Board is the presiding director for executive sessions of independent directors and non-management directors.

Other Corporate Governance Highlights

Our Board has a substantial majority of non-management, independent directors.

Only non-management, independent directors may serve on our Audit, Compensation and Nominating and Governance Committees and currently only non-management, independent directors serve on our Finance and Risk Oversight Committees.

Table of Contents

Our Audit Committee hires, determines the compensation of and decides the scope of services performed by our independent auditors. It also has the authority to retain outside advisors.

No member of our Audit Committee simultaneously serves on the audit committees of more than two public companies.

Our Compensation Committee has the authority to retain independent consultants and has engaged Frederic W. Cook & Co., Inc., which we refer to as Cook, to assist it. Our Compensation Committee evaluates the performance of the Chief Executive Officer, whom we refer to as our CEO, based on corporate goals and objectives and, with the other independent directors, sets his compensation based on this evaluation.

We have adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior.

In addition to AGL's quarterly Board meetings that last approximately two days each, our Board has an annual business review meeting to assess specific areas of the Company's operations and to learn about general trends affecting the financial guaranty industry. We also provide our directors with the opportunity to attend continuing education programs.

The Board of Directors

Our Board oversees our business and monitors the performance of management. The directors keep themselves up-to-date on the Company by discussing matters with the CEO, other key executives and our principal external advisors, such as outside legal counsel, outside auditors, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met four times during 2010 in addition to our annual business review meeting. From time to time, the Board has telephone information sessions on various topics. All of our directors, except for Mr. Ross, attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2010.

Mr. Ross became a director of AGL in May 2008 in connection with the purchase by investment funds affiliated with him of AGL common shares that resulted in proceeds to the Company of $250 million. In November 2008, investment funds affiliated with Mr. Ross also agreed to provide a $361 million backstop commitment in connection with funding the Company's acquisition of Financial Security Assurance Holdings Ltd., which we have renamed Assured Guaranty Municipal Holdings Inc.

Table of Contents

and which we refer to as AGMH. Because AGL was able to complete an equity offering in June 2009, the funds affiliated with Mr. Ross were not required to provide financing pursuant to the backstop commitment; however, these funds did purchase 3,850,000 common shares in that public offering. Also in 2009, Mr. Ross was instrumental in assisting the Company in entering into an agreement to provide mortgage securities analytical services to Invesco Advisors, Inc., an organization affiliated with Mr. Ross. Although Mr. Ross had scheduling conflicts from his other business interests that prevented him from attending many of AGL's Board of Directors meetings in person, the Board and AGL's shareholders approved amendments to AGL's Bye-Laws in 2010 which facilitated the ability of Mr. Ross to attend Board meetings telephonically, and Mr. Ross was subsequently able to attend a number of Board meetings. Furthermore, Mr. Ross has made his expertise available to the Company outside of Board meetings, in addition to providing material financing assistance to the Company. In cases of Board meetings where Mr. Ross was unable to attend the meeting physically or telephonically, he had extensive discussions about the subject matter of each meeting with management and other Board members. Consequently his views on all topics were made clear to all other directors as well as management. In addition, Mr. Ross frequently meets with members of management, outside the context of formal Board meetings, and has spent extensive time in connection with the Company's acquisition of AGMH and with ratings agency matters affecting the Company. The Board of Directors considers the service of Mr. Ross on the Board to be beneficial to the Company despite time constraints he experienced in connection with his other business responsibilities. The skill, capability and knowledge that he possesses makes him valuable to our Board of Directors and management.

Director independence

In February 2011, our Board determined that the following directors are independent under the listing standards of the NYSE: Neil Baron, Francisco L. Borges, G. Lawrence Buhl, Stephen A. Cozen, Patrick W. Kenny, Donald H. Layton, Robin Monro-Davies, Michael T. O'Kane and Walter A. Scott. These independent directors constitute substantially more than a majority of AGL's Board of Directors. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between the Company and these directors. A copy of our Categorical Standards for Director Independence is attached as Exhibit A to this proxy statement and is also available as part of our Corporate Governance Guidelines, which are available on our website at *http://www.assuredguaranty.com/governance*.

As part of its independence determinations, the Board took into account the fact that the Company retained Cozen O'Connor Federal Political Strategies, which we refer to as COFPS, to assist the Company in lobbying on U.S. federal governmental issues and that COFPS performed $120,000 of services for the Company in 2010. COFPS is majority-owned by Cozen O'Connor P.C., a law firm of which Mr. Cozen, a director of AGL, is a shareholder and chairman. COFPS did not provide legal services to the Company. The Board determined that the Company's retention of COFPS in 2010 was insufficient to constitute a material relationship between the Company and Mr. Cozen. The Board also considered the other directorships held by the independent directors and determined that none of these directorships constituted a material relationship with the Company.

Table of Contents

The committees of the Board

The Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, a Finance Committee and a Risk Oversight Committee.

The Audit Committee	The Audit Committee provides oversight of the integrity of the Company's financial statements and financial reporting process, the Company's compliance with legal and regulatory requirements, the system of internal controls, the audit process, the performance of the Company's internal audit program and the performance, qualification and independence of the independent accountants. The Audit Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards. The Board has determined that each member of the Audit Committee satisfies the financial literacy requirements of the NYSE and that Messrs. Buhl, Kenny and O'Kane are each audit committee financial experts, as that term is defined under Item 401(h) of the SEC's Regulation S-K. For additional information about the qualifications of the Audit Committee members, see their respective biographies set forth in "Proposal No. 1: Election Of Directors." The Audit Committee members are G. Lawrence Buhl (Chairman), Neil Baron, Patrick W. Kenny and Michael T. O'Kane. The Audit Committee held four meetings during 2010.
The Compensation Committee	The Compensation Committee has responsibility for evaluating the performance of the CEO and senior management and determining executive compensation in conjunction with the independent directors. The Compensation Committee also works with the Nominating and Governance Committee and the CEO on succession planning. The Compensation Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards. The Compensation Committee members are Francisco L. Borges (Chairman), Stephen A. Cozen and Donald H. Layton. The Compensation Committee held four meetings during 2010. The Compensation Committee also met with Cook twice to review executive compensation trends and peer group compensation data.

Table of Contents

The Nominating and Governance Committee	The responsibilities of the Nominating and Governance Committee include identifying individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations. The Nominating and Governance Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards. The Nominating and Governance Committee members are Patrick W. Kenny (Chairman), G. Lawrence Buhl and Robin Monro-Davies. The Nominating and Governance Committee held four meetings during 2010.
The Finance Committee	The Finance Committee of the Board of Directors oversees management's investment of the Company's investment portfolio. The Finance Committee also oversees, and makes recommendations to the Board with respect to, the Company's capital structure, financing arrangements, investment guidelines and any corporate development activities. The Finance Committee members are Robin Monro-Davies (Chairman), Francisco L. Borges and Stephen A. Cozen. The Finance Committee held four meetings during 2010.
The Risk Oversight Committee	The Risk Oversight Committee oversees management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and risk management. The Risk Oversight Committee focuses on both the underwriting and surveillance of credit risks and the assessment and management of other risks, including, but not limited to, financial, legal, operational and other risks concerning the Company's reputation and ethical standards. The Risk Oversight Committee members are Donald H. Layton (Chairman), Neil Baron and Michael O'Kane. The Risk Oversight Committee held four meetings during 2010.

How are directors compensated?

We currently pay our non-management directors an annual retainer of $170,000 per year. We pay $70,000 of the retainer in cash and $100,000 of the retainer in restricted stock to non-management directors who have not satisfied our share ownership guidelines. We pay $100,000 of the retainer in cash and $70,000 of the retainer in restricted stock to non-management directors who have satisfied our

Table of Contents

share ownership guidelines. Any director may elect to receive up to 100 percent his annual retainer in restricted stock. Any director who has satisfied our share ownership guidelines may also elect to receive up to 50 percent of the portion of the annual retainer that is not paid in cash in the form of stock options rather than in the form of restricted stock. Grants of restricted stock receive cash dividends. Restricted stock and stock options vest on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the stock or option (with immediate vesting upon a change in control or death or disability of the director). Vested options are exercisable for up to ten years after grant, but only while the director is serving on the Board and for 30 days after leaving the Board (two years after leaving if termination is because of retirement after five years of Board service, death, or disability, and two years following a change in control).

The Chairman of the Board receives an additional $125,000 annual retainer, the Chairman of the Audit Committee receives an additional $30,000 annual retainer and the Chairman of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receives an additional $10,000 annual retainer. Members of the Audit Committee, other than the chairman, receive an additional $10,000 annual retainer and members, other than the chairmen, of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receive an additional $5,000 annual retainer. The Company will generally not pay a fee for attendance at board or committee meetings, though the Chairman of the Board has the discretion to pay attendance fees of $2,000 for extraordinary or special meetings.

The Board of Directors has recommended that each director own at least 25,000 common shares. Common shares represented by stock units previously granted to directors (i.e., units for which common shares will be received six months after termination of the director's service on the Board of Directors), vested restricted shares and purchased shares will count toward that guideline. A director must hold at least 25,000 shares before the director may dispose of any shares acquired as compensation from the Company. Once a director has reached the share ownership guideline, the director must hold at least 25,000 shares so long as serving on the Board of Directors. All of our directors meet these share ownership guidelines.

The following table sets forth our 2010 non-management director compensation:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation(1) ($)	Total ($)
Neil Baron	$ 105,000	$ 40,000	$ 40,000		$ 185,000
Francisco L. Borges	$ 15,000	$ 85,000	$ 85,000		$ 185,000
G. Lawrence Buhl	$ 135,000	$ 35,000	$ 35,000	$ 8,000	$ 213,000
Stephen A. Cozen	$ 110,000	$ 70,000			$ 180,000
Patrick W. Kenny	$ 80,000	$ 55,000	$ 55,000		$ 190,000
Donald H. Layton	$ 115,000	$ 70,000			$ 185,000
Robin Monro-Davies(2)	$ 182,916	$ 35,000	$ 35,000		$ 252,916
Michael T. O'Kane	$ 115,000	$ 35,000	$ 35,000		$ 185,000
Wilbur L. Ross, Jr.	$ 85,000	$ 85,000			$ 170,000
Walter A. Scott	$ 125,000	$ 85,000	$ 85,000	$ 10,000	$ 305,000

(1) Other compensation consists of matching gift donations of $10,000 for Mr. Scott and $8,000 for Mr. Buhl, which were paid in 2010.

(2) The fees for Mr. Monro-Davies include £43,750 (which is approximately $67,916) for serving as an independent director of our UK insurance subsidiaries, Assured Guaranty (UK) Ltd. and Assured Guaranty (Europe) Ltd., formerly Financial Security Assurance (U.K.) Limited.

Table of Contents

The following table shows information related to director awards outstanding on December 31, 2010:

	Unvested Restricted Stock(1)	Non-Forfeitable Restricted Share Units	Forfeitable Stock Options(1)	Non-Forfeitable Stock Options
N. Baron	2,105	21,173	3,604	5,164
F. Borges	4,474	6,249	7,658	
L. Buhl	1,842	14,153	3,153	3,873
S. Cozen	3,684	14,153		
P. Kenny	2,895	24,214	4,955	8,606
D. Layton	3,684	10,918		
R. Monro-Davies	1,842	14,889	3,153	3,873
M. O'Kane	1,842	14,889	3,153	3,873
W. Ross	4,474			
W. Scott	4,474	23,643	7,658	12,909

(1) Vests one day prior to 2011 Annual General Meeting.

What is our Board leadership structure?

As we state in our corporate governance guidelines, the Board reserves the right to determine, from time to time, how to configure the leadership of the Board and the Company in the way that best serves the Company. While the Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer, those two positions have been held by separate individuals since our IPO, with the position of Chairman of the Board currently being filled by Walter Scott and the position of Chief Executive Officer by Dominic Frederico. The Company believes this is the appropriate leadership structure for it at this time because Mr. Scott and Mr. Frederico have an excellent working relationship, which permits Mr. Frederico to focus on running the Company's business and Mr. Scott to focus on Board matters, including oversight of the Company's management. Mr. Scott and Mr. Frederico collaborate on setting agendas for Board meetings to be sure that the Board discusses the topics necessary for its oversight of the management and affairs of the Company. As Chairman of the Board, Mr. Scott sets the final Board agenda, chairs Board meetings, including executive sessions at which neither the Chief Executive Officer nor any other member of management is present. The Chairman of the Board also chairs shareholder meetings.

How does the Board oversee risk?

The Board's role in risk oversight is consistent with the Company's leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for assessing and managing the Company's risk exposure, and the Chairman of the Board, the Board and its committees providing oversight in connection with these efforts. The Company's policies and procedures relating to risk assessment and risk management are overseen by its Board of Directors. The Board takes an enterprise-wide approach to risk management that is designed to support the Company's business plans at a reasonable level of risk. A fundamental part of risk assessment and risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The Board of Directors annually approves the Company's business plan, factoring risk management into account. The involvement of the Board in setting the Company's business strategy is a key part of its assessment of management's risk tolerance and also a determination of what constitutes an appropriate level of risk for the Company.

Table of Contents

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk assessment and risk management. As discussed under "Committees of the Board," the Board has created a Risk Oversight Committee that oversees the standards, controls, limits, guidelines and policies that the Company establishes and implements in respect of credit underwriting and risk management. It focuses on management's assessment and management of both (i) credit risks and (ii) other risks, including, but not limited to, financial, legal and operational risks, and risks relating to the Company's reputation and ethical standards. Our Risk Oversight Committee and Board pay particular attention to credit risks assumed by the Company when it issues financial guaranties. In addition, the Audit Committee of the Board of Directors is responsible for reviewing policies and processes related to the evaluation of risk assessment and risk management, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. It also reviews compliance with legal and regulatory requirements.

As part of its oversight of executive compensation, the Compensation Committee reviews compensation risk. The Compensation Committee, one of the members of which is the chairman of our Risk Oversight Committee, oversaw the performance of a risk assessment of the Company's employee compensation programs to determine whether any of the risks arising from the Company's compensation programs are reasonably likely to have a material adverse effect on the Company. In January 2011, the Compensation Committee retained Cook to review each of the Company's compensation plans and identify areas of risk and, the extent of such risk. The Compensation Committee directed that the Company's Chief Risk Officer work with Cook to perform such risk assessment and to be sure that compensation risk is included in our enterprise risk management system.

In conducting this assessment, Cook and our Chief Risk Officer focused on our incentive compensation programs in order to identify any general areas of risk or potential for unintended consequences that exist in the design of the Company's compensation programs and to evaluate the Company's incentive plans relative to the Company's enterprise risks to identify potential areas of concern, if any.

The Compensation Committee considered the findings of this assessment of compensation policies and practices and concluded that the Company's compensation programs are designed and administered with the appropriate balance of risk and reward in relation to its overall business strategy and do not encourage executives to take unnecessary or excessive risks that could have a material adverse effect on the Company. In reaching this conclusion, the Compensation Committee considered the following attributes of its compensation program:

- the balance between short- and long-term incentives;
- consideration of qualitative non-financial performance goals, including enterprise risk, as well as quantitative financial performance goals, in determining compensation payouts, with a discretionary approach to annual bonus award allocations;
- incentive compensation components that are paid , vested or measured over an extended period, thus encouraging a long-term outlook;
- incentive compensation with a significant equity component where value is best realized through long-term appreciation of shareholder value;
- the performance retention plan focus on adjusted book value and operating return on equity over a multi-year performance period, which reduces the incentive to concentrate on short-term gain, and like equity awards granted under the long-term incentive plan, which fosters a long-term view that minimizes unnecessary or excessive risk taking;
- stock ownership guidelines that tie executives to the Company's future business performance and align executives' interests with those of shareholders;
- a prohibition against sort-selling, buying Company shares on margin or using owned shares as collateral for margin accounts , which ensures that employees maintain appropriate exposure to changes in the Company's stock price and mitigates the risk of employees engaging in transactions that could have an adverse impact on our stock price; and

a recoupment policy that allows the Company to recover compensation paid in situations of misconduct requiring a restatement of financial results.

Table of Contents

The Company has established a number of management committees to develop underwriting and risk management guidelines, policies and procedures for the Company's insurance and reinsurance subsidiaries that are tailored to their respective businesses, providing multiple levels of credit review and analysis.

Portfolio Risk Management Committee This committee establishes company-wide credit policy for all segments of the Company's business. It implements specific underwriting procedures and limits for the Company and allocates underwriting capacity among the Company's subsidiaries. The Portfolio Risk Management Committee focuses on measuring and managing credit, market and liquidity risk for the overall company. All transactions in new asset classes or new jurisdictions must be approved by this committee.

U.S. Management Committee This committee establishes strategic policy and reviews the implementation of strategic initiatives and general business progress in the U.S. The U.S. Management Committee approves risk policy at the U.S. operating company level.

U.S. Risk Management Committee This committee conducts an in-depth review of the insured portfolios of the U.S. subsidiaries, focusing on varying portions of the portfolio at each meeting. It assigns internal ratings of the insured transactions and reviews sector reports, monthly product line surveillance reports and compliance reports.

Workout Committee This committee receives reports on transactions that might benefit from active loss mitigation and develops loss mitigation strategies for such transactions.

Reserve Committee Oversight of reserving risk is vested in the U.S. Reserve Committee, the AG Re Reserve Committee and the U.K. Reserve Committee. The committees review the reserve methodology and assumptions for each major asset class or significant BIG deal, as well as the loss projection scenarios used and the probability weights assigned to those scenarios. The U.S. Reserve Committee establishes reserves for Assured Guaranty Corp., which we refer to as AGC and Assured Guaranty Municipal Corp., which we refer to as AGM, taking into consideration the supporting information provided by Surveillance personnel. It is composed of the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, General Counsel, Chief Accounting Officer, Chief Surveillance Officer and Chief Actuary of AGC and AGM. The AG Re Reserve Committee is composed of the President, Chief Credit Officer and Financial Controller of AG Re. The AG Re Reserve Committee reviews its reserving methodology with the AG Re board of directors. The U.K. Reserve Committee is composed of the chief executive officer, Chief Financial Officer and head surveillance officer of the Company's U.K. subsidiaries. It reviews its reserving methodology with the boards of directors of the Company's U.K. subsidiaries.

How are directors nominated?

In accordance with its charter, the Nominating and Governance Committee identifies potential nominees for directors from various sources. The Nominating and Governance Committee reviews the qualifications of these persons to determine whether they might be a good candidate for membership on the Board of Directors. The Nominating and Governance Committee includes a review of the person's judgment, experience, independence, understanding of the Company's business or other related industries and such other factors as the Nominating and Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating and Governance Committee will select qualified candidates and review its recommendations with the Board of Directors, which will decide whether to nominate the person for election to the Board of Directors at an annual general meeting. Between annual general meetings, the Board, upon the recommendation of the Nominating and Governance Committee, can approve additions to the Board.

Table of Contents

AGL does not have a formal Board diversity policy. However, the Board considers diversity in professional experience and professional training in recommending nominees. Our Board is currently composed of lawyers, accountants and individuals who have industry, finance and executive experience. Our corporate governance guidelines address diversity of experience, requiring the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Our corporate governance guidelines provide that Board members should have individual backgrounds that when combined provide a portfolio of experience and knowledge that will serve the Company's governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as having a global business perspective and commitment to good corporate citizenship. Our corporate governance guidelines specify that directors should represent all shareholders and not any special interest group or constituency. The Nominating and Governance Committee annually reviews its own performance. In connection with such evaluation, the Nominating and Governance Committee assesses whether it effectively nominates candidates for director in accordance with the above described standards specified by the corporate governance guidelines. See each nominee's and director's biography appearing later in this proxy statement for a description of the specific experience that each such individual brings to our Board.

Our corporate guidelines additionally specify that directors should be able and prepared to provide wise and thoughtful counsel to top management on the full range of potential issues facing the Company. Directors shall possess the highest personal and professional integrity. Directors must have the time necessary to fully meet their duty of due care to the shareholders and be willing to commit to service over the long term, if called upon.

The Nominating and Governance Committee will consider a shareholder's recommendation for director, but the Nominating and Governance Committee has no obligation to recommend such candidates for nomination by the Board of Directors. Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating and Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources. If a shareholder has a suggestion for candidates for election, the shareholder should mail it to: Secretary, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. No person recommended by a shareholder will become a nominee for director and be included in a proxy statement unless the Nominating and Governance Committee recommends, and the Board approves, such person.

If a shareholder desires to nominate a person for election as director at a shareholders meeting, that shareholder must comply with Article 14 of AGL's Bye-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding annual general meeting. This time period has passed with respect to the 2011 Annual General Meeting. With respect to the 2012 Annual General Meeting, AGL must receive such written notice on or prior to February 4, 2012. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

the shareholder's name as it appears in AGL's books;

a representation that the shareholder is a record holder of AGL's shares and intends to appear in person or by proxy at the meeting to present such proposal;

the class and number of shares beneficially owned by the shareholder;

the name and address of any person to be nominated;

Table of Contents

a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons, naming such other person or persons, pursuant to which the nomination or nominations are to be made by the shareholder;

such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the SEC's proxy regulations; and

the consent of each nominee to serve as a director of AGL, if so elected.

Pursuant to its investment agreement with the Company, WLR Recovery Fund IV, L.P. has Board representation rights during the term of the investment by funds affiliated with Wilbur L. Ross, Jr. Mr. Ross is currently a director of AGL, with a term expiring in 2012.

Compensation Committee interlocking and insider participation

The Compensation Committee of AGL's Board of Directors has responsibility for determining the compensation of the Company's executive officers. None of the members of the Compensation Committee is a current or former officer or employee of the Company. No executive officer of the Company serves on the compensation committee of any company that employs any member of the Compensation Committee.

What is our related person transactions approval policy and what procedures do we use to implement it?

Through our committee charters, we have established review and approval policies for transactions involving the Company and related persons, with the Nominating and Governance Committee taking the primary approval responsibility for transactions with our executive officers and directors and the Audit Committee taking the primary approval responsibility for transactions with our 5% shareholders. No member of these committees who has an interest in a transaction being reviewed is allowed to participate in any decision regarding any such transaction.

Our Nominating and Governance Committee charter requires the Nominating and Governance Committee to review and approve or disapprove of all proposed transactions with executive officers and directors that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K, the SEC provision which requires disclosure of any related person transaction with the Company that exceeds $120,000 per fiscal year. The Nominating and Governance Committee must also review reports, which our General Counsel provides periodically, and not less often than annually, regarding transactions with executive officers and directors (other than compensation) that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K.

Our Audit Committee charter requires our Audit Committee to review and approve or disapprove all proposed transactions with any person owning more than 5% of any class of our voting securities that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, our Audit Committee charter requires the Audit Committee to review reports regarding such transactions, which our General Counsel provides to the Audit Committee periodically, and not less often than annually, regarding transactions with any persons owning more than 5% of any class of the voting securities of AGL that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K. Our Audit Committee charter also requires the Audit Committee to review other reports and disclosures of insider and affiliated party transactions which our General Counsel provides periodically, and not less often than annually.

Our General Counsel identifies related party transactions requiring committee review pursuant to our committee charters from transactions that are:

disclosed in director and officer questionnaires (which must also be completed by nominees for director) or in certifications of Code of Conduct compliance;

Table of Contents

reported directly by the related person or by another employee of the Company; or

reported by our Chief Accounting Officer based on a list of directors, executive officers and known 5% shareholders.

If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter into the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

What related person transactions do we have?

Relationships with ACE Limited

ACE Limited, which we refer to as ACE, had been the parent company of a number of our subsidiaries prior to our IPO. ACE received AGL common shares in connection with the IPO transactions.

During 2009, as a result of our equity offerings in June and December, our issuance of common shares to Dexia, which term we use to refer to Dexia SA, together with its affiliates, for the acquisition of AGMH, and sale by ACE of some of its AGL common shares, ACE's ownership of AGL was significantly reduced, such that as of December 31, 2009, ACE owned approximately 7.1% of our common shares and as of January 31, 2010, it owned approximately 3.1% of our common shares. ACE is no longer considered a related party of the Company as of January 31, 2010.

In connection with the IPO and related share exchange, the Company and ACE Financial Services Inc., which we refer to as AFS, entered into a tax allocation agreement. Pursuant to the tax allocation agreement, the Company and AFS have made an election under sections 338(g) and 338(h)(10) of the Internal Revenue Code with the effect that the portion of the tax basis of the Company's assets covered by this election was increased to the deemed purchase price of the assets and an amount equal to such increase was included in income in the consolidated federal income tax return filed by U.S. tax-paying subsidiaries of ACE. It is expected that this additional basis will result in increased income tax deductions and, accordingly, reduced income taxes payable by the Company. Pursuant to the tax allocation agreement, the Company will pay AFS any tax benefits realized by the Company, on a quarterly basis, generally calculated by comparing our actual taxes to the taxes that would have been owed by the Company had the increase in basis not occurred. During 2010, the Company paid AFS, and correspondingly reduced its liability by $0.4 million to $8.0 million. In the event that any taxing authority successfully challenges any deductions reflected in a tax benefit payment to AFS, AFS will reimburse the Company for the loss of the tax benefit and any related interest or penalties imposed upon us. The tax benefit payments to AFS should have no material effect on the Company's earnings or cash flows, which should not be materially less than they would have been in the absence of the tax allocation agreement and additional tax basis.

The tax allocation agreement provides that the tax benefit calculation for any period ending after the consummation of the IPO will not be less than the tax benefit calculated without giving effect to any items of income, expense, loss, deduction, credit or related carryovers or carrybacks from businesses conducted by the Company or relating to the Company's assets and liabilities other than those businesses conducted by the Company and those assets and liabilities existing immediately prior to the consummation of the IPO (taking into account any assets acquired from AFS or its subsidiaries after the offering and any liabilities incurred or assumed with respect to such assets). The tax allocation agreement further provides that the Company will not enter into any transaction a significant effect of which is to reduce the amount payable to AFS under the tax allocation agreement.

Relationships with WLR Funds

Pursuant to an investment agreement dated as of February 28, 2008, which we refer to as the Investment Agreement, with funds that are affiliated with Wilbur L. Ross, Jr., a director of AGL, which

Table of Contents

we refer to as the WLR Funds, the WLR Funds purchased 10,651,896 common shares of AGL at $23.47 per share on April 8, 2008. As required pursuant to the terms of the Investment Agreement, AGL has filed a shelf registration statement under the Securities Act covering the resale of the common shares sold to the WLR Funds pursuant to the Investment Agreement.

In October 2009, AG Analytics, Inc., one of our subsidiaries, entered into a consulting agreement with Invesco Advisors, Inc. ("Invesco"). Invesco acquired WL Ross & Co. LLC in 2006 and is the sole member of WL Ross & Co. LLC. Invesco and WL Ross & Co. LLC are sponsors of the Invesco Mortgage Recovery Master Fund, L.P. and its associated investment entities (the "PPIP Fund"), which was established to invest in residential and commercial mortgage backed securities, residential whole loans, commercial real estate loans and other mortgage related assets. The PPIP Fund seeks to enhance returns by participating in and utilizing financing available under programs established by the U.S. Department of the Treasury and the Federal Deposit Insurance Corporation under the Public Private Investment Program and the Term Asset Backed Securities Loan Facility administered by the Federal Reserve Bank of New York. Under the agreement, we provide certain consulting services to Invesco, including modeling particular residential mortgage backed securities designated by Invesco and participating on a quarterly basis on an advisory council to the PPIP Fund. On a quarterly basis, Invesco has agreed to pay us a consulting services fee equal to 7.5% of the annual management fee received by Invesco relating to unaffiliated capital commitments in connection with the PPIP Fund during the term of the agreement. Such management fees are negotiable between Invesco and the fund investors on a case-by-case basis and may be modified from time to time. According to the agreement, we are guaranteed to earn at least $1 million during the term of the agreement. The amount payable to the Company under the agreement for 2010 is approximately $0.3 million.

In November 2010, AGM and AGC entered into a special servicing agreement with American Home Mortgage Servicing, Inc. ("AHMSI"). Substantially all of the stock of AHMSI is owned by several private equity funds that are ultimately controlled by WL Ross & Co. LLC. Wilbur L. Ross, Jr. is the Chairman and Chief Executive Officer of WL Ross & Co. LLC. AGM and AGC have issued financial guaranty insurance policies on a number of residential mortgage-backed securities as to which AHMSI services the mortgage loans underlying the securitization transactions. AGM, AGC and AHMSI determined to place seven of these transactions under the special servicing agreement in order to provide incentives to AHMSI for achieving better performance with respect to the relatively risky mortgage loans in those transactions. The special servicing agreement also provides us with extensive oversight and enhanced information rights, and obligates AHMSI to cooperate with us, including working with us to create and implement our preferred loss mitigation strategies. Pursuant to the incentive fee schedule under the special servicing agreement, which is based on prevailing market rates, we estimate that AHMSI will receive approximately $4.1 million during the term of the special servicing agreement.

Relationships with Dexia

Dexia owned more than 5% of our common shares from July 1, 2009, when we issued it 21,848,934 of our common shares in connection with our acquisition of AGMH, until it sold all of such common shares in a public offering which closed on March 16, 2010. As a result of this transaction, Dexia is no longer considered a related party of the Company as of March 31, 2010.

Agreements Relating to Financial Products Business

When the Company acquired AGMH in July 2009 from an affiliate of Dexia, we did not acquire its financial products business. However, AGM, which we did acquire, had previously issued financial guaranty insurance policies in respect of the financial products business that are irrevocable and non-cancelable. Therefore, in order to limit our exposure through the AGM financial guaranty insurance policies to the credit and liquidity risks associated with the financial products business that we did not purchase, we entered into a number of agreements with Dexia pursuant to which they

Table of Contents

assumed such risks. These agreements include guaranties as to the payment obligations of AGM under its policies related to the financial products business and indemnification agreements that protect AGM against losses arising out of such business. Dexia is directly defending litigation and responding to investigations relating to this business.

Dexia also provides an aggregate of $11.5 billion of liquidity commitments to FSA Asset Management LLC, which we refer to as FSAM, a former subsidiary of AGMH now owned by Dexia that is involved in the guaranteed investment contracts, which we refer to as GICs, portion of the financial products business. Pursuant to the liquidity commitments, Dexia assumes the risk of loss and supports the payment obligations of FSAM and the former AGMH subsidiaries that had issued GICs in respect of the GICs and the GIC business. The term of the commitments generally extend until the GICs have been paid in full. The liquidity commitments are comprised of a revolving credit agreement pursuant to which Dexia Credit Local S.A., which we refer to as DCL, and Dexia Bank Belgium S.A. commit to provide funds to FSAM in an amount up to $8.0 billion and a master repurchase agreement pursuant to which DCL will provide up to $3.5 billion of funds in exchange for the transfer by FSAM to DCL of FSAM securities that are not eligible to satisfy collateralization obligations of the GIC issuers under the GICs.

In addition, in order to support the payment obligations of FSAM and the GIC issuers, Dexia entered into two separate International Swaps and Derivatives Association Master Agreements, each with its associated schedule, confirmation and credit support annex, pursuant to which Dexia guarantees the scheduled payments of interest and principal in relation to each FSAM asset, as well as any failure of Dexia to provide liquidity or liquid collateral under the liquidity facilities described above. Dexia is also obligated to post collateral pursuant to these agreements in 2011. These put contracts reference separate portfolios of FSAM assets, with the less liquid assets and the assets with the lowest market to market values generally being allocated to a put contract that is guaranteed by the States of Belgium and France under a sovereign guaranty. As of March 31, 2010, the aggregate outstanding principal balance of FSAM assets related to the put contracts was approximately $10.8 billion and Dexia had paid to FSAM approximately $238.0 million in respect of realized losses on the FSAM assets.

Strip Coverage Facility

In connection with our acquisition of AGMH, AGM agreed to retain the risks relating to the debt and strip policy portions of the leveraged lease business. The liquidity risk to AGM related to the strip policy portion of the leveraged lease business is mitigated by a credit facility provided by DCL. Under this strip coverage facility, AGM can draw on the facility to pay claims made on AGM strip policies that were outstanding as of November 13, 2008, up to the commitment amount. The commitment amount of the strip coverage facility was $1 billion at closing of the AGMH acquisition but is scheduled to amortize over time; as of December 31, 2010, the commitment amount was $991.9 million. It may also be reduced in 2014 to $750 million if AGM does not meet a minimum required consolidated net worth at that time, or at any time at the option of AGM without a premium or penalty. As of December 31, 2010, no amounts were outstanding under the strip coverage facility. AGM had paid commitment fees of $1.6 million through March 31, 2010 to DCL.

Transition Services Agreement

In connection with our acquisition of AGMH and the separation of the financial products business, which remained with Dexia, AGM entered into a transition services agreement with Dexia Financial Products Services LLC, a subsidiary of Dexia that was formed to administer the financial products business, in order to provide certain information technology and migration services for a period of approximately 18 months. The transition services agreement was terminated effective August 29, 2010.

Table of Contents

AGM received fees of $0.5 million from Dexia Financial Products LLC through March 31, 2010 pursuant to this agreement.

Financial Guaranty Insurance

From time to time, we, through our insurance operating subsidiaries, have issued financial guaranty insurance policies to Dexia in the secondary market or guaranteed the obligations of affiliates that have entered into credit default swaps under which they sold protection to Dexia in respect of the obligations referenced in those swaps. As of March 31, 2010, we had paid approximately $0.4 million in claims to Dexia and had earned $0.6 million of premiums in respect of such protection.

FSAM Notes

In 2002, affiliates that are consolidated with AGM issued notes to FSAM to finance the purchase of underlying obligations of AGM-insured obligations which had breached triggers, thereby allowing AGM to exercise its rights to accelerate payment of claims in order to mitigate its losses. The assets purchased are classified as assets acquired in refinancing transactions. The terms of the notes payable match the terms of the assets. As of March 31, 2010, the aggregate outstanding principal amount of the notes was approximately $133.8 million and we had paid $1.6 million in interest to FSAM.

Registration Rights

In connection with our acquisition of AGMH, we provided Dexia with registration rights, at our expense, with respect to the AGL common shares we issued to Dexia in such transaction. Pursuant to such registration rights, we filed a prospectus supplement with respect to all of the AGL common shares owned by Dexia. Dexia sold all of its AGL common shares in a public offering that closed March 16, 2010. The expenses we paid for this offering were approximately $0.3 million.

Relationship with Wellington Management Company

Wellington Management Company, LLP owns approximately 9.9% of AGL's common shares, according to a Schedule 13G/A filed on February 14, 2011. In December 2009, the Company appointed Wellington Management Company as investment manager to manage certain of the Company's investment accounts. In 2010, the Company incurred expenses of $1.8 million related to investment management agreements with Wellington Management Company.

Did our insiders comply with Section 16(a) beneficial ownership reporting in 2010?

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal 2010.

Table of Contents

PROPOSAL NO. 1: ELECTION OF DIRECTORS

General

Our Bye-Laws divide our Board of Directors into three classes with the terms of office of each class ending in successive years. Our Bye-Laws provide for a maximum of 21 directors and empower our Board of Directors to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual General Meeting.

Following the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated Francisco L. Borges, Patrick W. Kenny, Robin Monro-Davies and Michael T. O'Kane as Class I directors of AGL. As described in Proposal No. 2, the Board of Directors has recommended an amendment to AGL's Bye-Laws to provide for annual election of directors. If that Bye-Law amendment is approved, the nominees for director will be elected to serve one-year terms to expire at the Annual General Meeting in 2012. If the Bye-Law amendment is not approved, the nominees for director will be elected to serve three-year terms to expire at the Annual General Meeting in 2014. In either case, directors will be elected to serve until their respective successors shall have been elected and shall have qualified. Each nominee is currently serving as a director of AGL. Proposal No. 1 is Item 1A on the proxy card.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS OF AGL.

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board of Directors. We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his or her term, or the Board increases the number of directors, the Board may fill the vacancy until the next annual general meeting.

We have set forth below information with respect to the nominees for election as directors and the other directors whose terms of office as directors will continue after the Annual General Meeting. Except as otherwise described with respect to Mr. Ross in "How are directors nominated?", there are no arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.

Francisco L. Borges

Mr. Borges, age 59, became a director of AGL in August 2007. He is Chairman of Landmark Partners, Inc, an alternative investment management firm where he has been employed since 1999. Prior to joining Landmark, Mr. Borges was managing director of GE Capital's Financial Guaranty Insurance Company and capital markets subsidiaries. Mr. Borges is a former Treasurer for the State of Connecticut and a former Deputy Mayor of the City of Hartford, Connecticut. Mr. Borges serves on the board of directors and investment committee for Connecticut Public Television and on the University of Connecticut Health Center board of directors. He is also a member of the board of directors of Davis Selected Funds.

Mr. Borges has expertise in finance arising from his experience structuring and marketing financial guaranty insurance. In addition, his public service background has given him insight on public finance. His current position gives Mr. Borges insights into the financial markets in which the Company operates. Each of these areas is important to the Company's business.

Table of Contents

Patrick W. Kenny

Mr. Kenny, age 68, became a director of AGL upon completion of our IPO. He served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, from 2001 to 2009. From 1998 to 2001, Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty. Mr. Kenny serves on the board of directors of several ING mutual funds. Until December 2009, Mr. Kenny was a director and member of the Audit and the Compensation Committees of Odyssey Re Holdings Corp. Mr. Kenny was also a director of the Independent Order of Foresters from 1997 to 2009.

Mr. Kenny has extensive insurance industry experience, including executive experience within the industry. In addition, the Board benefits from Mr. Kenny's experience as an accountant.

Robin Monro-Davies

Mr. Monro-Davies, age 70, became a director of AGL in August 2005. From 1997 until his retirement in 2001, Mr. Monro-Davies was Chief Executive Officer of Fitch Ratings. He is a director of AXA UK plc, HSBC Bank plc, North American Banks Fund, NB Distressed Debt and The Ukraine Opportunity Trust PLC. From 2006 to 2010, Mr. Monro-Davies was a director of European Equity Tranche Income Fund. Mr. Monro-Davies is also an independent director of our UK insurance subsidiaries.

The Board benefits from Mr. Monro-Davies's rating agency expertise, which is important because ratings of the Company's operating subsidiaries directly impact their ability to successfully sell insurance. As a former chief executive officer, Mr. Monro-Davies has leadership experience and an understanding of financial and operational issues of a business organization. He also brings a European perspective to the Board, which is useful for our international business.

Michael T. O'Kane

Mr. O'Kane, age 65, became a director of AGL in August 2005. Until his retirement in August 2004, Mr. O'Kane was employed at TIAA-CREF (financial products) in a number of different capacities since 1986, most recently as Senior Managing Director, Securities Division. Since 2006, Mr. O'Kane has been a director of Jefferies Group, Inc., where he serves on the audit, compensation and governance committees.

Mr. O'Kane's background has given him considerable experience in investment and risk management, both of which are key aspects of the Company's business and are important to the Board and Board committee deliberation.

Table of Contents

Directors whose terms of office will continue after this meeting

Directors whose terms expire in 2012

Stephen A. Cozen

Mr. Cozen, age 71, became a director of AGL upon completion of our IPO. Mr. Cozen is the founder and Chairman of Cozen O'Connor, an internationally-recognized law firm with its home office in Philadelphia, Pennsylvania. Mr. Cozen is a fellow in the American College of Trial Lawyers and the International Academy of Trial Lawyers. Mr. Cozen also serves on numerous educational and philanthropic boards, including the University of Pennsylvania's Institute of Law and Economics and its Law School Board of Overseers and the Board of Counselors of the University of Southern California (Shoah Foundation Institute). Mr. Cozen was a director of Global Indemnity Ltd. from 2004 until 2010.

Mr. Cozen's decades of legal experience is an important resource for the Board. As the founder and chairman of a large law firm, he has executive experience with respect to a growing organization. Mr. Cozen provides valuable insights to the Board and the Company on public policy issues facing the Company

Donald H. Layton

Mr. Layton, age 60, became a director of AGL in 2006. Prior to his retirement in 2004 from J.P. Morgan Chase & Co., Mr. Layton was Vice Chairman and a member of its three person Office of the Chairman. Previously, Mr. Layton had been Co-Chief Executive Officer of J.P. Morgan, the investment bank of J.P. Morgan Chase & Co. Mr. Layton became Chairman of the Board of E*Trade Financial Corporation in late 2007 and in March 2008 he was also named as its Chief Executive Officer. He retired from both positions as of December 30, 2009. He was a Senior Advisor to The Securities Industry and Financial Markets Association and a member of the Federal Reserve Bank of New York's International Capital Markets Advisory Committee. Mr. Layton also serves as Chairman of the Board for The Partnership for the Homeless, director of the International Executive Service Corps. and a member of the Massachusetts Institute of Technology Visiting Committee for Economics. Since April 2010, he is also a director of American International Group (AIG).

Mr. Layton possesses finance and banking experience, which is especially relevant to risk management related to sophisticated financial products such as the Company sells. He also has experience in business combinations. As a former chief executive officer of a public company, Mr. Layton has demonstrated leadership capability as well as an understanding of the wide range of complex issues that business organizations must address.

Table of Contents

Wilbur L. Ross, Jr.

Mr. Ross, age 73, became a director of AGL in 2008. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the managing member of the general partner of WL Ross Group, L.P., which in turn is the managing member of the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., WLR Recovery Fund III L.P., WLR Recovery Fund IV L.P., Asia Recovery Fund L.P., Asia Recovery Co-Investment Fund L.P., Absolute Recovery Hedge Fund L.P., India Asset Recovery Fund and Japan Real Estate Recovery Fund, the Chairman of the Investment Committee of the Taiyo Fund, the Chairman of Invesco Private Capital and of Invesco WLR Private Equity Investment Management Ltd., and a director of WLR China Energy Associates, Ltd. Mr. Ross is also non-executive Chairman of: International Coal Group, Inc., a leading producer of coal in Northern and Central Appalachia and the Illinois Basin; International Textile Group, Inc., a global, diversified textile provider that produces automotive safety, apparel, government uniform, technical and specialty textiles; Nano-Tex, Inc., a fabric innovations company located in the United States; IPE-Ross Management Ltd., an investment partnership investing in middle market European buyouts; and the International Automotive Components Group SL, a joint venture company with interests in automotive interior plastics. In addition, Mr. Ross is an executive officer of Invesco Private Equity; American Home Mortgage Services, Inc. and Plascar Participacoes SA. Mr. Ross is a board member of: Arcelor Mittal N.V.; Compagnie Europ?eenne de Wagons SARL in Luxembourg; Insuratex, Ltd., an insurance company in Bermuda; Plascar Participacoes SA; The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry; IAC Acquisition Corporation Limited; IAC Group SARL; Masters Capital Nanotechnology Fund; SunBancorp; First Michigan Bancorp; BankUnited Bancorp; OCM, Ltd., a textile company located in India; Nikko Electric, an automotive parts company located in Japan; Ohizumi Manufacturing, an air conditioner parts company located in Japan; and Spice Jet, an airline company located in India. Mr. Ross is also a member of the Business Roundtable. Mr. Ross was previously a director of Mittal Steel Co. N.V. from April 2005 to June 2006, a director of International Steel Group from February 2002 to April 2005, a director of Montpelier Re Holdings Ltd. from 2006 to March 2010, and a director of Syms Corp. from 2000 through 2007. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board and currently is a board member of The Committee on Capital Market Regulation, Harvard Business School Club of New York, Palm Beach Preservation Foundation, Whitney Museum of American Art, the Japan Society and the Yale University School of Management and Chairman of the Palm Beach Fire Fighters Retirement Fund. He holds an A.B. from Yale University and an M.B.A., with distinction, from Harvard University.

Funds affiliated with Mr. Ross made a significant investment in the Company and now own 8.7% of the outstanding shares of AGL. As part of the transaction in which these funds made their investment in the Company, AGL granted those funds board representation rights during the term of their investment. In addition, as a fund manager, Mr. Ross has significant experience in finance and knowledge of the market place. Through the funds, Mr. Ross has made available material financing assistance to the Company. We believe that Mr. Ross is in a position to identify opportunities for the Company and that his keen business acumen is a valuable resource.

Table of Contents

Walter A. Scott

Mr. Scott, age 73, became a director of AGL upon completion of our IPO and became Chairman in May 2005. Mr. Scott was Chairman, President and Chief Executive Officer of ACE from 1991 until his retirement in 1994 and President and Chief Executive Officer of ACE from 1989 to 1991. Subsequent to his retirement he served as a consultant to ACE until 1996. Mr. Scott was a director of ACE from 1989 through May 2005. Prior to joining ACE, Mr. Scott was President and Chief Executive Officer of Primerica's financial services operations. Mr. Scott is currently Chairman of Beverage Acquisition Group LLC, a Vermont-based hard-cider company. Mr. Scott is an Emeritus Trustee of Lafayette College and a founding trustee of the Bermuda Foundation for Insurance Studies.

Mr. Scott is an experienced insurance company executive who is very familiar with the Company's business. As a former chief executive officer of a public company, he has considerable executive leadership experience, as well as an understanding of the obligations of a public company.

Directors whose terms expire in 2013

Neil Baron

Mr. Baron, age 67, became a director of AGL upon completion of our IPO. Mr. Baron was Chairman of Criterion Research Group, LLC, an independent securities research firm from March 2002 through February 2006, at which time this firm was acquired. He was Vice Chairman and General Counsel of Fitch Ratings, a nationally recognized statistical ratings organization, from April 1989 to August 1998. Prior to joining Fitch Ratings, Mr. Baron was in private practice for more than 20 years, including at the law firm of Booth & Baron, specializing in structured finance and rating agency matters. Mr. Baron provides consulting services to Ranieri Partners, which manages a fund that purchases and services non-performing "under water" mortgages with a view to reducing principal and otherwise modifying them into performing mortgages. Mr. Baron advises Mr. Ranieri on public policy issues.

Mr. Baron's rating agency expertise is particularly valuable to the Board of Directors because ratings of the Company's operating subsidiaries directly impact their ability to successfully sell insurance. In addition, the Board benefits from Mr. Baron's insights as a structured finance lawyer.

Table of Contents

G. Lawrence Buhl

Mr. Buhl, age 64, became a director of AGL upon completion of our IPO. He was a partner of Ernst & Young LLP and its predecessors through 2003. During his 35-year accounting career, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young's Philadelphia, New York and Baltimore offices and as audit engagement partner for more than 40 insurance companies, including those in the financial guaranty industry. Mr. Buhl also serves as a director for Harleysville Group, Inc. (NASDAQ: HGIC) and its majority shareholder, Harleysville Mutual Insurance Company, and is chair of each company's audit committee and also serves on their executive/strategy and risk committees. Mr. Buhl is also a member of the Board of Sponsors of the Sellinger School of Business and Management of Loyola University Maryland.

Mr. Buhl's accounting and auditing background and related experience and education has made him knowledgeable of specific financial reporting requirements applicable to financial guaranty companies, as well as giving him familiarity with compliance, governance, control environment and risk management requirements and processes for public companies and the financial guaranty industry in general. As an experienced certified public accountant heavily focused on the insurance and financial services industries, providing services to boards and management of those companies, and as chair and/or member of other organizations' audit and other committees, Mr. Buhl is well suited to be chairman of our Audit Committee, which position he has held since our IPO, and member or chair of other Board committees of the Company.

Dominic J. Frederico

Mr. Frederico, age 58, has been a director, and the President and Chief Executive Officer, of AGL since our IPO. Mr. Frederico served as Vice Chairman of ACE from 2003 until 2004 and served as President and Chief Operating Officer of ACE and Chairman of ACE INA Holdings, Inc. from 1999 to 2003. Mr. Frederico was a director of ACE from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE. Prior to joining ACE, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group.

Mr. Frederico has the most comprehensive knowledge of all aspects of the Company's operations as well as executive experience. He also has extensive industry experience, which makes him valuable both as an officer and as a director of AGL.

Table of Contents

INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP

How much stock is owned by directors and executive officers?

The following table sets forth information, as of March 9, 2011, regarding the beneficial ownership of our common shares by our directors and executive officers whose compensation is reported in the compensation tables that appear later in this proxy statement, to whom we refer as our named executive officers, and by our directors and executive officers as a group. Unless otherwise indicated, the named individual has sole voting and investment power over the common shares under the column "Common Shares Beneficially Owned." The common shares listed for each director and executive officer constitute less than 1% of our outstanding common shares, except for Mr. Ross who, together with affiliates, owns approximately 8.7% of our common shares. The common shares beneficially owned by all directors and executive officers as a group constitute approximately 9.4% of our outstanding common shares.

On March 7, 2011, Séan W. McCarthy, Assured Guaranty's chief operating officer, announced his resignation from all positions as officer or director of Assured Guaranty, effective March 31, 2011.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares(1)	Vested and Unvested Share Units(2)	Common Shares Subject to Option(3)
Neil Baron	4,195	2,105	21,229	8,768
Francisco L. Borges	83,365	4,474	6,269	7,658
G. Lawrence Buhl	20,310	1,842	14,197	7,026
Stephen A. Cozen	45,027	3,684	14,197	
Dominic J. Frederico	552,004(4)	0	509,238	1,300,000
Patrick W. Kenny	13,548	2,895	24,290	13,561
Donald H. Layton	20,839	3,684	10,952	
Robin Monro-Davies	31,204	1,842	14,936	7,026
Michael T. O'Kane	14,204	1,842	14,936	7,026
Wilbur L. Ross, Jr.	16,023,984(5)	4,474		
Walter A. Scott	47,295	4,474	23,717	20,567
Séan W. McCarthy	5,974	0	217,615	46,666
James M. Michener	135,982	0	72,395	366,665
Robert B. Mills	180,668(6)	0	68,687	546,665
Robert A. Bailenson	35,375	0	49,292	86,332
All directors and executive officers as a group (15 individuals)	17,213,974	31,316	1,061,950	2,417,960

(1) The reporting person has the right to vote (but not dispose of) the common shares listed under "Unvested Restricted Common Shares."

(2) Each non-management director, other than Mr. Ross, holds share units, including dividend accruals, which will be generally deferred at least six months after the termination of such directors' service on the Board. In addition, our executive officers have restricted share units that vest on specified anniversaries of the date of the award, with common shares delivered upon vesting. Some of the common shares associated with restricted share units are not deliverable as of March 9, 2011 or within 60 days of March 9, 2011 and therefore cannot be voted or disposed within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our directors and executive officers. This column includes 181,818 share units credited to Mr. Frederico under the AGL Supplemental Executive Retirement Plan. It also includes 130,000 share units credited to Mr. McCarthy under the AGMH 1989 Supplemental

Table of Contents

Executive Retirement Plan. Upon Mr. McCarthy's resignation from the Company effective March 31, 2011, he will be entitled to a distribution of 130,000 AGL common shares, less applicable withholding tax, in accordance with the terms of such plan and he will forfeit 87,615 restricted share units in accordance with the terms of the AGL 2004 Long-Term Incentive Plan.

(3) Represents common shares which the reporting person has the right to acquire as of March 9, 2011 or within 60 days of March 9, 2011 pursuant to options.

(4) Includes (i) shares owned by Mr. Frederico's spouse and daughter, over which Mr. Frederico has the power to direct the voting and disposition, (ii) shares owned by a family limited partnership, the partnership interests of which are owned directly and indirectly by Mr. Frederico, Mr. Frederico's spouse, Mr. Frederico's daughter and Mr. Frederico's son, over which Mr. Frederico has the power to direct the voting and disposition and (iii) shares owned by a grantor retained annuity trust of which Mr. Frederico is the trustee.

(5) Includes shares held by funds affiliated with Mr. Ross.

(6) Includes shares owned jointly with Mr. Mills' spouse over which Mr. Mills has the power to direct the voting and disposition.

Which shareholders own more than 5% of our common shares?

The following table shows all persons we know to be direct or indirect owners of more than 5% of our common shares as of the close of business on March 9, 2011, unless otherwise indicated. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Wellington Management Company, LLP(1) 280 Congress Street Boston, MA 02210	18,181,544	9.88%
WLR Recovery Fund IV, L.P.(2) 1166 Avenue of the Americas New York, NY 10036	16,028,458	8.71%
FMR LLC(3) 82 Devonshire Street Boston, MA 02109	15,498,549	8.42%
Janus Capital Management LLC(4) 151 Detroit Street Denver, Colorado 80206	11,408,296	6.20%
LMM LLC Legg Mason Capital Management, Inc.(5) 100 International Drive Baltimore, MD 21202	10,709,876	5.82%

(1) Based on a Schedule 13G/A filed by Wellington Management Company, LLP on February 14, 2011, reporting the amount of securities beneficially owned as of December 31, 2010. Wellington Management has shared voting power over 15,576,586 shares and shared dispositive power over 18,181,544 shares.

(2) Reflects shares beneficially owned by WLR Recovery Fund IV, L.P. and certain of its affiliates and Wilbur L. Ross, Jr., based on an amendment to Schedule 13D/A filed on

Table of Contents

June 25, 2009, reporting the amount of securities beneficially owned as of June 24, 2009 and a Form 4 filed on May 10, 2010. WLR Recovery Fund IV, L.P. and certain of its affiliates have shared voting and shared dispositive power over 16,016,396 shares. Wilbur L. Ross, Jr. has sole voting and sole dispositive power of 12,062 shares and shared voting and shared dispositive power over 16,016,396 shares.

(3)

Based on a Schedule 13G/A filed by FMR LLC on February 14, 2011, reporting the amount of securities beneficially owned as of December 31, 2010. FMR LLC has sole power to vote over 846,100 shares and sole dispositive power over 15,498,549 shares.

(4)

Based on a Schedule 13G filed by Janus Capital Management LLC on February 14, 2011 reporting the amount of securities beneficially owned as of December 31, 2010. Janus Capital Management LLC has sole power to vote over 11,405,296 shares, shared voting power over 3,000 shares, sole dispositive power over 11,405,296 shares and shared dispositive power over 3,000 shares.

(5)

Based on Schedule 13G filed jointly by LMM LLC and Legg Mason Capital Management, Inc. on February 15, 2011, reporting the amount of securities beneficially owned as of December 31, 2010. LMM LLC beneficially owns 6,241,890 and has shared voting power and shared dispositive power over these shares. Legg Mason Capital Management, Inc. beneficially owns 4,467,986 shares and has shared voting power over 4,065,148 shares and shared dispositive power over 4,467,986 shares.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

The Company's strategic goals are intended to build shareholder value by increasing operating income, operating income per diluted share, operating return on equity, adjusted book value per share and operating book value per share. Since our IPO in 2004, the following strategic goals have been the basis for the variable compensation arrangements for our named executive officers:

- Expanding our financial guaranty direct business.
- Executing financial guaranty reinsurance portfolio transactions.
- Maintaining the highest possible ratings from the major rating agencies.
- Maintaining underwriting discipline and the credit quality of our financial guaranty portfolio.
- Minimizing losses in poorly performing insured transactions.
- Managing capital efficiently.

Our Board of Directors annually approves a business plan with specific financial goals. To advance our strategic and financial goals and to tie compensation to the level of executive performance, the Compensation Committee annually uses its discretion to determine executive variable compensation based on its assessment of the performance of the named executive officers. Our executive variable compensation programs are made up of cash bonuses, equity-based awards and performance retention plan (PRP) awards, and are intended to encourage retention of our named executive officers and to provide competitive incentive compensation that promotes and rewards achievement, on both an individual and team basis. Prior to awards for 2010 performance, equity-based awards were comprised of stock options and restricted stock. In view of the recent volatility of our stock price and the accounting charges associated with options, the Compensation Committee concluded that, at this time, restricted stock unit awards are a more cost effective equity-based incentive than options. As a result, the Compensation Committee approved restricted stock units but no options for 2010 performance. The amounts distributable with respect to the PRP awards are contingent on future financial performance over a 4-year performance period.

In determining the compensation for each named executive officer, the main factors taken into account by the Compensation Committee were:

- The performance of the Company.
- Achievement of identified objectives in the officer's areas of responsibility that are intended to achieve the Company's goals.
- Cooperation as a team to achieve the Company's goals.
- Demonstration of ethical behavior in compliance with current legal and regulatory standards.

Quick and effective responses to unanticipated opportunities or challenges.

The Compensation Committee believes management accomplished many of its 2010 strategic objectives, despite the difficult market conditions:

Although the credit markets in which the Company operates continued to be very challenging in 2010, the Company continued to be the only financial guaranty organization actively insuring new issue bonds. While management did not achieve its goal to retain AGC's and AGM's AAA (negative) financial strength ratings from S&P, both companies did maintain Moody's financial strength ratings of Aa3 (negative) throughout 2010. Such rating from Moody's, and the S&P

Table of Contents

financial strength rating of AA+ (stable) assigned in October 2010, were sufficient for AGC and AGM to maintain a solid public finance market share, especially with smaller A-rated issuers. In 2010, on a sale date basis, the Company insured 8.4% of the par and 14% of the transactions in the tax-exempt new issue public finance market. In 2010, on a sale date basis, the Company insured 6.2% of the par, 12.5% of the transactions, and 15% of debt rated in the "A" category by S&P, in the entire new issue public finance market.

The Company continues to maintain its underwriting and pricing discipline. The average rating of the Company's net portfolio is A+, the same as in 2009. Of the public finance new issues insured during 2010, 9.7% had an average underlying rating within the "AA" category, 79.5% had an average underlying rating within the "A" category and 10.8% had an average underlying rating within the "BBB" category. Each rating is based on the Company's internal rating scale. The S&P Profitability Index, a measure of pricing adequacy, for business written in 2010 was 9.7, which is consistent with 2009 pricing and above 2006-2007 levels.

In 2010, the Company substantially expanded the number of workout personnel focused on mitigating losses from residential mortgage-backed securities ("RMBS") it has insured. In 2010, this group reached agreements for mortgage originators and RMBS sponsors to repurchase $352 million of defective or ineligible mortgage loans underlying the Company's insured RMBS. The $528 million aggregate amount of commitments obtained by the Company as of year-end 2010 is a 200% increase from the $176 million obtained as of year-end 2009. The amount of successful mortgage repurchases increased each quarter during 2010. In addition, the workout group has implemented a number of new strategies to improve servicer performance on poorly performing RMBS. Several lawsuits were filed in 2010 to enforce the Company's rights in RMBS transactions.

In response to lower new business flow, in 2010 the Company commuted reinsurance contracts with several counterparties and reassumed previously ceded business amounting to $15.4 billion in par, which resulted in $32.4 million of operating income.

To mitigate credit losses, the Company also initiated a program to purchase poorly performing insured bonds at a discount.

Also, during 2010, the Company achieved or made good progress toward its 2010 financial goals, other than new business production:

Record 2010 operating income of $660.3 million and operating income per diluted share of $3.49. Both 2010 operating income and operating income per diluted share were substantially above 2009 and exceeded the 2010 management performance goals. Operating book value per share grew from $22.49 at December 31, 2009 to $25.92 at December 31, 2010. Adjusted book value per share grew slightly from $48.40 at December 31, 2009 to $48.98 at December 31, 2010. These results were achieved due largely to the successful 2009 acquisition of Financial Security Assurance Holdings Ltd. (now known as Assured Guaranty Municipal Holdings Inc. ("AGMH")), despite low 2010 new business production and higher than expected losses on business written in prior years.

2010 new business production ("PVP") of $362.7 million. AGC and AGM together insured, on a sale date basis, 1,697 U.S. new issue public finance transactions, representing approximately $26.8 billion of insured par. While our 2010 new business production was substantially below our 2010 goal, the results were achieved under very difficult market conditions for financial guaranty insurance due to the weak U.S. economy, the volume of Build America Bonds issued, the financial problems of our former competitors and the recalibration of municipal issuer ratings by the rating agencies. In addition, issuers and investors in the market were concerned about the stability of our financial strength ratings based on the December 2009 downgrade of AGC by

Table of Contents

Moody's to Aa3 (negative), Moody's maintaining the financial strength ratings of AGC and AGM on negative outlook throughout 2010, and the October 2010 downgrade of AGC and AGM by S&P to AA+ (stable).

Key measures of the Company's operating performance for 2008 through 2010 are set forth below:

	2008	2009	2010
Operating income	$74.5 million	$293.4 million	$660.3 million
Operating income per diluted share	$ 0.84	$ 2.27	$ 3.49
Operating ROE	3.4%	9.1%	14.8%
Adjusted book value per share	$41.97	$ 48.40	$ 48.98
Operating book value per share	$25.50	$ 22.49	$ 25.92

These strong financial results were achieved despite a severe recession, the credit crisis and a historic decline in the value of U.S. residential real estate. During 2008 through 2010, the total shareholder return ("3-year TSR") on the Company's common shares was (30.7)%; the return on the S&P 500 index was (8.3)% and the return on the S&P 500 Financials index was (41.2)%. The Company's 3-year TSR was at approximately the 25th percentile of the peer group.

As part of its evaluation of 2010 performance and variable compensation, the Compensation Committee also reviewed the Company's 2009 performance and the variable compensation granted for such performance. The Compensation Committee viewed approximately one-third of the named executive officers' 2009 cash bonus and long-term incentive grants as a reward for the extraordinary efforts to complete the acquisition and integration of AGMH. The Compensation Committee views 2010 performance as generally good, although not as strong as 2009. The Compensation Committee weighed the strong 2010 financial performance against the continued high RMBS losses, lower PVP, the S&P downgrade and the decline in the price of AGL's common shares.

Accordingly, the Compensation Committee approved lower variable compensation for 2010 performance. For the Company as a whole, cash bonuses and long-term incentive grants reflecting 2010 performance were approximately 14% below those for 2009 performance; cash bonuses were 7% lower and long-term compensation was 25% lower. Cook uses a "fair value transfer" calculation to measure the value of total employee long-term compensation as a percentage of a company's market capitalization. The fair value transfer of the Company's February 2011 employee long-term incentive grants is between the 25th percentile and the median of the fair value transfer of the peer group for 2007 2009. For the named executive officers as a group, variable compensation for 2010 performance was 22% lower than variable compensation for 2009 performance; cash bonuses were approximately 10% lower and long-term incentive grants were approximately 30% lower. For 2010, future performance-based variable compensation represented between 16% and 35% of the total compensation paid to each of the named executive officers.

The table below shows 2010 performance incentive awards for the named executive officers and compares such amounts to 2009 performance incentive awards. While the SEC reporting requirements require that the Summary Compensation Table include as 2010 compensation options and restricted stock granted in calendar year 2010 and PRP distributions made in calendar year 2010, the Compensation Committee views the equity and PRP awards that were granted in February 2011 to be long-term incentive awards that reflect 2010 performance. For more information on 2010 performance, see "2010 Performance and Compensation Decisions" within this Compensation Discussion and Analysis.

Table of Contents

Variable Incentive Compensation Awarded for 2009 Performance

Executive Officer	Cash Bonus	Restricted Share Units	Value	Stock Options	Value	PRP	Total
Dominic J. Frederico	$ 4,100,000	100,000	$ 1,979,000	100,000	$ 1,154,500	$ 2,050,000	$ 9,283,500
Séan W. McCarthy	$ 2,000,000	40,000	$ 791,600	40,000	$ 461,800	$ 1,000,000	$ 4,253,400
James M. Michener	$ 1,250,000	30,000	$ 593,700	40,000	$ 461,800	$ 1,250,000	$ 3,555,500
Robert B. Mills	$ 1,000,000	30,000	$ 593,700	40,000	$ 461,800	$ 1,000,000	$ 3,055,500
Robert A. Bailenson	$ 700,000	20,000	$ 395,800	20,000	$ 230,900	$ 500,000	$ 1,826,700

Variable Incentive Compensation Awarded for 2010 Performance

Executive Officer	Cash Bonus	Restricted Share Units	Value(1)	Stock Options	Value	PRP	Total	% Variance from 2009
Dominic J. Frederico	$ 3,600,000	160,000	$ 2,364,800	$	$ 1,700,000	$ 7,664,800	(17.4)%
Séan W. McCarthy(2)	$ 2,000,000	57,000	$ 842,460	$	$ 655,000	$ 3,497,460	(17.8)%
James M. Michener	$ 950,000	30,000	$ 443,400	$	$ 1,000,000	$ 2,393,400	(32.7)%
Robert B. Mills	$ 1,000,000	25,000	$ 369,500	$	$ 800,000	$ 2,169,500	(29.0)%
Robert A. Bailenson	$ 600,000	25,000	$ 369,500	$	$ 500,000	$ 1,469,500	(19.6)%

(1) Restricted share units are valued based on the per common share NYSE closing price of $14.78 on February 9, 2011, the date of the grant.

(2) Mr. McCarthy will forfeit the grant of 57,000 restricted share units and the $655,000 PRP award upon his resignation from the Company effective March 31, 2011.

Compensation Governance and Administration

The Compensation Committee oversees all aspects of our executive compensation program. The Compensation Committee has responsibility for establishing executive compensation policies, determining the compensation of the CEO, reviewing the CEO's compensation recommendations regarding other senior officers and determining appropriate compensation for such officers. Our Board has adopted a Compensation Committee Charter to govern the Compensation Committee's activities which is reviewed annually by the Compensation Committee. Under its charter, the Compensation Committee is authorized to obtain assistance by retaining compensation, legal, accounting and other expert consultants.

The Compensation Committee has retained Cook as its compensation consultant. Cook advises the Compensation Committee on executive compensation developments and assists it with peer comparisons of executive compensation and the aggregate amount of long-term incentives. Cook meets periodically with the Compensation Committee and prepares materials for the Compensation Committee, such as peer group compensation data and measurements of long-term compensation. Cook's work for the Company in the last five years has been solely on behalf of the Compensation Committee.

The CEO is the principal executive involved with the Compensation Committee in establishing compensation policy and setting the compensation for other executive officers. The CEO generally attends the Compensation Committee meetings, although the Compensation Committee also meets regularly in executive session. Both the General Counsel and the head of Human Resources attend portions of the Compensation Committee meetings and provide additional information and analysis to the Compensation Committee, as requested, and communicate with Cook on committee matters. Between meetings, the chairman of the Compensation Committee will often speak with the CEO or the General Counsel regarding committee and compensation matters.

Table of Contents

The Board of Directors has delegated to the CEO the power to approve:

Routine changes to benefit plans.

New-hire packages for non-executive officers with expected annual compensation below a specified amount.

New-hire equity grants for non-executive officers up to a specified amount of stock options and restricted stock for each new hire. All equity grants authorized by the CEO must be reported to the Compensation Committee at its next meeting.

Routine salary and employment termination arrangements for employees below the top three levels of the Company.

Each year, during our February board meeting, the Compensation Committee meets to make executive compensation decisions with respect to the previous year's performance. The Compensation Committee follows this schedule because the February meeting is the earliest practical opportunity to review the prior year's financial results and the performance of the executive officers. At the February board meeting, the Compensation Committee discusses its compensation recommendations with the directors who are not on the Compensation Committee. All independent directors approve executive officer salary increases (if any), cash, bonuses, equity awards and PRP awards. Stock options have been priced at the NYSE closing price of the Company's stock on the day the awards are approved by the Compensation Committee and the other independent directors; no stock options were granted in February 2011. The Compensation Committee also finalizes performance targets and measures for the current year at its February meeting.

Elements of Compensation

The Company provides various types of compensation to its named executive officers, which can be grouped into base compensation and variable compensation. Base compensation is provided for an executive officer's acceptable performance and is only adjusted periodically. We use the variable compensation as the primary tool to reward performance and provide incentives for our executives to remain with the Company. To increase the effectiveness of these incentives, a significant portion of executive officer total compensation is variable compensation. Variable compensation includes annual bonus and long-term compensation.

Base Compensation

Salary Executive officers' salaries were initially determined by employment contracts. Once established, salaries are periodically adjusted to reflect individual performance, inflation, new responsibilities, and salary changes at peer group companies, although we do not benchmark any specific percentile.

Analysis The Compensation Committee does not target salary as a particular percentage of total compensation, although salary typically comprises 10%-20% of an executive officer's total compensation. Variable incentive awards do not affect salary.

Retirement Benefits We maintain tax-qualified and non-qualified defined contribution retirement plans for our eligible employees, including executive officers. We contribute 6% of each employee's salary and cash bonus compensation, which we refer to as eligible compensation, to the defined contribution plans. We also have 401(k) type plans, with 100% Company matching up to 6% of eligible compensation. The Company does not maintain any defined benefit pension plans.

Analysis Because the Company's contribution to retirement plans is based on eligible compensation, we will make higher or lower contributions if an executive officer's salary or annual bonus increases or decreases. We make contributions to these plans to be competitive

Table of Contents

with other companies and to retain talented employees. The investment return in each employee's retirement account depends on the performance of the investment elections made by such employee. No executive officer is guaranteed any level of retirement payout or preferential return on their accounts. To date, retirement plan contributions and balances have not affected other elements of executive compensation.

Employee Benefits The Company provides employee benefits to its employees, including its executive officers. These benefits include life, health and disability insurance. The Company also maintains an Employee Stock Purchase Plan, which we refer to as the ESPP, to encourage stock ownership by employees. Under the ESPP, employees, including executive officers, may annually purchase up to $25,000 of our stock at a 15% discount, subject to the overall limit on the number of shares available for purchase under the ESPP. In 2010 Mr. Frederico and Mr. Mills participated in the ESPP to the maximum extent possible.
Analysis We believe our employment benefit programs are generally consistent with practices among our principal competitors for employees.

Perquisites We also provide executive officers fringe benefits that are not available to employees generally. These include tax preparation, financial planning, club memberships, and executive medical, physical and excess health insurance and, for our executive officers located in Bermuda, housing and car allowances, family travel benefits and certain tax gross-ups.
Analysis These benefits are provided to retain highly valued executives. In addition, we provide the Bermuda perquisites to attract Mr. Frederico and Mr. Michener to reside in Bermuda. These fringe benefits are customary for non-Bermudians who are senior executives living in Bermuda and are provided for in Mr. Frederico's and Mr. Michener's employment agreements. In 2006, changes in U.S. tax law significantly increased the individual U.S. income tax on the housing allowances provided to Mr. Frederico and Mr. Michener. To maintain the net value of their housing allowances, the Compensation Committee approved a tax gross-up to Mr. Frederico and Mr. Michener for the cost of the increased taxes. Since Bermuda and the United States both impose social security and medical related taxes on substantially the same amounts, the Company reimburses Mr. Frederico and Mr. Michener for U.S. Social Security and Medicare taxes incurred when they are working in the United States.

Employment Agreements Some of the elements of the compensation packages for our executive officers, such as minimum base salary, severance and change in control benefits are governed by the terms of the employment agreements we entered into with these individuals. Details of these agreements are shown under the headings "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control Employment Agreements."

Analysis Beginning in 2003, we recruited executives to implement our business plan and achieve our key strategic goals. Implementation of our business plan involved substantial risk, including the risks of completing a successful IPO, achieving rating upgrades and accomplishing the strategic shift to write financial guaranty direct business along with financial guaranty reinsurance. To mitigate these risks, we recruited executives with established records of success in the financial guaranty or financial services industry. As a Bermuda-based company, we also needed to attract and retain certain executives to work in Bermuda. Prior to the IPO, Mr. Frederico, Mr. Mills and Mr. Michener left senior positions at well-established companies to join us and employment agreements were entered into with these executives at that time. We believe these employment agreements were essential to recruit these executives prior to the IPO. In October 2006, we entered into an employment agreement with Mr. Bailenson. In December 2008, our executive employment agreements were amended to comply with U.S. Internal Revenue Code Section 409A, but such amendments did not increase the Company's

Table of Contents

compensation costs. On July 1, 2009 Mr. McCarthy entered into an employment agreement with the Company in conjunction with the closing of the purchase of AGMH. We believe the employment agreements have served as a strong performance incentive and retention tool by prescribing employment terms, including benefits to executives if their employment is terminated without cause or after a change of control. In addition, each employment agreement contains a non-competition agreement.

Change of Control Benefits The vesting of any unvested stock options and restricted stock held by an executive officer will be accelerated on a change of control. In addition, the employment agreements provide severance benefits in the event of a change of control. Additional information on benefits provided upon a change of control is shown in "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control."

Analysis We use the single trigger change of control equity vesting because we believe that is appropriate to best motivate an executive to pursue increases in shareholder value when evaluating a transaction which could result in a change of control. The Compensation Committee believes that severance benefits provided by the employment agreements comprised a key part of the employment package that induced experienced officers to work for the Company. Mr. Bailenson was provided separation benefits in his employment contract so that he would have similar benefits to the Company's other executive officers, although the benefit was modified from the other executive officers' separation agreements to provide additional protections in the event of termination without cause or a change in control. Until his resignation from the Company effective March 31, 2011, Mr. McCarthy has the same severance benefits as Mr. Frederico.

Other Post-Termination Benefits The Company also provides executive officers post-termination benefits such as accelerated vesting and severance payments in certain non-change of control circumstances. See "Executive Compensation Potential Payments Upon Termination or Change of Control."

Analysis We have provided these other post-termination benefits because we believe they are necessary to attract and retain our executive officers. In particular, severance amounts for most of our executive officers were established in employment agreements negotiated before our IPO and the protection provided by the severance provisions of their contracts was a key element in recruiting experienced executives to work for the Company. Similarly, the accelerated vesting for events such as death or disability is typically provided to executives at other companies. To date, these other post-termination benefits have not affected other elements of executive compensation.

Variable Compensation

The Compensation Committee believes that achievement of the Company's goals is best promoted by using a mix of different types of variable compensation and that providing similar incentives to each of its executive officers better promotes teamwork among these executives. The mix of variable compensation reflects the Compensation Committee's view that, to properly provide incentives for executives to properly weigh business risks and to take long term actions in the best interests of the Company, executive compensation should be a balanced blend of several elements of compensation, with no undue reliance on any one element. The Compensation Committee believes it is appropriate for the CEO to receive substantially higher variable compensation than the other executive officers since he has responsibility for the strategy and operations of the entire Company. As with base compensation, the Compensation Committee considers peer group variable compensation when making variable compensation decisions with respect to its named executive officers, but does not target any percentile for any component of variable compensation or for total compensation. Additional

Table of Contents

information on peer group benchmarking is shown in "Executive Compensation Benchmarking". Variable compensation is adjusted annually to correspond to actual performance in prior periods and to provide incentives to achieve annual and long term goals.

Annual Cash Bonus The Compensation Committee awards annual cash bonuses to provide incentive compensation to executives for the overall success of the Company and for achieving annual goals established for each executive officer.

Analysis In February 2011 we awarded cash bonuses for 2010 performance, which were paid after completion of the 2010 audit by PwC to ensure that cash bonus awards were based on final 2010 results. Bonus amounts for 2010 performance that were determined and paid in 2011 are reported in the Summary Compensation Table of this proxy statement as compensation for 2010. The Compensation Committee uses its discretion to evaluate the performance of each executive officer and the Company to set annual cash bonuses. The process followed by the Compensation Committee is discussed below under "Compensation Process." The goals and results for 2010 are discussed below under "2010 Performance and Compensation Decisions."

Long-Term Incentive Program: Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, as amended In 2004, we adopted the LTIP to create incentives for employees to enhance the long-term value of the Company. In 2009 shareholders approved an amendment to this plan. A key goal of the long-term incentive plan is to increase ownership of Company shares by executive officers, thereby aligning the executives' interests with long-term shareholder interests. While the Company's long-term incentive plan provides for a variety of types of awards, the Compensation Committee has made awards to employees, including executive officers, only in the form of shares of restricted stock, restricted stock units and stock options. Cash dividends were paid on the unvested portion of pre-2008 restricted stock grants. Since 2008, restricted stock awards are granted in the form of share units with dividends paid in restricted share units.

Analysis In February 2010 we awarded restricted stock and stock option grants to the executive officers for 2009 performance and in February 2011 we awarded restricted stock unit to the executive officers for 2010 performance. Further detail on the February 2010 awards is shown on "Executive Compensation 2010 Grants of Plan-Based Awards." Further detail on the February 2011 awards is shown below under "2010 Performance and Compensation Decisions." We believe that restricted stock and delayed vesting of such awards are important in retaining executives. By providing an immediate equity stake in the Company, restricted stock also provide an incentive to achieve the Company's long-term goals. The Company previously included stock options as part of long-term compensation because the Company believed that options are a valuable incentive tool, providing compensation only if stock price increases. Generally, restricted stock and stock option grants serve as strong retention incentives since executive officers generally forfeit unvested restricted stock grants and stock options if they leave the Company. Our stock price has been volatile during the last few years, which can affect the retention value of equity awards. Because of such recent volatility and the accounting charges associated with options, the Compensation Committee concluded that, at this time, restricted stock unit awards are a more cost effective equity-based incentive than options and so granted restricted stock units but no options for 2010 performance.

Long-Term Incentive Program: Performance Retention Plan In February 2007 we initiated the PRP. PRP awards are cash-based. Except as described in "Potential Payments Upon Termination or Change in Control Equity and Incentive Plans," PRP awards only vest if the executive is employed by the Company through the end of the performance period. Beginning in 2008, PRP awards vest 25% after a two year performance period; 25% after a three year performance period and 50% after a four year performance period. As with equity awards, we chose this vesting schedule to provide each executive an incentive to remain with the Company and focus on improving long-term performance. Awards granted since 2008 will increase or decrease in

Table of Contents

value based 50% on the rate the Company's per share adjusted book value, as defined, changes and 50% on the Company's operating return on equity over each performance period, provided that executive officers will not receive their PRP awards if the specified adjusted book value and operating return on equity performance thresholds are not met.

Analysis We believe the PRP has been a valuable tool in attracting and retaining talented employees because employees will be rewarded for staying with the Company and for profitable growth in our business. Despite reduced competition in the financial guaranty industry, the PRP remains a valuable employee retention tool. The Company competes with many other financial institutions for talented employees and believes the PRP encourages executives and other employees to remain with the Company during the current period of change in the financial guaranty industry. Because PRP awards are cash-based, there will be no shareholder dilution from the awards. Also, since the value of PRP grants are not directly tied to the value of AGL's common shares, they have retained their full incentive and retention value despite the volatility of AGL's share price. The level of PRP awards are made to reach the level of long-term compensation determined by the Compensation Committee.

Stock Ownership Guidelines

To demonstrate the Company's commitment to build shareholder value, the Board of Directors has adopted management stock ownership guidelines. The chart below shows the guideline for each executive officer and their stock ownership as of December 31, 2010, using a 2010 calendar year average share price of $18.70.

Executive	Guideline	Current Ownership
Dominic J. Frederico	7 × Salary	13.9 × Salary
Séan W. McCarthy	5 × Salary	4.9 × Salary
James M. Michener	5 × Salary	4.9 × Salary
Robert B. Mills	5 × Salary	5.8 × Salary
Robert A. Bailenson	2 × Salary	1.4 × Salary

These ownership levels represent shares owned and vested share units credited to Mr. Frederico's and Mr. McCarthy's non-qualified retirement plans. Unvested restricted shares and unexercised options do not count towards the guidelines.

Our guidelines do not mandate a time frame by which this ownership must be attained, but Mr. Frederico, Mr. McCarthy, Mr. Michener and Mr. Mills must retain 100% of their after-tax receipt of Company stock until they reach their ownership goal. Mr. Bailenson must retain at least 50% of his after-tax receipt of Company stock until he reaches his ownership goal. No current executive officer has sold any company stock since our IPO.

In addition, the Company's stock trading policy prohibits hedging with respect to Company stock so as to be consistent with its stock ownership philosophy.

Please see "Information About Our Common Share Ownership How Much Stock is Owned by Directors and Executive Officers" for detailed information on the executive officers' stock ownership.

Executive Officer Recoupment Policy

In February 2009, the Board of Directors adopted the AGL Executive Officer Recoupment Policy, which we refer to as our Recoupment Policy. Under the Recoupment Policy, if an executive officer engages in misconduct related to a restatement of the Company's financial results, then the Compensation Committee may, in its discretion, rescind the officer's option exercises that occurred

Table of Contents

within 12 months after the restated period, and also recoup the amount of cash bonus payments to the officer in excess of the amount that would have been paid if the correct financial results had been known to the Compensatio dispute of any kind arising in connection with any actions in administering this Plan or in authorizing or denying authorization to any transaction hereunder.

3.3 Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time to:

(a) determine those Eligible Individuals to whom Options shall be granted under the Plan and the number of such Options to be granted, prescribe the terms and conditions (which need not be identical) of each such Option, including the exercise price per Share, the vesting schedule and the duration of each Option, and make any amendment or modification to any Option Agreement consistent with the terms of the Plan;

(b) select those Eligible Individuals to whom Awards shall be granted under the Plan, determine the number of Shares in respect of which each Award is granted, the terms and conditions (which need not be identical) of each such Award, and make any amendment or modification to any Award Agreement consistent with the terms of the Plan;

(c) construe and interpret the Plan and the Options and Awards granted hereunder, establish, amend and revoke rules and regulations for the administration of the Plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement, in the manner and to the extent it shall deem necessary or advisable, including so that the Plan and the operation of the Plan comply with Rule 16b-3 under the Exchange Act, the Code to the extent applicable and other applicable law, and otherwise make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final, binding and conclusive upon the Company, its Subsidiaries, the Optionees and Grantees, and all other persons having any interest therein;

(d) determine the duration and purposes for leaves of absence which may be granted to an Optionee or Grantee on an individual basis without constituting a termination of employment or service for purposes of the Plan;

(e) exercise its discretion with respect to the powers and rights granted to it as set forth in the Plan; and

(f) generally, exercise such powers and perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan.

3.4 The Committee may delegate to one or more officers of the Company the authority to grant Options or Awards to Eligible Individuals (other than to himself or herself) and/or determine the number of Shares subject to each Option or Award (by resolution that specifies the total number of Shares subject to the Options or Awards that may be awarded by the officer and the terms of any such Options or Awards, including the exercise price), provided that such delegation is made in accordance with the Delaware General Corporation Law and with respect to Options and Awards that are not intended to qualify as Performance-Based Compensation.

4. *Stock Subject to the Plan; Grant Limitations.*

4.1 The maximum number of Shares that may be made the subject of Options and Awards granted under the Plan is 17,062,791; *provided, however,* that (i) in any calendar year, (a) no Eligible Individual may be granted Options or Awards in the aggregate in respect of more than 1,000,000 Shares, and (b) the dollar amount of cash or Fair Market Value of Shares that any Eligible Individual may receive in respect of Performance Units denominated in dollars may not exceed $250,000, (ii) in no event shall the aggregate number of shares of Restricted Stock, Performance Awards (including Shares issued in respect to Performance Awards), Phantom Stock, and other Awards that are granted as full value awards granted under the Plan exceed 4,500,000, and (iii) in no event shall more than an aggregate of 30,000 Shares be issued upon the exercise of Incentive Stock Options granted under the Plan. The Company shall reserve for the purposes of the Plan, out of its authorized but unissued Shares or out of Shares held in the Company s treasury, or partly out of each, such number of Shares as shall be determined by the Board.

4.2 Upon the granting of an Option or an Award, the number of Shares available under Section 4.1 for the granting of further Options and Awards shall be reduced as follows:

(a) In connection with the granting of an Option or an Award (other than the granting of a Performance Unit denominated in dollars), the number of Shares shall be reduced by the number of Shares in respect of which the Option or Award is granted or denominated.

(b) In connection with the granting of a Performance Unit denominated in dollars, the number of Shares shall be reduced by an amount equal to the quotient of (i) the dollar amount in which the Performance Unit is denominated, divided by (ii) the Fair Market Value of a Share on the date the Performance Unit is granted.

(c) Stock Appreciation Rights to be settled in shares of Common Stock shall be counted in full against the number of shares available for award under the Plan, regardless of the number of Exercise Gain Shares issued upon settlement of the Stock Appreciation Right.

4.3 Whenever any outstanding Option or Award or portion thereof expires, is canceled, is forfeited, is settled in cash or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or Award, the Shares allocable to the expired, canceled, forfeited, settled or otherwise terminated portion of the Option or Award may again be the subject of Options or Awards granted hereunder.

5. *Option Grants for Eligible Individuals.*

5.1 *Authority of Committee.* Subject to the provisions of the Plan, the Committee shall have full and final authority to select those Eligible Individuals who will receive Options, and the terms and conditions of the grant to such Eligible Individuals shall be set forth in an Agreement. Incentive Stock Options may be granted only to Eligible Individuals who are employees of the Company or any Subsidiary.

5.2 *Exercise Price.* The purchase price or the manner in which the exercise price is to be determined for Shares under each Option shall be determined by the Committee and set forth in the Agreement; *provided, however,* that the exercise price per Share under each Nonqualified Stock Option and each Incentive Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date the Option is granted (110% in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder).

5.3 *Maximum Duration.* Options granted hereunder shall be for such term as the Committee shall determine, provided that an Incentive Stock Option shall not be exercisable after the expiration of ten (10) years from the date it is granted (five (5) years in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder) and a Nonqualified Stock Option shall not be exercisable after the expiration of ten (10) years from the date it is granted; *provided, however,* that unless the Committee provides otherwise, an Option (other than an Incentive Stock Option) may, upon the death of the Optionee prior to the expiration of the Option, be exercised for up to one (1) year following the date of the Optionee s death even if such period extends beyond ten (10) years from the date the Option is granted. The Committee may, subsequent to the granting of any Option, extend the term thereof, but in no event shall the term as so extended exceed the maximum term provided for in the preceding sentence.

5.4 *Vesting.* Subject to Section 5.10, each Option shall become exercisable in such installments (which need not be equal) and at such times as may be designated by the Committee and set forth in the Agreement. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. The Committee may accelerate the exercisability of any Option or portion thereof at any time.

5.5 *Deferred Delivery of Option Shares.* The Committee may, in its discretion, permit Optionees to elect to defer the issuance of Shares upon the exercise of one or more Nonqualified Stock Options granted pursuant to the Plan. The terms and conditions of such deferral shall be determined at the time of the grant of the Option or thereafter and shall be set forth in the Agreement evidencing the Option.

5.6 *Limitations on Incentive Stock Options.* To the extent that the aggregate Fair Market Value (determined as of the date of the grant) of Shares with respect to which Incentive Stock Options granted under the Plan and incentive stock options (within the meaning of Section 422 of the Code) granted under all other plans of the Company or its Subsidiaries (in either case determined without regard to this Section 5.6) are exercisable by an Optionee for the first time during any calendar year exceeds $100,000, such Incentive Stock Options shall be treated as Nonqualified Stock Options. In applying the limitation in the preceding sentence in the case of multiple Option grants, Options which were intended to be Incentive Stock Options shall be treated as Nonqualified Stock Options according to the order in which they were granted such that the most recently granted Options are first treated as Nonqualified Stock Options.

5.7 *Non-Transferability.* No Option shall be transferable by the Optionee otherwise than by will or by the laws of descent and distribution or, in the case of an Option other than an Incentive Stock Option, pursuant to a domestic relations order (within the meaning of Rule 16a-12 promulgated under the Exchange Act), and an Option shall be exercisable during the lifetime of such Optionee only by the Optionee or his or her guardian or legal representative. Notwithstanding the foregoing, the Committee may set forth in the Agreement evidencing an Option (other than an Incentive Stock Option), at the time of grant or thereafter, that the Option may be transferred to members of the Optionee s immediate family, to trusts solely for the benefit of such immediate family members and to partnerships in which such family members and/or trusts are the only partners, and for purposes of this Plan, a transferee of an Option shall be deemed to be the Optionee. For this purpose, immediate family means the Optionee s spouse, parents, children, stepchildren and grandchildren and the spouses of such parents, children, stepchildren and grandchildren. The terms of an Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Optionee.

5.8 *Method of Exercise.* The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company s principal executive office, specifying the number of Shares to be exercised and, to the extent applicable, accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted; *provided, however,* that Options may not be exercised by an Optionee following a hardship distribution to the Optionee to the extent such exercise is prohibited under the Community Health Systems, Inc. 401(k) Plan or Treasury Regulation § 1.401(k)-1(d)(2)(iv)(B)(4). The exercise price for any Shares purchased pursuant to the exercise of an Option shall be paid in either of the following forms (or any combination thereof): (a) cash or (b) the transfer, either actually or by attestation, to the Company of Shares that have been held by the Optionee for at least six (6) months (or such lesser period as may be permitted by the Committee) prior to the exercise of the Option, such transfer to be upon such terms and conditions as determined by the Committee or (c) a combination of cash and the transfer of Shares; *provided, however,* that the Committee may determine that the exercise price shall be paid only in cash. In addition, Options may be exercised through a registered broker-dealer pursuant to such cashless exercise procedures which are, from time to time, deemed acceptable by the Committee. Any Shares transferred to the Company as payment of the exercise price under an Option shall be valued at their Fair Market Value on the day of exercise of such Option. If requested by the Committee, the Optionee shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Optionee. No fractional Shares (or cash in lieu thereof) shall be issued upon exercise of an Option and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

5.9 *Rights of Optionees.* No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (a) the Option shall have been exercised pursuant to the terms thereof, (b) the Company shall have issued and delivered Shares to the Optionee, and (c) the Optionee s name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such Shares, subject to such terms and conditions as may be set forth in the applicable Agreement.

5.10 *Effect of Change in Control.* In the event of a Change in Control, each Option held by the Optionee as of the date of the Change in Control shall become immediately and fully exercisable and

shall, notwithstanding any shorter period set forth in the Agreement evidencing the Option, remain exercisable for a period ending not before the earlier of (x) the six (6) month anniversary of the termination of the Change in Control or (y) the expiration of the stated term of the Option. In addition, the Agreement evidencing the grant of an Option may provide for any other treatment of the Option in the event of a Change in Control.

6. *Option Grants for Non-employee Directors.*

6.1 *Grant.* Formula Options shall be granted to Non-employee Directors as follows:

(a) *Initial Grant.* Each Non-employee Director shall, upon becoming a Director, be granted a Formula Option in respect of 10,000 Shares.

(b) *Annual Grant.* Each Non-employee Director shall be granted a Formula Option in respect of 5,000 Shares on the first business day after January 1st of each calendar year that the Plan is in effect provided that the Non-employee Director is a Director on such date; *provided further, however,* that, if the Initial Grant to a Non-employee Director is made after June 30th of any calendar year, the first Annual Grant to be made to the Non-employee Director shall be made on the first business day after January 1st of the second calendar year following the year in which the Initial Grant was made provided that the Non-employee Director is a Director on such date.

All Formula Options shall be evidenced by an Agreement containing such other terms and conditions not inconsistent with the provisions of this Plan as determined by the Committee; *provided, however,* that such terms shall not vary the price, amount or timing of Formula Options provided under this Section 6, including provisions dealing with vesting, forfeiture and termination of such Formula Options.

6.2 *Purchase Price.* The purchase price for Shares under each Formula Option granted pursuant to Section 6.1(a) or 6.1(b) shall be equal to 100% of the Fair Market Value of such Shares on the date the Formula Option is granted.

6.3 *Vesting and Exercisability.* Subject to Sections 6.4 and 6.5, each Formula Option shall become fully vested with respect to 50% of the Shares subject thereto on each of the first and second anniversaries of the date of grant; *provided, however,* that the Optionee continues to serve as a Director as of such date; *provided further, however,* that if a Director dies prior to such date and while a Director, the Formula Option shall become fully vested and exercisable with respect to 100% of the Shares on that date. If an Optionee ceases to serve as a Director for any reason, the Optionee shall have no rights with respect to any Formula Option which has not then vested pursuant to the preceding sentence, and the Optionee shall automatically forfeit any Formula Option which remains unvested.

6.4 *Duration.* Each Formula Option shall terminate on the date which is the tenth anniversary of the date of grant (or if later, the first anniversary of the date of the Director s death if such death occurs prior to such tenth anniversary), unless terminated earlier as follows:

(a) *Other than Disability, Death or Cause.* Except as provided in Section 6.5 below, if an Optionee s service as a Director terminates for any reason other than Disability, death or Cause, the Optionee may, for a period of six (6) months after the termination of the Optionee s service, but in no event after the expiration of the stated term of the Formula Option, exercise his or her Formula Option to the extent, and only to the extent, that such Formula Option or portion thereof was vested as of the date the Optionee s service as a Director terminated, after which time the Formula Option shall automatically terminate in full.

(b) *Disability.* If an Optionee s service as a Director terminates by reason of the Optionee s resignation or removal from the Board due to Disability, the Optionee may, for a period of one (1) year after the termination of the Optionee s service, but in no event after the expiration of the stated term of the Formula Option, exercise his or her Formula Option to the extent, and only to the extent, that such Formula Option or portion thereof was vested as of the date the Optionee s service as a Director terminated, after which time the Formula Option shall automatically terminate in full.

(c) *Cause.* If an Optionee s service as a Director terminates for Cause, any unexercised portion of the Formula Option granted to the Optionee hereunder shall immediately terminate in full and no rights thereunder may be exercised. For this purpose, Cause means (1) any act of (A) fraud or intentional misrepresentation, or (B) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any direct or indirect majority-owned subsidiary of the Company, or (2) willful violation of any law, rule or regulation in connection with the performance of an Optionee s duties (other than traffic violations or similar offenses).

(d) *Death.* If an Optionee dies while a Director or within the exercise period described in clause (a) or (b) of this Section 6.4 or referred to in Section 6.5 hereof, the Formula Option granted to the Optionee may be exercised at any time within one (1) year after the Optionee s death, but in no event after the expiration of the stated term of the Formula Option, by the person or persons to whom such rights under the Formula Option shall pass by will, or by the laws of descent or distribution, to the extent, and only to the extent, that such Formula Option or portion thereof was vested as of the date of the Optionee s death or earlier termination (as applicable), after which time the Formula Option shall automatically terminate in full.

6.5. *Effect of Change in Control.* The provisions in Section 5.10 shall apply to any Formula Options granted pursuant to this Section 6.]

7. *Stock Appreciation Rights.*

The Committee may in its discretion, either alone or in connection with the grant of an Option, grant Stock Appreciation Rights in accordance with the Plan, the terms and conditions of which shall be set forth in an Agreement. If granted in connection with an Option, a Stock Appreciation Right shall cover the same Shares covered by the Option (or such lesser number of Shares as the Committee may determine) and shall, except as provided in this Section 7, be subject to the same terms and conditions as the related Option.

7.1 *Time of Grant.* A Stock Appreciation Right may be granted (a) at any time if unrelated to an Option, or (b) if related to an Option, either at the time of grant or at any time thereafter during the term of the Option.

7.2 *Stock Appreciation Right Related to an Option.*

(a) *Exercise.* A Stock Appreciation Right granted in connection with an Option shall be exercisable at such time or times and only to the extent that the related Option is exercisable, and will not be transferable except to the extent the related Option may be transferable. A Stock Appreciation Right granted in connection with an Incentive Stock Option shall be exercisable only if the Fair Market Value of a Share on the date of exercise exceeds the exercise price specified in the related Incentive Stock Option Agreement.

(b) *Amount Payable.* Upon the exercise of a Stock Appreciation Right related to an Option, the Grantee shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair Market Value of a Share on the date of exercise of such Stock Appreciation Right over the per Share exercise price under the related Option, by (ii) the number of Shares as to which such Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

(c) *Treatment of Related Options and Stock Appreciation Rights Upon Exercise.* Upon the exercise of a Stock Appreciation Right granted in connection with an Option, the Option shall be canceled to the extent of the number of Shares as to which the Stock Appreciation Right is exercised, and upon the exercise of an Option granted in connection with a Stock Appreciation Right, the Stock Appreciation Right shall be canceled to the extent of the number of Shares as to which the Option is exercised or surrendered.

7.3 *Stock Appreciation Right Unrelated to an Option.* The Committee may grant to Eligible Individuals Stock Appreciation Rights unrelated to Options. Stock Appreciation Rights unrelated to Options shall contain such terms and conditions as to exercisability (subject to Section 7.7), vesting and duration as the Committee shall determine, but in no event shall they have a term of greater than ten (10) years; *provided, however,* that the Committee may provide that a Stock Appreciation Right may, upon the death of the Grantee, be exercised for up to one (1) year following the date of the Grantee s death even if such period extends beyond ten (10) years from the date the Stock Appreciation Right is granted. Upon exercise of a Stock Appreciation Right unrelated to an Option, the Grantee shall be entitled to receive an amount determined by multiplying (a) the excess of the Fair Market Value of a Share on the date of exercise of such Stock Appreciation Right over the Fair Market Value of a Share on the date the Stock Appreciation Right was granted, by (b) the number of Shares as to which the Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

7.4 *Non-Transferability.* No Stock Appreciation Right shall be transferable by the Grantee otherwise than by will or by the laws of descent and distribution or pursuant to a domestic relations order (within the meaning of Rule 16a-12 promulgated under the Exchange Act), and such Stock Appreciation Right shall be exercisable during the lifetime of such Grantee only by the Grantee or his or her guardian or legal representative. The terms of such Stock Appreciation Right shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Grantee.

7.5 *Method of Exercise.* Stock Appreciation Rights shall be exercised by a Grantee only by a written notice delivered in person or by mail to the Secretary of the Company at the Company s principal executive office, specifying the number of Shares with respect to which the Stock Appreciation Right is being exercised. If requested by the Committee, the Grantee shall deliver the Agreement evidencing the Stock Appreciation Right being exercised and the Agreement evidencing any related Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Grantee.

7.6 *Form of Payment.* Payment of the amount determined under Sections 7.2(b) or 7.3 may be made in the discretion of the Committee solely in whole Shares in a number determined at their Fair Market Value on the date of exercise of the Stock Appreciation Right, or solely in cash, or in a combination of cash and Shares. If the Committee decides to make full payment in Shares and the amount payable results in a fractional Share, payment for the fractional Share will be made in cash.

7.7 *Effect of Change in Control.* In the event of a Change in Control, each Stock Appreciation Right held by the Grantee shall become immediately and fully exercisable and shall, notwithstanding any shorter period set forth in the Agreement evidencing the Stock Appreciation Right, remain exercisable for a period ending not before the earlier of the six (6) month anniversary of (x) the Change in Control or (y) the expiration of the stated term of the Stock Appreciation Right. In addition, the Agreement evidencing the grant of a Stock Appreciation Right unrelated to an Option may provide for any other treatment of such Stock Appreciation Right in the event of a Change in Control.

8. *Restricted Stock.*

8.1 *Grant.* The Committee may grant Awards to Eligible Individuals of Restricted Stock, which shall be evidenced by an Agreement between the Company and the Grantee. Each Agreement shall contain such restrictions, terms and conditions as the Committee may, in its discretion, determine and (without limiting the generality of the foregoing) such Agreements may require that an appropriate legend be placed on Share certificates. Awards of Restricted Stock shall be subject to the terms and provisions set forth below in this Section 8.

8.2 *Rights of Grantee.* Shares of Restricted Stock granted pursuant to an Award hereunder shall be issued in the name of the Grantee as soon as reasonably practicable after the Award is granted provided that the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers

and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Shares. If a Grantee shall fail to execute the Agreement evidencing a Restricted Stock Award, or any documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with a Restricted Stock Award shall be deposited together with the stock powers with an escrow agent (which may be the Company) designated by the Committee. Unless the Committee determines otherwise and as set forth in the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

8.3 *Non-transferability.* Until all restrictions upon the Shares of Restricted Stock awarded to a Grantee shall have lapsed in the manner set forth in Section 8.4, such Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated.

8.4 *Lapse of Restrictions.*

(a) *Generally.* Restrictions upon Shares of Restricted Stock awarded hereunder shall lapse at such time or times and on such terms and conditions as the Committee may determine. The Agreement evidencing the Award shall set forth any such restrictions.

(b) *Effect of Change in Control.* The Committee may determine at the time of the grant of an Award of Restricted Stock the extent to which the restrictions upon Shares of Restricted Stock shall lapse upon a Change in Control. The Agreement evidencing the Award shall set forth any such provisions.

8.5 *Treatment of Dividends.* At the time an Award of Shares of Restricted Stock is granted, the Committee may, in its discretion, determine that the payment to the Grantee of dividends, or a specified portion thereof, declared or paid on such Shares by the Company shall be (a) deferred until the lapsing of the restrictions imposed upon such Shares and (b) held by the Company for the account of the Grantee until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in Shares (which shall be held as additional Shares of Restricted Stock) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends in respect of Shares of Restricted Stock (whether held in cash or as additional Shares of Restricted Stock), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Shares of Restricted Stock shall be forfeited upon the forfeiture of such Shares.

8.6 *Delivery of Shares.* Upon the lapse of the restrictions on Shares of Restricted Stock, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder.

9. *Performance Awards.*

9.1 *Performance Units.* The Committee, in its discretion, may grant Awards of Performance Units to Eligible Individuals, the terms and conditions of which shall be set forth in an Agreement between the Company and the Grantee. Performance Units may be denominated in Shares or a specified dollar amount and, contingent upon the attainment of specified Performance Objectives within the Performance Cycle, represent the right to receive payment as provided in Section 9.1(b) of (i) in the case of Share-denominated Performance Units, the Fair Market Value of a Share on the date the Performance Unit was granted, the date the Performance Unit became vested or any other date specified by the Committee, (ii) in the case of dollar-denominated Performance Units, the specified dollar amount or (iii) a percentage (which may be more than 100%) of the amount described in clause (i) or (ii) depending on the level of Performance Objective attainment; *provided, however,* that the Committee may at the time a Performance

Unit is granted specify a maximum amount payable in respect of a vested Performance Unit. Each Agreement shall specify the number of Performance Units to which it relates, the Performance Objectives which must be satisfied in order for the Performance Units to vest and the Performance Cycle within which such Performance Objectives must be satisfied.

(a) *Vesting and Forfeiture.* Subject to Sections 9.3(c) and 9.4, a Grantee shall become vested with respect to the Performance Units to the extent that the Performance Objectives set forth in the Agreement are satisfied for the Performance Cycle.

(b) *Payment of Awards.* Subject to Section 9.3(c), payment to Grantees in respect of vested Performance Units shall be made as soon as practicable after the last day of the Performance Cycle to which such Award relates unless the Agreement evidencing the Award provides for the deferral of payment, in which event the terms and conditions of the deferral shall be set forth in the Agreement. Subject to Section 9.4, such payments may be made entirely in Shares valued at their Fair Market Value, entirely in cash, or in such combination of Shares and cash as the Committee in its discretion shall determine at any time prior to such payment; *provided, however,* that if the Committee in its discretion determines to make such payment entirely or partially in Shares of Restricted Stock, the Committee must determine the extent to which such payment will be in Shares of Restricted Stock and the terms of such Restricted Stock at the time the Award is granted.

9.2 *Performance Shares.* The Committee, in its discretion, may grant Awards of Performance Shares to Eligible Individuals, the terms and conditions of which shall be set forth in an Agreement between the Company and the Grantee. Each Agreement may require that an appropriate legend be placed on Share certificates. Awards of Performance Shares shall be subject to the following terms and provisions:

(a) *Rights of Grantee.* The Committee shall provide at the time an Award of Performance Shares is made the time or times at which the actual Shares represented by such Award shall be issued in the name of the Grantee; *provided, however,* that no Performance Shares shall be issued until the Grantee has executed an Agreement evidencing the Award, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Performance Shares. If a Grantee shall fail to execute the Agreement evidencing an Award of Performance Shares, the appropriate blank stock powers and, in the discretion of the Committee, an escrow agreement and any other documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the discretion of the Committee, Shares issued in connection with an Award of Performance Shares shall be deposited together with the stock powers with an escrow agent (which may be the Company) designated by the Committee. Except as restricted by the terms of the Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have, in the discretion of the Committee, all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

(b) *Non-transferability.* Until any restrictions upon the Performance Shares awarded to a Grantee shall have lapsed in the manner set forth in Section 9.2(c) or 9.4, such Performance Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Grantee. The Committee may also impose such other restrictions and conditions on the Performance Shares, if any, as it deems appropriate.

(c) *Lapse of Restrictions.* Subject to Sections 9.3(c) and 9.4, restrictions upon Performance Shares awarded hereunder shall lapse and such Performance Shares shall become vested at such time or times and on such terms, conditions and satisfaction of Performance Objectives as the Committee may, in its discretion, determine at the time an Award is granted.

(d) *Treatment of Dividends.* At the time the Award of Performance Shares is granted, the Committee may, in its discretion, determine that the payment to the Grantee of dividends, or a

specified portion thereof, declared or paid on Shares represented by such Award which have been issued by the Company to the Grantee shall be (i) deferred until the lapsing of the restrictions imposed upon such Performance Shares and (ii) held by the Company for the account of the Grantee until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in shares of Stock (which shall be held as additional Performance Shares) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its discretion, may determine. Payment of deferred dividends in respect of Performance Shares (whether held in cash or in additional Performance Shares), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Performance Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Performance Shares shall be forfeited upon the forfeiture of such Performance Shares.

(e) *Delivery of Shares.* Upon the lapse of the restrictions on Performance Shares awarded hereunder, the Committee shall cause a stock certificate to be delivered to the Grantee with respect to such Shares, free of all restrictions hereunder.

9.3 *Performance Objectives.*

(a) *Establishment.* Performance Objectives for Performance Awards may be expressed in terms of (i) earnings per Share, (ii) Share price, (iii) pre-tax profits, (iv) net earnings, (v) return on equity or assets, (vi) sales or (vii) any combination of the foregoing. Performance Objectives may be in respect of the performance of the Company, any of its Subsidiaries, any of its Divisions or any combination thereof. Performance Objectives may be absolute or relative (to prior performance of the Company or to the performance of one or more other entities or external indices) and may be expressed in terms of a progression within a specified range. The Performance Objectives with respect to a Performance Cycle shall be established in writing by the Committee by the earlier of (x) the date on which a quarter of the Performance Cycle has elapsed or (y) the date which is ninety (90) days after the commencement of the Performance Cycle, and in any event while the performance relating to the Performance Objectives remain substantially uncertain.

(b) *Effect of Certain Events.* At the time of the granting of a Performance Award, or at any time thereafter, in either case to the extent permitted under Section 162(m) of the Code and the regulations thereunder without adversely affecting the treatment of the Performance Award as Performance-Based Compensation, the Committee may provide for the manner in which performance will be measured against the Performance Objectives (or may adjust the Performance Objectives) to reflect the impact of specified corporate transactions, accounting or tax law changes and other extraordinary or nonrecurring events.

(c) *Determination of Performance.* Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any Performance Award that is intended to constitute Performance-Based Compensation made to a Grantee who is subject to Section 162(m) of the Code, the Committee shall certify in writing that the applicable Performance Objectives have been satisfied to the extent necessary for such Award to qualify as Performance Based Compensation.

9.4 *Effect of Change in Control.* The Agreements evidencing Performance Shares and Performance Units may provide for the treatment of such Awards (or portions thereof) in the event of a Change in Control, including, but not limited to, provisions for the adjustment of applicable Performance Objectives.

9.5 *Non-transferability.* Until the vesting of Performance Units or the lapsing of any restrictions on Performance Shares, as the case may be, such Performance Units or Performance Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated.

10. *Other Share Based Awards.*

10.1 *Share Awards.* The Committee may grant a Share Award to any Eligible Individual on such terms and conditions as the Committee may determine in its sole discretion. Share Awards may be made

as additional compensation for services rendered by the Eligible Individual or may be in lieu of cash or other compensation to which the Eligible Individual is entitled from the Company.

10.2 *Phantom Stock Awards.*

(a) *Grant.* The Committee may, in its discretion, grant shares of Phantom Stock to any Eligible Individuals. Such Phantom Stock shall be subject to the terms and conditions established by the Committee and set forth in the applicable Agreement.

(b) *Payment of Awards.* Upon the vesting of a Phantom Stock Award, the Grantee shall be entitled to receive a cash payment in respect of each share of Phantom Stock which shall be equal to the Fair Market Value of a Share as of the date the Phantom Stock Award was granted, or such other date as determined by the Committee at the time the Phantom Stock Award was granted. The Committee may, at the time a Phantom Stock Award is granted, provide a limitation on the amount payable in respect of each share of Phantom Stock. In lieu of a cash payment, the Committee may settle Phantom Stock Awards with Shares having a Fair Market Value equal to the cash payment to which the Grantee has become entitled.

11. *Effect of a Termination of Employment.*

The Agreement evidencing the grant of each Option and each Award shall set forth the terms and conditions applicable to such Option or Award upon a termination or change in the status of the employment of the Optionee or Grantee by the Company, a Subsidiary or a Division (including a termination or change by reason of the sale of a Subsidiary or a Division), which, except for Formula Options, shall be as the Committee may, in its discretion, determine at the time the Option or Award is granted or thereafter.

12. *Adjustment Upon Changes in Capitalization.*

(a) In the event of a Change in Capitalization, the Committee shall conclusively determine the appropriate adjustments, if any, to (i) the maximum number and class of Shares or other stock or securities with respect to which Options or Awards may be granted under the Plan, (ii) the number and class of Shares or other stock or securities which are subject to outstanding Options or Awards granted under the Plan and the exercise price therefor, if applicable, (iii) the number and class of Shares or other securities in respect of which Formula Options are to be granted under Section 6 and (iv) the Performance Objectives.

(b) Any such adjustment in the Shares or other stock or securities (i) subject to outstanding Incentive Stock Options (including any adjustments in the exercise price) shall be made in such manner as not to constitute a modification as defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code, or (ii) subject to outstanding Options or Awards that are intended to qualify as Performance-Based Compensation shall be made in such a manner as not to adversely affect the treatment of the Option or Award as Performance-Based Compensation.

(c) If, by reason of a Change in Capitalization, a Grantee of an Award shall be entitled to, or an Optionee shall be entitled to exercise an Option with respect to, new, additional or different shares of stock or securities of the Company or any other corporation, such new, additional or different shares shall thereupon be subject to all of the conditions, restrictions and performance criteria which were applicable to the Shares subject to the Award or Option, as the case may be, prior to such Change in Capitalization.

13. *Effect of Certain Transactions.*

Subject to Sections 5.10, 6.5, 7.7, 8.4(b) and 9.4 or as otherwise provided in an Agreement, in the event of (a) the liquidation or dissolution of the Company or (b) a merger or consolidation of the Company (a Transaction), the Plan and the Options and Awards issued hereunder shall continue in effect in accordance with their respective terms, except that following a Transaction either (i) each outstanding Option or Award shall be treated as provided for in the agreement entered into in connection with the Transaction or (ii) if not so provided in such agreement, each Optionee and Grantee shall be

entitled to receive in respect of each Share subject to any outstanding Options or Awards, as the case may be, upon exercise of any Option or payment or transfer in respect of any Award, the same number and kind of stock, securities, cash, property or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share; *provided, however,* that such stock, securities, cash, property, or other consideration shall remain subject to all of the conditions, restrictions and performance criteria which were applicable to the Options and Awards prior to such Transaction. The treatment of any Option or Award as provided in this Section 13 shall be conclusively presumed to be appropriate for purposes of Section 12.

14. *Interpretation.*

Following the required registration of any equity security of the Company pursuant to Section 12 of the Exchange Act:

(a) The Plan is intended to comply with Rule 16b-3 promulgated under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall be inoperative and shall not affect the validity of the Plan.

(b) Unless otherwise expressly stated in the relevant Agreement, each Option, Stock Appreciation Right and Performance Award granted under the Plan is intended to be Performance-Based Compensation. The Committee shall not be entitled to exercise any discretion otherwise authorized hereunder with respect to such Options or Awards if the ability to exercise such discretion or the exercise of such discretion itself would cause the compensation attributable to such Options or Awards to fail to qualify as Performance-Based Compensation.

(c) To the extent that any legal requirement of Section 16 of the Exchange Act or Section 162(m) of the Code as set forth in the Plan ceases to be required under Section 16 of the Exchange Act or Section 162(m) of the Code, that Plan provision shall cease to apply.

15. *Termination and Amendment of the Plan or Modification of Options and Awards.*

15.1 *Plan Amendment or Termination.* The Plan shall terminate on the day preceding the tenth anniversary of the date of its adoption by the Board and no Option or Award may be granted thereafter. The Board may sooner terminate the Plan and the Board may at any time and from time to time amend, modify or suspend the Plan; *provided, however,* that:

(a) no such amendment, modification, suspension or termination shall impair or adversely alter any Options or Awards theretofore granted under the Plan, except with the consent of the Optionee or Grantee, nor shall any amendment, modification, suspension or termination deprive any Optionee or Grantee of any Shares which he or she may have acquired through or as a result of the Plan; and

(b) to the extent necessary under any applicable law, regulation or exchange requirement no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law, regulation or exchange requirement.

15.2 *Modification of Options and Awards.* No modification of an Option or Award shall adversely alter or impair any rights or obligations under the Option or Award without the consent of the Optionee or Grantee, as the case may be.

16. *Non-Exclusivity of the Plan.*

The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

17. *Limitation of Liability.*

As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

(a) give any person any right to be granted an Option or Award other than at the sole discretion of the Committee;

(b) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;

(c) limit in any way the right of the Company or any Subsidiary to terminate the employment of any person at any time; or

(d) be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person at any particular rate of compensation or for any particular period of time.

18. *Regulations and Other Approvals; Governing Law.*

18.1 Except as to matters of federal law, the Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles thereof.

18.2 The obligation of the Company to sell or deliver Shares with respect to Options and Awards granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

18.3 The Board may make such changes as may be necessary or appropriate to comply with the rules and regulations of any government authority, or to obtain for Eligible Individuals granted Incentive Stock Options the tax benefits under the applicable provisions of the Code and regulations promulgated thereunder.

18.4 Each Option and Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or Award or the issuance of Shares, no Options or Awards shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions as acceptable to the Committee.

18.5 Notwithstanding anything contained in the Plan or any Agreement to the contrary, in the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the Securities Act), and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act and Rule 144 or other regulations thereunder. The Committee may require any individual receiving Shares pursuant to an Option or Award granted under the Plan, as a condition precedent to receipt of such Shares, to represent and warrant to the Company in writing that the Shares acquired by such individual are acquired without a view to any distribution thereof and will not be sold or transferred other than pursuant to an effective registration thereof under the Securities Act or pursuant to an exemption applicable under the Securities Act or the rules and regulations promulgated thereunder. The certificates evidencing any such Shares shall be appropriately amended or have an appropriate legend placed thereon to reflect their status as restricted securities as aforesaid.

19. *Miscellaneous.*

19.1 *Multiple Agreements.* The terms of each Option or Award may differ from other Options or Awards granted under the Plan at the same time or at some other time. The Committee may also grant more than one Option or Award to a given Eligible Individual during the term of the Plan, either in

addition to, or in substitution for, one or more Options or Awards previously granted to that Eligible Individual.

19.2 *Withholding of Taxes.*

(a) At such times as an Optionee or Grantee recognizes taxable income in connection with the receipt of Shares or cash hereunder (a Taxable Event), the Optionee or Grantee shall pay to the Company an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company in connection with the Taxable Event (the Withholding Taxes) prior to the issuance, or release from escrow, of such Shares or the payment of such cash. The Company shall have the right to deduct from any payment of cash to an Optionee or Grantee an amount equal to the Withholding Taxes in satisfaction of the obligation to pay Withholding Taxes. The Committee may provide in an Agreement evidencing an Option or Award at the time of grant or thereafter that the Optionee or Grantee, in satisfaction of the obligation to pay Withholding Taxes to the Company, may elect to have withheld a portion of the Shares issuable to him or her pursuant to the Option or Award having an aggregate Fair Market Value equal to the Withholding Taxes.

(b) If an Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Optionee pursuant to the exercise of an Incentive Stock Option within the two-year period commencing on the day after the date of the grant or within the one-year period commencing on the day after the date of transfer of such Share or Shares to the Optionee pursuant to such exercise, the Optionee shall, within ten (10) days of such disposition, notify the Company thereof, by delivery of written notice to the Company at its principal executive office.

19.3 *Effective Date.* The effective date of this Plan shall be as determined by the Board, subject only to the approval by the holders of a majority of the securities of the Company entitled to vote thereon, in accordance with the applicable laws, within twelve (12) months of the adoption of the Plan by the Board.

Community Health Systems, Inc.

2005 Annual Meeting of Stockholders

The undersigned hereby appoints Wayne T. Smith and Rachel A. Seifert, and each and any of them, proxies for the undersigned with full power of substitution, to vote all shares of the Common Stock of Community Health Systems, Inc. (the Company) owned by the undersigned at the Annual Meeting of Stockholders to be held at The St. Regis Hotel, located at 5th Avenue at 55th Street, New York, New York 10022 on Wednesday, May 25, 2005, at 8:30 a.m., local time, and at any adjournments or postponements thereof.

Address Change/Comments (Mark the corresponding box on the reverse side)

FOLD AND DETACH HERE

Please Mark Here for Address Change or Comments
SEE REVERSE SIDE O

This Proxy is solicited on behalf of the Board of Directors of the Company. This Proxy will be voted as specified by the undersigned. This Proxy revokes any prior Proxy given by the undersigned. Unless authority to vote for one or more of the nominees is specifically withheld according to the instructions, a signed Proxy will be voted FOR the election of the two named nominees for directors and, unless otherwise specified, FOR proposals 2 and 3 and AGAINST proposal 4 listed herein and described in the accompanying Proxy Statement. The undersigned acknowledges receipt with this Proxy a copy of the Notice of Annual Meeting and Proxy Statement dated April 4, 2005, describing more fully the proposals set forth herein.

		FOR ALL nominees listed to left (except as marked to the contrary)	**WITHHOLD AUTHORITY** to vote for all nominees listed to left
1.	ELECTION OF DIRECTORS 01 Dale F. Frey 02 John A. Fry	O	O

	The Board of Directors recommends a vote FOR proposal 2.	**FOR**	**AGAINST**	**ABSTAIN**
2.	Proposal to approve the Community Health Systems, Inc. Amended and Restated 2000 Stock Option and Award Plan, as amended and restated on February 23, 2005.	O	O	O

	The Board of Directors recommends a vote FOR proposal 3.	**FOR**	**AGAINST**	**ABSTAIN**
3.	Proposal to ratify the selection of Deloitte & Touche LLP as the Company s independent accountants for the fiscal year ending December 31, 2005.	O	O	O

	The Board of Directors recommends a vote AGAINST proposal 4.	**FOR**	**AGAINST**	**ABSTAIN**
4.	Stockholder proposal entitled Stock Option Expensing .	O	O	O

INSTRUCTION: To withhold authority to vote for any individual nominee, strike a line through the nominee s name listed above.

5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting.

Signature _____ Signature (if held jointly) _____ Date _____

Please date and sign name exactly as it appears hereon. Executors, administrators, trustees, etc. should so indicate when signing. If the stockholder is a corporation, the full corporate name should be inserted and the Proxy signed by an officer of the corporation, indicating his/her title. If the stockholder is a partnership, the full partnership name should be inserted and the Proxy signed by an authorized person of the partnership, indicating his/her title. If the stockholder is a limited liability company, the full limited liability company name should be inserted and the Proxy signed by an authorized person of the limited liability company, indicating his/her title.

FOLD AND DETACH HERE