Assured Guaranty Ltd. (AGO)
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Fourth Quarter and Year-End 2016 Earnings Call

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Thank you, operator. And thank you all for joining Assured Guaranty for our 2016 fourth quarter and year-end financial results conference call.

Today's presentation is made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The presentation may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results or other items that may affect our future results.

These statements are subject to change due to new information or future events; therefore you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you are listening to the replay of this call, or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call.

Please refer to the Investor Information section of our website for our most recent presentations and SEC filings, most current financial filings, and for the risk factors.

This presentation also includes references to non-GAAP financial measures.

We present the GAAP financial measures most directly comparable to the non-GAAP financial measures referenced in this presentation, along with a reconciliation between such GAAP and non-GAAP financial measures, in our current Financial Supplement and Equity Investor Presentation, which are on our website, at AssuredGuaranty.com.

Turning to the presentation, our speakers today are:

Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd., and Rob Bailenson, our Chief Financial Officer. After their remarks, we will open the call to your questions.

As the webcast is not enabled for Q&A, please dial in to the call if you would like to ask a question.

I will now turn the call over to Dominic.

Dominic Frederico, President and Chief Executive Officer

Thank you, Robert, and welcome to everyone joining today's call.

2016 was a very successful year, as Assured Guaranty continued to build on the solid foundation of our financial strength, strategic flexibility, disciplined risk management and robust business model to remain the proven leader in financial guaranty insurance. The list of our 2016 accomplishments includes:

- $895 million in operating income, $185 million more than the previous record set in 2015
- 40% year-over-year growth in annual operating income per share, to $6.68
- year-end operating shareholders' equity per share of $49.89, a new high - and16% higher than a year earlier
- a record year-end adjusted book value per share of $66.46
- the return to shareholders of $375 million of excess capital through $69 million in dividends and the repurchases of 10.7 million common shares
- an 8% increase in our quarterly dividend to $0.13 per common share (and in February 2017, a further increase of 9.6% to 14 and a quarter cents)
- $214 million of present value business production, or PVP, the highest annual amount in five years
- continued leadership in the U.S. municipal bond insurance market, providing insurance for more par issued than the rest of the industry combined and more transactions than any other insurer
- important progress in our strategy of acquiring legacy bond portfolios, with the acquisition of CIFG NA in July and the September announcement that we would acquire MBIA UK, which we accomplished in January of 2017
- removal of all debt from the balance sheet of MAC by completing its full repayment of the $400 million in surplus notes that AGM and AGC had provided for MAC's initial capitalization (In contrast, the next most active bond insurer has been unable to pay even the interest on its surplus notes, while continuing to produce statutory losses even without accounting for the surplus note interest charge.)
- the establishment of an Alternative Investment Strategies group to develop profitable ways to deploy our excess capital
- and the equity market's response to our achievements by raising the price of a common share of AGO at year-end to $37.77, resulting in a 46% annual total return that significantly outstripped the 12% return of the S&P 500 index and the 23% return of the S&P 500 Financials index. And it is further noteworthy that this stock appreciation did not stop at year-end. Earlier this quarter, our price per share surpassed $40 per share for the first time.

We have built our success by solidly executing strategies designed for the prevailing business and economic conditions. In recent years, this has meant dealing with the constraining effect of low interest rates on the new business activity of our financial guaranty subsidiaries.

As a result, in addition to being the only monoline to maintain an active presence in all three of our core financial guaranty markets – U.S. public finance, international infrastructure finance and structured finance – we have focused strategically on managing capital efficiently, executing acquisitions and commutations, and mitigating losses. These alternative strategies have helped us to increase both shareholder value and the company's financial strength for the long term.

In terms of new business production in 2016, total PVP was up 20% from the prior year, with significant contributions from each of our core businesses.

In U.S. public finance, we saw low rates throughout the year, with 30-year, AAA municipal bonds descending – for the first time -- below 2%. The low interest rates had the effect of increasing refundings and overall municipal issuance in the United States but also limited the penetration rate of municipal bond insurance. While penetration declined, the total insured volume actually increased slightly during the year.

In this environment, as we normally do, we carefully focused on opportunities that would generate the most attractive long-term returns on the capital we committed. We consciously gave up some market share and insured volume by sticking to that discipline, but we were still selected to insure more par volume and more transactions than any other municipal bond insurer. We guaranteed 904 new issues sold with our insurance, for a total par insured of $14.2 billion, $3 billion more than the rest of the industry combined and 40% more than the next most active bond insurer. We also increased the par volume of our secondary market business by 91%. In total, we guaranteed over $16 billion of U.S. municipal bonds in 2016.

While the total par volume of transactions we closed was 2% less than in 2015, our commitment to pricing discipline, and the market's recognition of the value we add, were reflected in a 30% increase in U.S. public finance PVP, which reached $161 million.

We have an important competitive advantage in our ability to insure significant portions, or all, of very large municipal transactions. In the primary market, we guaranteed 18 U.S. public finance transactions where we provided $100 million or more of bond insurance, for a total of $2.8 billion. These were among 57 transactions issued with $50 million or more of our insurance.

One of the most important of our large transactions was the landmark public-private partnership (P3) transaction to help finance redevelopment of New York's LaGuardia Airport, in which we guaranteed $412 million of par in the primary market and more than $180 million in the secondary market. With general agreement across the political spectrum in favor of significant infrastructure development, the P3 model is attracting a great deal of interest in public policy circles.

P3 transactions have been executed infrequently in the United States, but we have been engaged for decades in such transactions in the United Kingdom and Europe. We are uniquely qualified to provide credit enhancement for financings of P3 projects, because we have the resources and experience, as well as business relationships with the major infrastructure project developers. We can assist in transaction development and provide the underwriting, diligence and long-term surveillance that can attract capital market investors to this type of project finance.

Assured Guaranty is the only active guarantor with the balance sheet strength, underwriting capabilities and trading values to insure, on a regular basis, large transactions that are bought predominantly by institutional investors. But the bulk of our public finance business still comes from our strong market presence among medium-sized and small transactions. These are transactions where our market leadership and brand recognition, as well as our bonds' market liquidity and multiple rating agency financial strength ratings, should be important to retail investors and their financial advisors.

For all these reasons, the market places a high value on our guaranty. This is evident in the $1.6 billion of par we insured on double-A quality issues, including 38 primary-market issues totaling $1.1 billion.

In public finance outside the United States, we guaranteed infrastructure or regulated utility transactions in each quarter of 2016, indicating a more consistent deal flow than in previous years, and booked $27 million of PVP. We further signaled our commitment to international infrastructure finance through our acquisition of MBIA UK. The $12 billion of net par of European infrastructure transactions it has added to our insured portfolio will be reflected in our first quarter 2017 results. Under its new name, Assured Guaranty (London) Ltd., it will operate as a stand-alone subsidiary of AGC for the time being. We are actively working to combine all of our European insurance companies, but doing so is subject to regulatory and court approvals.

Similarly, many of our best structured finance opportunities in 2016 were those where we work with institutional clients to devise one-of-a-kind solutions for specific concerns relating to capital management, credit or liquidity. In one case, through our Bermuda-based specialty insurance company, AGRO, we provided reinsurance to facilitate a life insurance excess reserve financing. An example in the asset-backed market was an aircraft ABS transaction in which we guaranteed the issuer's obligations to repay advances under a bank liquidity facility. Also in asset finance, we actively pursued opportunities in the aviation space, one of which was executed by AGRO during the first quarter of 2017. Additionally, in the fourth quarter of '16, we provided our first balloon note guaranty for a commercial tenant. In total, structured finance business closed in 2016 produced $28 million of PVP.

We are pleased with the quality and volume of our business, given the interest rate conditions, but we have not generated enough new business in recent years to fully offset the natural amortization of our insured portfolio. That means we continue to generate excess capital, which we last estimated to be $2.6 billion above the AAA requirement under the S&P capital adequacy model at December 31, 2015, a number that we are confident will increase when it is calculated

for year-end 2016, even when considering our $306 million in share repurchases during the year.

Our excess capital demands a vigorous capital management strategy. Since the beginning of 2013, we have repurchased approximately 72.2 million common shares, or roughly 37% of our shares outstanding, which has made each dollar of revenue we generate significantly more valuable to our shareholders. On a per-share basis, many of the measures our management and board consider most important in assessing company performance have improved, including operating earnings, operating shareholders' equity and adjusted book value. In November, our board of directors authorized a $250 million increment to our existing share repurchase authorization. This week, our board approved an additional $300 million in share repurchases, which brings the current authorization to $407 million.

The pace of buybacks is governed by the paramount importance of protecting policyholders and our financial strength ratings and by the statutory limits on regular and special dividends, or distributions, that apply to our insurance subsidiaries. In order to release more excess insurance company capital, we obtained regulatory approval for a stock redemption plan that AGM executed in the fourth quarter, which upstreamed $300 million to the holding company level.

This was a prudent stock redemption. Even after releasing that AGM capital, and also paying $184 million in net claims in 2016 to protect holders of defaulting Puerto Rico-related bonds, our group statutory capital increased $231 million during the year and our insured leverage ratios declined. For example, the ratio of statutory net par outstanding to total claims-paying resources declined from 27:1 at year-end 2015 to 22:1 at year-end 2016. AGM, MAC and AGC each have insured leverage ratios well below those of our next most active competitor.

One reason our statutory capital grew is that we continued to execute our acquisition strategy. By acquiring CIFG NA, we added approximately $310 million to our statutory capital. We also added $4.2 billion of net insurance exposure, with the related unearned premiums.

In addition to new business production, capital management and acquisitions, our fourth core strategy is loss mitigation. In 2016, this strategy focused largely on our various Puerto Rico exposures. A number of these issues have already defaulted, and we have fully protected our insured bondholders by making a total of $226 million in claim payments to date. During the year, we and other creditors have commenced lawsuits to remedy violations by the Puerto Rican government of its constitutional, statutory and contractual obligations to creditors. But we know that, to achieve the best overall outcome, we must not only stand up for our rights but also make a constructive contribution to resolving Puerto Rico's financial crisis and revitalizing its economy.

We played an active role in the process that led to the U.S. government's Puerto Rico Oversight, Management, and Economic Stability Act, known as PROMESA, which was signed into law in June of 2016. PROMESA establishes an Oversight Board to supervise Puerto Rico's financial affairs and debt negotiations, and it has created an orderly and clear track for both consensual and non-consensual restructurings. Critically, PROMESA requires respect for

existing constitutional and statutory priorities and liens, which is essential to maintain the rule of law and preserve the contractual rights of creditors and other stakeholders. We believe the board members have appropriate qualifications for their challenging job, and we have met with a number of them.

In pursuit of a consensual resolution that are fair and support the island's economic recovery, we have also met with a number of creditors and stakeholders and with the new administration of Governor Roselló, who took office in January 2017. Unlike his predecessor, the new governor has indicated he is realistic about Puerto Rico's need for future market access and therefore its need to embrace a more consensual approach with creditors.

In a positive sign, the new governor recently decided to make an interest payment on constitutionally protected general obligations of the commonwealth using money clawed back from certain other obligations. While we still believe that clawback to be illegal, the use of these funds to pay G.O.'s at least applies the clawed back funds to the only purpose the law allows and indicates a measure of respect for the legal priorities among various classes of Puerto Rico debt, as PROMESA requires.

However, we understand that he may also reevaluate the Restructuring Support Agreement that we, other bond insurers, certain bondholders and the Puerto Rico Electric Power Authority negotiated for more than two years. We and others have provided forbearance and liquidity that have allowed PREPA to proceed past numerous legislative, regulatory and judicial hurdles. We understand the governor's desire to review the RSA and welcome his input but note that the PREPA transaction, as currently configured, provides substantial debt service savings compared with the status quo and permits PREPA to re-access the capital markets to refinance its current debt and to invest in needed capital expenditures.

In addition to keeping investors whole through multiple Puerto Rico defaults, our guaranty has done an outstanding job of supporting the market value of our insured Puerto Rico bonds. For example, as of December 31, 2016, certain AGM-insured PREPA bonds were trading near par – which is a price almost $40 higher per $100 of exposure than for uninsured PREPA bonds with the same coupon and maturity.

We have a history of working through difficult situations like Puerto Rico's to reach outcomes that are better for us than was widely assumed at the outset of negotiations. As S&P, Moody's and KBRA each have concluded, we have the resources to manage potential losses under even severely stressed Puerto Rico scenarios and retain our current ratings. Our approximately $400 million of annual investment income, alone, is higher than the average annual net debt service for the next ten years on all of our Puerto Rico exposures.

In the end, only true economic development will be the answer for Puerto Rico. We support the efforts of the Congressional Task Force on Economic Growth in Puerto Rico, whose recent report contains many recommendations including, for example, some related to making federal support of the health care system more equitable with that of the states, and changes in the tax policy, such as extension of the Earned Income Tax Credit to Puerto Rico.

By executing our four core strategies well, we have increased shareholder value while maintaining a very strong financial position. All of our U.S. insurance companies' current ratings were affirmed with stable outlooks in the second half of 2016.

We periodically assess the value of each rating assigned to each of our companies and may request that a rating agency add or drop a given company's rating. In September, KBRA initiated its coverage of AGC by assigning its AA rating, giving AGC AA stable ratings from both KBRA and S&P. With these two ratings, we no longer believe the Moody's rating has value for AGC, and we have asked Moody's to withdraw it. Before we did so, in January of 2017, we arranged for S&P to assign AGC's AA stable rating to publicly traded AGC-insured bonds that did not already have a public S&P insured rating and had either an underlying public Moody's rating below AA or no public underlying Moody's rating.

Looking ahead, we are confident that our strength and resilience will see us through whatever conditions develop. The Federal Reserve Board has signaled a probable increase in interest rates, and higher rates have historically increased demand for bond insurance, allowed for better pricing and enlarged the number of opportunities we found economically viable. However, even if the central bank raises short-term rates, it could take some time for the effects to reach the long-term debt markets where we operate, and issuers may bring fewer transactions to the market. We will constantly review our strategic priorities with the twin goals of improving shareholder returns and, most importantly, maintaining long-term financial strength to protect our policyholders.

I will now turn the call over to Rob.

Robert Bailenson - Chief Financial Officer

Thank you Dominic, and good morning to everyone on the call.

Before I review this quarter's results, I would like to draw your attention to a change we made to our calculation of non-GAAP measures. In 2016, the SEC issued updated Compliance and Disclosure Interpretations for non-GAAP measures and how they may be presented to investors. After discussing these new interpretations with the SEC, we agreed to include the effect of FG VIE consolidation in our non-GAAP measures. This change affects our reported operating income, operating ROE, non-GAAP operating shareholders' equity, and non-GAAP adjusted book value.

Our release and financial supplement provides the effects of FG VIE consolidation that are now included in each of these measures. All prior periods presented in the earnings release, investor presentations, and those that I discuss today, have been revised to reflect our new non-GAAP measures in a consistent, comparative manner.

As I noted, this change was made in accordance with the SEC's updated interpretations and not as a result of any change in the terms of our economics of our contracts. FG VIEs relate principally to RMBS transactions and are typically consolidated when certain triggers are met that give the Company additional control rights. Despite the trigger event, the Company's

obligation was, and remains, solely an obligation to pay only the shortfall on scheduled principal and interest when due.

The new interpretations also resulted in a change to the presentation of the detailed line-item reconciliation of net income to operating income. The earnings release and supplement now show only two columns -- one for "operating income adjustments," and the other for the "effect of FG VIE consolidation." The first "operating income adjustment" column shows amounts reported in each line item that we subtract from GAAP amounts to arrive at operating income. The second column, which is titled "effect of FG VIE consolidation," represents amounts included in operating income related to FG VIE consolidation that management subtracts from operating income to arrive at its internal core metrics. These core metrics are used to assess financial performance, and is a basis for our compensation measures.

Let me give you an example so you can see how including the effect of FG VIE consolidation affects our non-GAAP measures. Operating income in the fourth quarter of 2016 was $139 million, including a $16 million gain related to the effect of FG VIE consolidation. Under our previous calculation, this FG VIE gain would have been eliminated and therefore we would have reported $123 million in operating income.

We have revised our fourth quarter 2015 operating income to $130 million, which now includes a $13 million gain related to FG VIE consolidation that had been eliminated to $117 million operating income reported at this time last year.

The effect of including FG VIE consolidation gains in both periods was not a source of any material variance. The primary drivers of the increase in operating income on a quarter-to-date basis are lower loss expense on Puerto Rico exposures and higher net earned premiums due to refundings and terminations, offset in part by lower credit derivative revenues.

Economic loss development was $102 million in the fourth quarter of 2016 -- $53 million of public finance loss development, and $49 million of structured finance loss development. The public finance development was primarily attributable to Puerto Rico, while structured finance development was mainly due to a reduction in excess spread in first lien RMBS transactions. These amounts are net of a $94 million dollar benefit attributable to higher risk-free rates used to discount losses.

On a full year basis, we hit record operating income of $895 million in 2016, a 26% increase over operating income of $710 million in 2015.

Full year 2016 operating income of $895 million includes a benefit of $12 million for FG VIE consolidation, which would have been eliminated under our previous calculation and would have resulted in operating income of $883 million.

Full year 2015 operating income was $710 million, which now includes an $11 million gain related to FG VIE consolidation that was not included in the $699 million in operating income reported at this time last year.

The increase in operating income was driven primarily by net earned premium accelerations due to higher refundings and terminations and lower losses on Puerto Rico exposures, offset in part by lower credit derivative revenues as we actively terminate existing CDS and the inforce book of business amortizes as transactions reach maturity.

Operating income in both 2016 and 2015 included significant gains attributable to acquisitions. The full year effect of the CIFG Acquisition in 2016 was approximately $320 million, compared with $318 million for the Radian acquisition in 2015.

Total economic loss development in the full year 2016 was $139 million, which is net of a $15 million benefit attributable to changes in discount rates. This was comprised of $269 million of public finance loss development, primarily attributable to Puerto Rico exposures, offset in part by $130 million in positive development in the structured finance asset class resulting from loss mitigation strategies such as the acceleration of claims and bond repurchases.

We have continued to execute on our share repurchase initiative in 2016, as Dominic described. We received approval from the New York Department of Financial Services to return $300 million from AGM to its holding company, which will allow us to expand the program in 2017. This week the Board of Directors authorized an additional $300 million in share repurchases bringing our current remaining authorization to $407 million. The Board also approved an increase in our quarterly dividends to 14.25 cents per share.

Shareholder dividends, share repurchases, recurring debt service and operating expenses of the holding companies are supported by the capacity of our insurance companies to return capital and pay dividends to the holding companies. Currently, we have $29 million in cash and investments at the Bermuda holding company and approximately $268 million at the US holding companies.

During four years of steady execution of the share repurchase programs, we have repurchased 35% of our outstanding shares for a total of $1.7 billion. The accretive value of this program is reflected in a 41% higher operating income per share and 28% higher adjusted book value per share than would have been reported without these repurchases.

In the first quarter of 2017, we will report on the MBIA UK acquisition, which has been renamed Assured Guaranty (London). We are still working on the fair value analysis of MBIA UK's book of business but I expect the acquisition to be accretive to our key metrics.

I'll now turn the call over to our operator, to give you the instructions for the Q&A period.

Question and Answer Session

Operator:
(Operator Instructions). Geoffrey Dunn, Dowling & Partners.

Geoffrey Dunn:
Dominic, can you talk a little bit about the new business environment? You ran through a lot of

details for the year, but I am curious of what you saw from a pricing and demand standpoint in the fourth quarter. We've seen rates spike a little bit over the last -- back in 2013 and 2015, but this is the first sustained move we have seen in a long time. How are clients reacting? How do spreads look and demand look over the last three, four, five months?

Dominic Frederico:
Well, as you can see from the results we reported, Geoff, fourth quarter was a very strong production quarter, especially in the US public finance markets. We are always hesitant to call a victory prematurely and until we see sustainable rate increases that are actually held across the board, I'm still cautiously optimistic in terms of where we can get to relative to production.

Our anticipation is we will see increased demand in the US markets because two things are going on. You've still got the continued argument on Puerto Rico, which is a threat against creditworthiness. You still have a lot of noise relative to Chicago, Illinois, New Jersey, Dallas, many areas around the country and we think that credit concern, credit perception will drive people to the insurance market and as you said, there has been, although it's been moving all over the place, an increase in rates where the 30-year MMD was over 3% at the end of the year.

We think for this to be sustainable, we would love to see it say north of 3.5% and then I think you are going to see more scheduled and reliable demand. But, remember, we are not just in the US municipal finance market. As you can see, in the year, we had basically new business written across all of our operations and we are very optimistic in terms of what we see in our European pipeline.

As we said last year, Europe wrote business across every quarter in the year. We've got a very active and strong pipeline looking at 2017, so our expectation is we should be able to book better results in Europe as we have seemed to have corrected the problems of the past, the reputation that we've had to rebuild. Our guaranty is very competitive and across that P3 market, we think we do have the appropriate product to serve that ever-increasing marketplace.

And in structured finance, we are creative. We continue to look at places to make our guaranty worthwhile and we are being helped by regulation, both in Basel III and Solvency II in how they look at certain assets being held on financial institutions. Much like their life reinsurance financing, that was strictly a Solvency II play. These are great ways to put capital to work with a very benign credit risk and still get paid reasonably for the opportunity.

So we are not ready to call victory on US public finance. We do see increasing opportunities in our two other core businesses and therefore optimistic about 2017.

Geoffrey Dunn:
Okay. Rob, two things. Can you quantify the PAR and PVP from muni secondary activity in the quarter? And can you also remind how excess spread works in the RMBS deals and how do we have to think about your future provisions to the extent rates keep going up?

Rob Bailenson:
Well, let's start with the first question. PAR for secondary markets in the quarter was $807 million and we wrote PVP of $34 million for secondary markets. Did you ask primary as well?

Geoffrey Dunn:
We can back out of that, but (multiple speakers).

Rob Bailenson:
So excess spread, the reason we had development this quarter on excess spread is because on some of our first lien transactions, the assets of the transaction are fixed rate loans and the debt of those securities are LIBOR floating rate loans. And LIBOR increased this quarter, but those fixed rate loans actually did not move. So that is going to affect your excess spread and we saw as we call spread squeeze this quarter.

If you look at what we have in total for excess spread in all of our transactions, it's approximately $225 million. So you could not get any larger than that. But that's if you lost all of that. Now that's also related to transactions where not all loans have been modded to fixed rate loans. So some of them have actually -- the assets are actually also variable rate assets and variable rate loans.

So I would tell you that I don't expect it to be significant in quarters to come because I don't think over time you could not have anything more than $220 million because that's the entire amount, but I don't expect it to be as significant as it was this quarter.

Geoffrey Dunn:
And does this quarter anticipate future rate increases to front-end load what the direction of rates looks like?

Rob Bailenson:
In our scenarios, we do look at that, so it is in our probability-weighted scenarios.

Geoffrey Dunn:
Great. Thank you.

Operator:
Michael Temple, Private Investor.

Michael Temple:
With regard to the figure that you cited that you had losses in Puerto Rico in 2016 of approximately $250 million, can you speak to the overall strategy going forward? Obviously, as you stated, you are going to assert your legal rights in court, but, at the same time, you are obviously working with the new administration to come to consensual solutions to move Puerto Rico forward. So how should we think of the reclamation, if you will, of some of those $250

million in terms of being rebooked in the form of clawback payments being made and/or repayments being made because of new negotiations on the remaining debt that you still insure, which is net right now approximately $4.7 billion?

Dominic Frederico:
Mike, I will take a crack at it. So you have to, in our world, accept it for what it is, separate the accounting from the economics. So under the rules of accounting for financial guaranty, we are subject to a strict interpretation on how we must evaluate and book reserves.

In the old days, you would be able to put up a point estimate of what you thought was your most realistic view of what ultimately is going to happen. Today, however, you really have to determine all possible scenarios, so including from good to bad to ugly and then probability weight those scenarios and that is the provision you have to put in your books and records as the reserves of the accounting hit that you take in establishing the potential liability relative to the outcome as to a default in any of your securities.

That doesn't necessarily coincide then with our negotiating position, our view of the credit, the activity that we seek along with both the control board and the government. Obviously, we feel very strongly about our contractual rights. We feel very strongly that PROMESA does recognize constitutional priorities and contractual liens, which we think is very positive. As you saw in the PREPA deal that was negotiated, although the governor wants to take another look at it, the bond insurance market was basically not having to recognize a loss, but we were providing future value and a surety over the new bonds being issued that would allow them the ability to get sold to market and maybe even have an investment-grade rating.

So it's a fluid situation. We fully expect to pursue all of our rights. As I've said on other calls, we are a large enough creditor that although we can't force any deal, we can definitely stop any deal, and it is our belief that we will pursue our legal remedies to the fullest extent possible and as I said, we believe firmly in our contractual rights and our constitutional priority that we expect to be somehow recognized and yet it is a negotiation and obviously, there's a lot of moving parts right now.

So from an accounting point of view, we have to consider all those moving parts. We have to formulate them into scenarios. We have to probability weight them and if you look in the current quarter, what has happened? Well, you had the government miss another payment. You had a relook at the PREPA. You had a continuing negative dialogue between the existing incumbent or the new government, and the control board as to austerity measures and those things have to be considered when we look at our scenarios and probability weighting.

So there is a reserve. We are required to put it up. We have all sorts of rules and regulations that have been promulgated that we must follow and yet we have a strategy, a negotiation, a position that we are going to take as a large creditor in this marketplace and not saying never the two shall meet, but obviously the two are going to set off in very different directions and whether they ever come back and meet each other, who knows. But we have to make sure that

we are responsible relative to the rules and we also maintain our position relative to the protection of bondholders.

Michael Temple:
Okay. Can I ask one quick follow-up? I more than appreciate the dynamism; it's a fluid situation. Is it fair to say that Kroll and S&P and the others who are evaluating your creditworthiness have more than taken into consideration the developments, or should we be prepared that perhaps, in 2017, we might see them reassess negatively some of the stress scenarios for your exposure again given the fact that things are still very highly fluid and we've seen some rather negative outlooks? Again, I know it's all part of the negotiation, but rather negative outlooks for what debt service at the island might look like in 2019, etc., etc. So might we have to consider that further negative viewpoints are adopted by the rating agencies regarding PR exposure at this time?

Dominic Frederico:
Michael, hard pressed for me to ever speak on behalf of the rating agencies because obviously it wouldn't be very kind or considerate, but be that as it may, and really that maybe focuses on one of the rating agencies. If you go back and look at their analysis that they did and that each published and I would really call your attention to those.

If you look at those, what they said was we looked at Assured, we looked at Assured's financial strength, excess capital. We also looked at Assured's internal rating and therefore their own analysis of potential liability and under extremely stressed scenarios, we find no circumstances which would, A, change their view of the Assured rating or quite honestly represent a major economic issue for Assured Guaranty. And they did contrast us against some of the other bond insurers.

So they have already taken Puerto Rico at they believe at its absolute worst and I think in some cases they default like 50% of all of our Puerto Rico obligations. And therefore, I can't believe it can get worse and if you think about it, their stress that they have applied in their models that made the conclusion of our adequacy of both capital reserves and financial strength was well in excess of the government's last offer under the former governor, who was no friend of the bond market.

So I believe that -- and like I said, I would call your attention back to their specific publications -- but I don't see that as an issue at all for Assured Guaranty in 2017 or beyond.

Michael Temple:
All right. Thank you very much for your time and explanation.

Operator:
(Operator Instructions). Chas Tyson, KBW.

Chas Tyson:
The first question I wanted to ask is on -- it's a follow-up on some of the Puerto Rico questions. So the governor over the last couple days has been saying that he thinks the island can pay $800 million to $1.3 billion of debt service. If I was to look at the oversight board, which put out a 2019 scenario, which was fairly draconian, how do you guys think about squaring those two data points with where your reserve is at, which is probably a decent bit lower than the implied haircuts and the two statements made by those two entities?

Dominic Frederico:
Well, I think there is a very strong argument that is going to have to play out relative to the amount of austerity that the government is willing to recognize or will be forced to recognize between what the control board is saying and the government.

The real argument I think is going to come down to what is essential services, because if you really say you are going to pay attention to the contractual liens and constitutional priorities, the Constitution is pretty clear that if you are going to divert funds, it has to be for essential services. The government made a first attempt at essential services, which I have a funny feeling is going to be questioned significantly and therein lies what is the amount then for debt service.

We had always anticipated, in any sort of a workout, that there would be some level of restructuring with some deferral of principal but the current payment of interest. If I could take any positive from what's going on, the fact that the governor decided to pay interest on the February general obligation, although being it's a small part of the payments that were due in 2017, at least is an indication that points a direction.

And as I said, once you argue down the percentage of essential services and make some collection improvements and some other things, will there be enough debt service available to pay the interest charge? I'm optimistic that potentially there will be and if not, there will be this once again hard argument between the governor and the control board.

The one fact you have to take some comfort from is, remember, one of the critical objectives of both the control board and the government is to get access to the market and I don't think it takes a genius to figure out that if you continue to default on payments and make no effort and continue to expend or not consider as draconian the measures that need to be applied in the country that quite honestly managed itself into this situation on its own accord, then you are never going to get that access, you're never going to get out of the control board. Things are going to get a hell of a lot worse than better.

So if you really want access, we seem to be one of the avenues of access, probably the easiest avenue of access back to the market, I would assume that we're going to get treated with some level of respect. If I follow the language of PROMESA constitutional priorities and contractual liens, I've got to be close to reasonable there and will there be a deal done that maybe changes that a bit? I don't know. I think Assured has positioned itself quite appropriately.

We do carry reserves. We've been fairly public. Every time we make a change to the reserve, we let the market know, and for those of you that keep score at home, you can probably try to figure out how much that number is, and we are comfortable that we've got the ability, the negotiating power, the seat at the table and have still protected the Company as we go forward in Puerto Rico that we are in very good shape to handle whatever the ultimate resolution here becomes.

Chas Tyson:
Okay. And then following up on some of your comments about PREPA, obviously there has been some media attention on the governor's wanting to take another look at the deal and some of the media articles have said that he wants to take specifically a look at -- asking the monolines to take a haircut, which they weren't required to under the current deal. Can you talk about -- is that an off-the-table type scenario for you? Are you willing to work with the new governor and look at that deal again?

Dominic Frederico:
We will work with anybody and understand we've never disclosed reserve positions, so we've led -- be a mystery as to whether we still carry reserves or not in that specific regard and if we are able to absorb some level of a discount. However, you've got to understand, in PREPA, the government is relying on us substantially to provide the surety to get the new bonds issued and there could be a position that we take that says if you make me pay a loss, I don't provide surety going forward. So what is more important to you, getting a small haircut from the bond insurers or getting the ability to issue the new bonds?

So these are the nasty things that happen at a table behind closed doors where voices typically get raised, fists get pounded and decisions are ultimately made. But I think we are in a great negotiating position, vis-a-vis the reliance on us to move forward in getting PREPA back to some level of market access, to some level of a reasonable rate relative to what the consumers and commercial accounts will pay.

They still have to make a lot of operational changes relative to collection metrics. The rate stability, the securitization surcharge, a lot of things still have to be done, but I think we play a critical role in that and if someone wants to pass the hat around the table, we will look at that in accordance with other things.

But, once again, if you are asking us to be an integral part of a solution going forward, I am hard pressed for you to come back in and say but I want you to throw money in the pot as well. I don't think we should double dip in this regard.

Chas Tyson:
Okay. And then a separate topic, but on M&A, obviously you guys have been pretty successful over the last 12 months on your consolidation strategy with CIFG and MBIA UK coming up. And there's obviously a couple other potential targets out there with Syncora pursuing strategic opportunities, the deal that you guys disclosed -- the potential deal, I should say -- with FGIC.

Can you give us an update on how you are thinking about consolidation of the space in 2017 and how many more of these legacy financial guarantors you think you can get?

Dominic Frederico:
I think we keep saying that there's 4.5 to go or 3.5 to go. I keep losing track. It's our goal to consolidate them all. We think it's the best thing on behalf of the industry, on behalf of bondholders and really provides stability where currently there is still this uncertainty. So we think it's a positive movement for the market in general.

Number two, we think it's a positive movement for these companies. They are not trading. They are basically sitting on a melting ice cube of value. They've got huge NOLs that need to be put to work, if they are going to be put to work and it's not going to be based on a dwindling portfolio of financial guaranty.

So they need to figure out something to do when they grow up and it's 2017, so you are a good nine years after crisis, or eight years after the majority of the crisis. It's time to get up and do something. I think we have a compelling approach and rationale that assist all parties, bondholders and incumbent companies, and we are very optimistic that we will continue on that path.

As you know, we've got the FGIC reinsurance proposal out there. We hope that it gets further support and becomes more of an acceptable opportunity in the current year. Obviously we look to provide those types of solutions or acquisitions. The nice thing about us, we can do it either way you want to do it, but we still believe it's a value. It's a value to the bondholder. It's a value to the incumbent company in terms of its ability to now go forward outside of a regulatory regime that is trapping their capital, melting their earnings, using up a lot of expenses that have no real value in terms of building a future book of business and therefore allows them to move forward and start to utilize NOLs.

So in the old days, we would take the crusade to them, and I am hoping in 2017 they start coming to us to say, okay, you are right; we need to move on. We need to get something on our books or operations that allow us to utilize the NOLs.

Chas Tyson:
Okay. And then a related question on uses of capital. Obviously, you guys noted the share price has increased materially over the last couple months. How do you think about using capital given your other alternatives of -- you've obviously got share repurchase as one weapon, but new ventures, M&A. How are you rank ordering your options at this point?

Dominic Frederico:
We rank order them, but share repurchase is still number one; it's still number two; it's still number three; it's still number four. The acquisitions are typically capital-accretive the way we engineer them, so there is -- they actually help the problem or exacerbate the problem

depending on how you want to look at it. So that has been good and the track record of those have been very public in seeing the value that they add.

The new ventures, we are building this slowly. We are very critical in our assessment of opportunities in that space. We kiss a lot of frogs to find very few princesses and therefore, I don't see us deploying anywhere near a capital that would have any influence whatsoever relative to the amount of capital management we still need to get done in this Company, number one.

And number two, it depends on the execution whether these things will take the capital charge that you could assume. In other words, if we take a position in a GP of an investment fund, but some of the underlying investments aren't investment-grade or would qualify for our capital, then all you're taking as a capital hit is what you paid for the GP and the investment side doesn't take a hit at all.

And number two, we've got a lot of what I will call capital charge investments that are rolling off our books anyway and freeing up capital beyond just what the portfolio amortization is providing. So we are in very, very good shape and continue to increase our excess capital even in spite of all the hard work we've done to manage the capital down, but we will continue to manage the capital down and as I said, it's still priority one, two, three and four.

And although the price is not as low as it used to be, that's good news/bad news. It's still very accretive for us to buy back the stock.

Chas Tyson:
Yes. And then last question is just you guys touched on it earlier, but obviously rates up over the last few months and poised to go further it seems like. So is there a good way for us to think about how much the penetration rate of just on an industry basis of bond insurance can go up as rates rise and I guess what's the appropriate benchmark to be looking at as we think about that penetration rate going up?

Dominic Frederico:
The anticipation is as rates rise so does penetration. The problem we have is, because we are still in single digits and we are very then much influenced by who is the issuer of the moment or the issuer in the quarter in terms of size, liquidity, current ratings, it's harder to be able to assess that expertly. However, we will say to you, every time the MMD goes over 3 we seem to have a spike in opportunity or demand. However, it doesn't stay over 3 and it continues to bob up and down, and therefore, until we get sustainable rate increases that stick in the market and really do affect short-term and long-term yields, it's harder to declare that victory.

Can we see instances of increased demand every time the rate pops? Sure, we can. Obviously we would like to see it permanent. We would like to see a definitive move upward of interest rates and especially, in the 10-year Treasury, to make it -- give us that opportunity.

The interesting thing we do have, and why we see the jumps when we go over 3 is because the market has been able to borrow at such historic lows. Any movement, even a 50 basis point movement, we think will cause certain municipal budgets to have some concern and therefore say, wait a minute, I need to get back to more of the historical low and therefore, we think even in a case where you wouldn't normally see insurance, there might be an insurance request just to try to lever that rate down.

And remember, the amount of the uninsured volume that has gone out over these last few years has created the market opportunity for our secondary market execution, which, as I said in my comments, was up 91% year-over-year. So even if we are not seeing it in the primary market, we are seeing it in the secondary market and the combination of the two led us to that very strong number of production last year.

And as I said, with rate increases at least scheduled, and every time we've tried to declare victory on our rate increase schedule, it never worked, right, but they say there's going to be three this year. If they follow out to the three, I'd be optimistic then that there would be a substantial increase in opportunity relative to the insurance marketplace.

Chas Tyson:
Okay. Thank you very much, guys.

Operator:
Geoffrey Dunn, Dowling & Partners.

Geoffrey Dunn:
I've got a few here. Number one, a drop in your category 1 BIG this quarter, pretty substantial. Can you give any color on that?

Dominic Frederico:
Let me pull my BIG out, Geoff. So it went from -- it went down $1 million in the quarter, but year-over-year it's down around -- I'm sorry -- $1 billion. It's down $2 billion year-over-year and I'm trying to figure out who was the big boy in that regard. I have them by obligor, but does anybody remember?

Dominic Frederico:
It's been typically amortization.

Dominic Frederico:
Terminations accounted for – oh, wow, $500 million of it was terminations, Geoff. So we went out and targeted terminations. So the major part of it was terminations of residential mortgages and pooled corporate obligations is the big boy. So we've had a strategy that was going out to look at opportunities to risk mitigate and one of the major transaction types was terminations.

In this case, if I remember, it was a European financial institution where we were trading favors.

So they asked us to do certain things relative to amendments and waivers. We said fine. You got to tear up these deals. And remember, although we have them as below investment grade, that doesn't necessarily mean we were going to recognize a reserve hit or an actual incurred loss.

But the way our rating system works, if you fall below a certain level of debt service coverage, that's one of the primary issues that would make you non-investment-grade, we categorize it that way. So these were probably issues where we weren’t paying paid a loss, didn't expect an economic loss, classified as below investment grade and working with the financial institution in Europe, this is one of the transactions that in the negotiation of giving them amendments and waivers, we tore up these transactions.

Geoffrey Dunn:
Okay. And then you touched on it, but I was hoping you could give a little bit more of an update on your alternative investment initiative.

Dominic Frederico:
Well, as I said, we have kissed a lot of frogs, found very few princes or princesses as the case may be. We did make our first investment. It was more on a passive basis, but with a very high return expectation after we went through a lot of analysis and scrutiny. That was for $100 million, which will be funded over a two-year period. So the impact is negligible. Remember, we make $400 million of investment income a year.

The second one, we have gotten close or are getting close to making an acquisition. Remember, we look at the acquisitions on three part basis. It's got to be financially accretive; it's got to at least utilize our core competencies and it's got to be socially accretive. And we think we are fairly far down the road, so stay tuned in terms of an announcement.

And at this point in time, we are saying to protect the organization and build a very strong foundation, we believe we should have a portfolio of these type of risks, a diversification of fund to funds and therefore, you're looking at numbers in that $100 million to $250 million range in terms of investments as of this point in time. That could change, so don't lock us into it.

But, like I said, we've made one, but it's more passive than active. We are looking at potentially putting out an offer on our first real active operating type of situation. They are all in the same areas of credit, credit, credit and it's credit we know very, very well.

Geoffrey Dunn:
Okay. And when you say passive, does that just mean $100 million of money out of AGC or AGM invested into a fund?

Dominic Frederico:
Yes.

Rob Bailenson:
Yes.

Geoffrey Dunn:
Okay. And then when you say active, is that an investment at the operating co level or an investment outside of the Opcos?

Dominic Frederico:
Yes.

Geoffrey Dunn:
Okay.

Dominic Frederico:
It's more operating co level. It might also involve invested funds as well in their LPs, but we want to get a piece of the Opco and a piece of the GP.

Geoffrey Dunn:
Okay, so the GP investment is being made outside of AGM and AGC?

Rob Bailenson:
(multiple speakers). It could go either way.

Geoffrey Dunn:
Okay. All right. Thank you.

Operator:
Michael Cohen, Opportunistic Research.

Michael Cohen:
I just wanted to touch base and get your perspective on the Ballantyne-Orkney case, which Judge Scarpulla issued a ruling on the motion for partial summary judgment, which, on paper, reads like she denied it, but, as was communicated, she did give it in favor of the plaintiffs and how you guys are thinking about that case, which is headed to trial on March 13.

Dominic Frederico:
Well, you know an awful lot of facts and you've got my General Counsel dancing in the corner since he obviously runs our litigation in the Company. We were very pleased with the Judge's decision. We've always felt we had a reasonably strong case. We don't take litigation lightly. We don't bring cases for just bringing a case, for the sake of just that and therefore, we are pleased with the Judge's current ruling and we look forward to a trial beginning in March.

Michael Cohen:
Great. And then maybe at the highest level, if you could offer all of us some sort of roadmap as to how you think things are going to evolve in Puerto Rico over the next 6, 12, 18 months in terms of the milestones that we are looking for. Obviously getting PREPA finally done would be a great first step, but how are you thinking about the rest of it?

Dominic Frederico:
Well, there is an interesting question and this is more my view and trust me, I say my view an awful lot to the various parties in Puerto Rico, as you can well imagine. But, for me, the smartest thing they can do is solve all the public corporations because all the public corporations are solvable and that's PREPA, PRASA and transportation.

If you leave transportation alone, meaning give it back its revenue, it's fine. PREPA and PRASA, PREPA we've got a restructuring that makes it fine. PRASA is fine. And you then clear the decks of about $19 billion of debt, which is never a bad thing and it will be a great victory and it will really set those on their way, develop more credibility to the marketplace, maybe even get you access as we talked about and PREPA would get you access.

So we think that's a smart play. It's easy to do and therefore maybe that's something they consider because you know you are going to ultimately have the fight of fights between GO and COFINA and I'm not going to tell you where my view is because that would get too much activity, but you are going to have that battle at some point in time.

Someone is going to blink and that's where really the main lifting that has to be done and therefore that makes sense. If there's going to be some compromise done in the market, it makes sense you get it all together and you knock it out in one fell swoop.

Remember, you do have the one issue that they have to be cognizant of in terms of the delay of getting any of these deals executed is you've got the legal stay expiring on May 1 and unless you want to see an avalanche, you should get some things done before May 1 or at least get some sort of a ballpark agreement or an agreement of how we are going to go forward in terms of a mechanism or strategy as to how you want to deal with it.

But, to me, if you get the public corporation done, it's a lot of debt that can be handled easily, get it down to the GO and COFINAs, get everybody in the room. You know you've got a May 1 litigation, hold expiration that I think you don't want to see that flood. If you have to fight 1000 battles, it's going to totally distract the government and cause a lot of additional expense that they could avoid.

So our recommendation is you go it that way. That doesn't mean anything. But I think that's the path forward. We know that that May 1, other than a Title III, is a hard date. So, therefore, something has got to happen before May 1 if you are going to have the ability to still continue this in a very controlled environment where there is consensual negotiations, where you are working to get solutions. Someone is going to have to make more of a commitment than has

been made.

As you talked about, PREPA has been the can that's been kicked down the road for two years. It's about time we stopped kicking the can. That deal was agreed by all parties and whatever modification you want to make with it, come out with it, quit messing around, get it done, let's move forward, regardless of that outcome, because once again that outcome will have consequences for other outcomes. This is a big pot. How the pots get divided and funded is going to make a big difference as to how other people treat other parts of the pot.

So if you got rid of the public corporations that would be a great step forward and as I said, get it down to where you've got your issues, which is, to me, with the sovereign, with the actual Commonwealth itself, which gets back to the GO and the COFINA,.

Michael Cohen:
That certainly helps. Understand the timeline. Have you had any conversations with the new administration about or have any insight as to how they are thinking about Puerto Rico and our obligations (multiple speakers).

Dominic Frederico:
Insight, no. Conversations, yes. We can only talk as much as we can talk. They have not given us a peek at their cards. We I think have put our cards on the table. We are very transparent, as we have said and it's their move. And PREPA is a great example of it is their move.

You now say you want to relook at the agreement? Well, okay, relook at the agreement, but get it done and you have till May 1 and that is not the only agreement you've got to get done before May 1. You are going to have to have some agreement in principle on how you want to go forward or the avalanche is going to happen and although you are going to cry that, oh, look, this was avoidable, well, you are bringing it on yourself.

We have stood here for two years with PREPA. We've done all the forbearances. We've done the funding. We've helped in every way we possibly can to get a resolution to everyone's satisfaction. Now it's time to get off the pot and do something.

Michael Cohen:
Understood. Did the rate increases get codified at PREPA?

Dominic Frederico:
I think we are about 50-50 on that. So one did. The other one was changed a couple of times, if I remember correctly. There was actually another rejection of it most recently, but yet they are allowed to still continue it for some short period of time. So it is still a political football.

And as you can imagine, and I'm not trying to make light of this thing or make it sound easier than it is, there is a huge political environment here that has to be managed as well. There are 3.5 million Americans there that have to be considered in any scenario and how is the best way

to steer this very complicated situation while still being able to recognize the rights and the conditions of these 3.5 million Americans yet still recognize the financial reality which they brought on themselves that have to be addressed. There is no easy solution. Do we think there is a way forward? Absolutely.

And as I said a little bit earlier, the public corporations would be the first way forward. They've got other issues relative to tax policy, tax collections, government operations, efficiencies of the individual departments. You saw the greater argument going on at the University of Puerto Rico where they suggested that they make $300 million of cuts and the entire management resigned.

So you can understand this is not politically easy and you can almost follow the script in Greece where the first level of austerity was met with absolute revolution. But there is an economic reality that has to be faced and someone is going to have to get up and account for it and take the appropriate responsibility.

We have already agreed that we will work with them. We are big boys. We sit at the table every day. We have a very realistic view in terms of what is the way forward and what our responsibility is and we are there to help in any way we possibly can.

They do need some federal assistance. This medical reimbursement disparity makes no sense to us. If you are going to call them 3.5 million Americans then how do you treat them differently? I don't see the cause of the ability to do that. That is a huge number relative to their budget and maybe that is how they are arguing this thing in terms of trying to get some further action on that part.

It's a complicated beast and I think Assured, as I said earlier in the call, we are very well-positioned to be an aide. We are very well-positioned vis-a-vis our legal rights and we will work either side of the coin as terms dictate.

Michael Cohen:
Great. Thank you for taking my questions.

Operator:
Michael Temple, Private Investor.

Michael Temple:
Yes, clearly, as we looked at the Company over the last two, three years, it's been a Puerto Rico story for all the obvious reasons, but, at the same time, as you pointed out here in the financials, your core business is finally showing some extraordinary year-over-year growth reflecting marketplace dynamics.

My question for you is as follows. Can you recap for us, because again you are buying up the legacy businesses of your principal competitors from a decade ago, could you just give us a rough ballpark of your competitive place in the industry say 10 years ago? What was your

marketshare; who were your principal competitors? And then today, where it seems like you are the last cowboy standing at the saloon and what the relative marketshare you think you have and who is your number two or number three as you go about bidding for all these new business initiatives again away from the whole Puerto Rican situation that obviously continues to dominate people's mindset about your Company?

Dominic Frederico:
Well, a little quick brief history. I'm not too sure that it helps much, but 10 years ago, we were the smallest company in the industry. We were probably still split-rated at the time. Therefore, we were only able to do small transactions (technical difficulty), so we were very competitive in that market because that market wasn't as rating-sensitive and our competition then was the other monolines. Today, our major competition is the uninsured market and it's really the market itself in terms of the desire for yield and return in a very low interest rate environment.

So we went from having to compete against seven other competitors back in the day now to competing against a market that's made up of financial institutions, other investors, insurance companies, etc. that hold this paper and are competing for the yield and therefore not utilizing the insurance product because they want the return as opposed to pay for the insurance.

As interest rates spike up, however, we see an opportunity for the demand for insurance to increase. As credit concerns increase, we see demand for insurance increase. In the old days, the insurance industry wrote 50% of the market. Today, we probably don't write half of the market that we used to write. So now the insurable market is half of what it used to be, but I still believe in the long-term value of bond insurance that we will write half of the half. In other words, 25% of the or 50% of the 50%, which gives you 25%.

So our penetration rates today on a par basis are between 5% and 7% and I think in the right interest rate environment with the continued increase in demand for the product relative to the appreciation of what the product delivers in terms of value, we can substantially increase that over the next few years. And although we have two competitors out there in the market, we think we are the best positioned to capitalize on that increase in marketshare and will be, as you would say, the last guy standing at the bar.

Michael Temple:
And who are those two competitors that you are up against on a daily business out there?

Dominic Frederico:
A company called BAM, Build America and a company called National. National is a former MBIA company; BAM is a mutual company that was sponsored by a company called White Mountains. White Mountains just produced its annual results, which showed an increasing loss on its exposure to BAM. It put $600 million in surplus notes, which has never been repaid any principle, nor has it been paid any interest and the current accumulated interest that is not recognized on a statutory basis by our competitor is over $100 million. So you can make your own conclusions relative to the value of their guaranty.

Michael Temple:
Thank you very much.

Operator:
This concludes our question-and-answer session. I would like to turn the conference back over to Robert Tucker for any closing remarks.

Robert Tucker:
Thank you, operator. I would like to thank everyone for joining us on today's call. If you have additional questions, please feel free to give us a call. Thank you very much.

Operator:
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.