

**Assured Guaranty Ltd. (AGO)**  
**August 2, 2018**  
**Second Quarter 2018 Earnings Call**

**Robert Tucker**  
**Senior Managing Director, Investor Relations and Corporate Communications**

Thank you operator. And thank you all for joining Assured Guaranty for our 2018 second quarter 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 a replay of this call, or if you are reading a 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, 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 the reconciliations 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](http://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.

In the second quarter of 2018, Assured Guaranty recorded its highest quarterly gross premiums written and present value of new business production, or PVP, since the acquisition of AGM in 2009. Gross premiums written totaled \$393 million, and PVP totaled \$454 million, largely because on June 1st we closed the previously announced reinsurance transaction with Syncora.

This makes it four consecutive years in which we increased our future earnings power by executing one of our core strategies of acquiring the insured portfolios of our former competitors. AGC assumed substantially all of Syncora's insured portfolio, and AGM commuted the reinsurance on a book of business it had previously ceded to Syncora. We will also, for a fee, administer the reinsured book on behalf of Syncora.

Unlike our other legacy monoline transactions, this one has limited impact on current-year earnings, but the \$391 million of PVP it contributed will benefit future income and enhance the value of the company for many years.

At the midpoint of 2018, Assured Guaranty's value per share is higher than ever, whether measured by our shareholders' equity per share of \$60.52 or our key non-GAAP measures, operating shareholders' equity and adjusted book value, which are \$58.60 and \$82.83 per share, respectively.

Our capital management program continues to be an important strategic objective and a driver of shareholder value. Year-to-date, we have repurchased 8.3 million shares at a total cost of \$300 million, at an average price of \$36.11 per share. With our board's new \$250 million share repurchase authorization, we are currently authorized to repurchase another \$298 million of shares.

In terms of new business, direct new business production has been constrained this year by reduced municipal bond issuance, which is due in part to lower refunding volume caused primarily by tax reform. New-money issuance has actually risen from last year's level. The impact of tax reform on refunding levels was less severe in the second quarter than in the first, as a significant amount of business rushed to the market before year-end to benefit from the old law and decreased first-quarter supply. While second-quarter overall market volume was down almost 7% compared with last year's second quarter, it was up 52% from the first quarter of this year. Insurance penetration has remained relatively steady near 6% as interest rates remained low and spreads tight.

We continue to lead the municipal bond insurance industry and guaranteed 53% of new-issue insured par sold in the second quarter, and 57% in the first half. Our strategy has been to focus on transactions that provided comparatively higher premium dollars and better returns over the longer term, taking advantage of our competitive advantage in insuring large transactions that appeal to institutional investors. Year-to-date through June, we were selected to insure \$50 million or more of par on 21 different transactions, including seven where we insured \$100 million or more of par. Those seven transactions represented approximately \$1.6 billion of the \$5.4 billion we insured across our 418

primary-market transactions and secondary-market policies sold in the first half of the year.

Our structured finance group, through AGRO, closed its first direct residual value insurance transaction in the aviation market and obtained mandates for similar transactions. Elsewhere in the aviation market, we expect to close additional reinsurance transactions and are investigating other opportunities in this space.

Internationally, we guaranteed U.K. regulated utility transactions in the secondary market during the second quarter. This is the eleventh consecutive quarter that we generated PVP outside the United States. We continue to see opportunities arising from the beneficial regulatory capital treatment that life insurers and banks obtain by applying our guarantee to certain portions of their asset portfolios. We can provide these capital management solutions for structured finance and infrastructure transactions in both primary and secondary markets.

I'm pleased to say we continue to receive strong reviews from the ratings agencies. In June, S&P Global Ratings affirmed the AA financial strength ratings for AGC, AGM and MAC, as well as for non-U.S. subsidiaries including AG Re and our principal European operating subsidiary Assured Guaranty (Europe), or AGE. All of those ratings have stable outlooks. S&P's outlook is also positive for Assured Guaranty (London), which we acquired from MBIA, because we intend to combine all of our European subsidiaries into AGE, and we are making progress to that end. We estimate that under S&P's capital adequacy model as of year-end 2017, we have \$2.8 billion of capital in excess of S&P's AAA requirement.

More recently, KBRA has reaffirmed its AA+ stable rating it has assigned to MAC since we capitalized it in 2013. KBRA's new report reiterates that MAC can withstand a triple-A level of KBRA stress losses, with a comfortable balance remaining, and it notes that MAC has a diverse, high-quality insured portfolio and no exposure to Puerto Rico.

And that brings us to Puerto Rico. It's now time to face the unfortunate reality: PROMESA has failed. Its intent was to provide structure for accelerated consensual negotiations so Puerto Rico could regain access to the capital markets and put its fiscal house in order without suffering through a morass of costly and extended litigation.

Instead, the members of the Oversight Board have routinely ignored the specific requirements of PROMESA they were appointed to enforce. Even the tireless efforts of the House Committee on Natural Resources, which drafted PROMESA, to keep the Board on task to its legal requirements and Congress' intent have gone repeatedly unheeded.

Title III of PROMESA was intended only as a last resort after all attempts at consensual settlement had been exhausted. You can now see the litigation quagmire caused by the Oversight Board's rush to the Title III courthouse, as well as its indifference to the plain language and Congressional intent of PROMESA. It rejected the PREPA settlement that

was grandfathered by PROMESA, forced PREPA into bankruptcy, and objected to creditors' rightful request to have a receiver appointed to run the utility, all of which left PREPA more vulnerable to the island-wide blackout and the incompetence that have tragically followed Hurricane Maria. Two years into PROMESA, we've seen four PREPA CEOs come and go, along with a parade of expensive advisors, and now a third iteration of its board has resigned.

This week, the Oversight Board, the Commonwealth and PREPA struck a deal with a subgroup of uninsured PREPA creditors to develop a new RSA. We are not a party to that deal and we will continue to vigorously enforce our property rights as a secured creditor in the PREPA Title III case, while also continuing to seek engagement with the government and its parties to resolve these matters consensually.

Elsewhere, the Oversight Board rejected a proposed settlement between G.O. and COFINA bondholders that would have been an important step toward achieving a comprehensive settlement or plan of adjustment for a significant portion of Puerto Rico's debt. The Oversight Board and negotiating agents for the Commonwealth and COFINA then hurriedly inked a separate plan that excluded any resolution for the holders of G.O. bonds, the highest priority debt on the island.

The Oversight Board has developed fiscal plans without transparency or meaningful input from creditors and without reliable data on which to base its decisions. The Commonwealth still cannot produce timely financial statements let alone a clean audit. The most recent financial statements are for the fiscal year that ended back in June of 2015, and they were released last month with a heavily qualified, 13-page auditors' opinion drawing into serious question the reliability of the statements. Yet the Oversight Board certified a fiscal plan with this obvious lack of confirmation of the accuracy of the financial information.

Based on speculation rather than sound financial information, the Commonwealth repeatedly proposed fiscal plans that did not meet PROMESA's requirement to respect the relative lawful priorities and liens established by Puerto Rico's constitution, law and agreements. They have also not made public the information required by PROMESA to allow creditors to adequately understand the status of the island's financial position and assess potential resolutions.

These plans authorized the unlawful diversion of bondholder collateral away from secured creditors, such as Highways and Transportation Authority bondholders, for the benefit of the Commonwealth. Additionally, the plans' projections assume a precipitous, multi-billion dollar drop in federal Medicaid funding during the plan period while expecting the territory's Medicaid expenses to grow rapidly – while also inconsistently projecting a population decrease. The Oversight Board eventually approved its own fiscal plan incorporating the same violations of PROMESA and many more unsound and even arbitrary assumptions.

By ignoring its own founding legislation, the Oversight Board is eroding confidence in the rule of law and shutting the door on future capital market investment in Puerto Rico's infrastructure. This will prevent the economic recovery that the people of Puerto Rico need and that, we believe, serves the best interest of all parties.

Keep in mind, and in response to the misguided attacks by some elected officials of Congress, we did not acquire our exposure by buying discounted bonds; we have the exposure because we have been a long-term partner of Puerto Rico, helping it to reduce its borrowing costs for fundamental infrastructure projects, like roads, utilities, schools and hospitals. We have irrevocable long-term commitments to Puerto Rico and its insured bondholders and have every reason to support constructive solutions. We have a documented track record of reaching consensual and constructive solutions with other distressed municipalities in the past.

Unfortunately, at this time, we have no confidence that PROMESA will provide any resolutions. We have reconsidered the manner in which the board members were appointed and concluded that it was an end-run around the U.S. Constitution's Appointments Clause. There is no historical precedent for how the current Oversight Board members were chosen - effectively by individual members of Congress - and for them to take office without Senate confirmation. This procedure dismantles constitutional safeguards that ensure the separation of powers and public accountability for the appointment process.

Since, we believe, the board members were unconstitutionally appointed, they have no lawful authority to initiate Title III proceedings, and we have filed a complaint seeking dismissal of the Title III filing for the Highways and Transportation Authority on those grounds. Judge Swain rejected a similar argument in the Commonwealth's Title III case, which is being appealed, so our complaint will allow us to participate in the appellate phase of the various Appointments Clause lawsuits.

The conditions for a consensual settlement clearly exist. The people of Puerto Rico deserve a prompt, consensual settlement that allows their government to regain access to capital market financing, restore the island's economy and credibility and improve its residents' quality of life.

To help educate people about the Puerto Rico situation, we recently launched a website called [revitalizepuertorico.com](http://revitalizepuertorico.com). I encourage you to visit that site. It is a great resource for current and historical facts and viewpoints.

I'll conclude by saying we have a very positive outlook for our company for the rest of this year. The economy is strong, rates are increasing slowly, and municipal issuance seems to be reviving, and we have significant opportunities in all three of our core financial guaranty markets.

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.

As Dominic mentioned, we had another successful quarter. We posted our highest PVP in 10 years due largely to the Syncora transaction, which also contributed to the increase in ABV. Unlike our previous business combinations where we acquired legal entities and recognized both immediate bargain purchase gains and future earnings, the Syncora transaction was structured as a reinsurance and commutation agreement. As such, the net premium earnings related to this transaction will be recognized over the expected term of the acquired book of business.

The consideration for the Syncora transaction was \$411 million comprised of \$363 million in upfront cash, and approximately \$48 million in present value of future installments, discounted at 6%. In exchange, we assumed \$11.3 billion in new par and reassumed \$1.2 billion of previously ceded par. Of the consideration, \$391 million was attributable to PVP on the assumed component, and \$20 million was attributable to the commutation component.

The assumed business included 15 below investment-grade transactions with net par of \$336 million and expected losses of \$83 million - assuming a 6% discount rate that is consistent with the PVP discount rate. On a GAAP basis, which uses risk-free discount rates, the corresponding expected loss is \$131 million. Substantially all of the assumed expected loss relates to RMBS transactions.

While the reassumption component resulted in a small upfront commutation loss, it is a net positive to ABV as the reassumed book contributes to our future premium earnings stream.

The cumulative effect of this transaction was a benefit to ABV per share of \$2.25. The reinsurance structure is yet another way in which we have been able to achieve our objective of acquiring legacy financial guaranty exposures.

Turning to our quarterly results, second quarter 2018 operating income was \$74 million. This compares with \$141 million for the second quarter of 2017, which included a tax reserve release and higher refunding activity.

In the second quarter of 2018, net earned premiums were \$136 million, compared with \$162 million in the second quarter of 2017. The decline in net earned premiums was attributable mainly to reduced refunding activity due to a reduction in the insured portfolio that was subject to call, as well as the reduction in advanced refunding bonds, caused by the changes in tax law. Refundings and terminations were \$39 million in the second quarter of 2018, compared with \$59 million in the second quarter of 2017.

The effective tax rate on operating income in the second quarter of 2018 was 6.6%, compared with a negative 6.6% in the second quarter of 2017. The effective tax rate in 2018 reflects the reduced U.S. statutory rate. The second quarter of 2017 effective rate was lower than usual, due to a release of \$37 million in reserves for uncertain tax positions. The effective tax rate will fluctuate from quarter to quarter based upon the proportion of income in different tax jurisdictions.

Economic loss development during the second quarter of 2018 was \$19 million, mainly attributable to certain Puerto Rico exposures, offset in part by improved collateral performance on U.S. RMBS transactions.

From a capital management standpoint, we have continued to opportunistically repurchase shares in order to efficiently manage our position.

During the second quarter of 2018, we repurchased 4.2 million shares for \$152 million, at an average price of \$36.48 cents per share. Since the beginning of 2013, through June 30, 2018, we have repurchased a total of 88 million shares. The cumulative impact of these repurchases have contributed approximately \$13.55 cents per share to operating shareholders' equity, and approximately \$24.36 cents to adjusted book value per share.

We have continued repurchasing shares since June 30th, bringing the current year-to-date share repurchases to \$300 million or 8.3 million shares. In aggregate, we repurchased 46% of the shares that were outstanding at the beginning of 2013.

As of July 31, 2018, we had \$297 million in cash and investments available for liquidity needs and capital management activities at the holding companies.

The continued share repurchases have helped to drive operating shareholders' equity per share and adjusted book value per share to new records of \$58.60 cents, and \$82.83 cents, respectively. This week, the Board of Directors authorized an additional \$250 million in share repurchases, bringing our current remaining authorization to \$298 million.

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

## **QUESTION & ANSWER SESSION**

### **Operator**

[Operator Instructions] Our first question comes from Bose George of KBW.

### **Bose George, Keefe, Bruyette, & Woods, Inc.**

Good morning. I had a follow-up question on the other comments earlier on the agreement earlier this week between PREPA and some of the bondholders. Just given that it was whatever, 30-ish percent of the bondholders, what happens next? Do they like -- what --

is there a certain threshold after which it goes to the court? And is there a level where you have to do something about it?

**Dominic Frederico**, *Chairman, President & CEO*

So there are specific requirements within PROMESA in terms of how a vote by class can work. So first thing you have to have is 50% of the available class vote, more than 50% vote, and then of the class that votes, you have to get 67% of the vote. Obviously, with the monolines holding roughly 31% of this class of vote, you can start to work the numbers and figure that will be very tough to have a vote of an adverse decision that would be able to carry with our positioning of having 31% of the total class. Number two, that still has to deal with our lien on the revenue of the utility. That has to be dealt with beyond vetting on a specific debt class. So we believe our legal rights are very strong, both relative to the revenue lien and obviously our position as a significant percentage of the class that's currently resolving or trying to negotiate a settlement.

**Bose George**

Okay, that's helpful, thanks. And then switching over to the level of the refunding activity this quarter. Is that now kind of a good run rate going forward, do you think?

**Robert Bailenson**, *Chief Financial Officer*

I think it was still elevated this quarter from transactions that actually were advanced refunded last year but needed to actually find documentation to make sure that it was legally defeased. So I would say that the run rate will be slightly lower for the next two quarters.

**Dominic Frederico**

And, Bose, the easiest thing to do is go and look back to 2008, 2009, 2007. Remember, these are typically refundings that are hitting the 10-year call. And if you remember, production volumes, they peaked significantly in '08, started to decline in '09 and then precipitously fall based on kind of the revised market of zero interest rates and 6% penetration. So always look backward in time for the time you are looking forward.

**Bose George**

Okay, that's helpful, thanks. And then actually just one on the Syncora transaction. The cash from that transaction, it goes to the insurance sub. It doesn't do anything for excess capital, is that, right?

**Robert Bailenson**

Correct. It goes right into AGC.

**Dominic Frederico**

But it does increase their investment income...



**Robert Bailenson**

Yes, I was just going to say. But it will increase its investment income. Obviously, as it gets deployed. And if you increase its investment income, you will increase the available -- the amount that we can dividend up from the insurance company.

**Operator**

Our next question comes from Michael Temple, an investor.

**Michael Temple**

Yes, good morning. Couple of questions. And obviously, Puerto Rico is front and center. I can more than appreciate your frustration and anger over the lunacy, if you will, of the PROMESA board. For all your frustration, the stock price had a very nice run up here in the last month or so, in anticipation of or in reaction to the latest PREPA restructuring news, so a couple of questions arise. First, is this a template, even though you are far from having settled with the government, is this a template that would allow investors and analysts to look at your HTA exposure, PRASA, G.O. exposure and simply extrapolate that if PREPA is headed towards some kind of consensual restructuring and obviously that's going to take some time, that approximates the figures that have been bandied about or perhaps better, that similar recoveries could be in the offing in the coming eighteen months or so for these other exposures that you have?

**Dominic Frederico**

Okay, are you going to stop there or are you going to ask me the second part?

**Michael Temple**

I figured that will give you a mouthful to reply to.

**Dominic Frederico**

Okay, anytime you're talking about Puerto Rico, it's always going to give me a mouthful as you can well imagine so let's go back. We thought that the RSA, the original negotiated transaction relative to resolving PREPA's debt crisis way back when was a template. This kind of follows the form so let's not get confused. Although it sounds different, it takes virtually the same form in terms of the surcharge being put on electricity bills that allows for debt service repayment and it's just about the volumes and whether you get a Class I or Class II security and how secure those securities are. So the template's always been there relative to consensual negotiation. Obviously, as we look at the entire environment, what do we know? We know that PROMESA came out with a specific requirement to respect constitutional priorities and contractual liens. We also know that the board was supposed to fix or at least get a good handle on the financial activity prior to moving into solutions.

What we have today is no fix whatsoever on any operation, both fundamental or financial, and yet we've moved ahead and certified plans. And now with a 13-page qualified auditor's opinion, it tells you the accuracy of the financial statement, and therefore the basis for which these calculations are derived from is pretty weak. Yet the board still went out and certified and the judge also accepted those filings into the court. So it tells you

that something is not working. However, pressure is now building. You're getting court cases that are just accumulating and I think the court cases today are over 50, so think of it. For a bill that was supposed to be a law to really minimize the amount of legal activity, litigation and the unnecessary expense involved, when you're basically saying all I want is my rights recognized, and we're now into the plus 50. In addition, the Commonwealth and the control board have spent over \$100 million in fees and consulting services and say okay, and what's the value of that? So I think there's a lot of pressure building on behalf of both the Commonwealth and the control board that says, 'Okay, guys, show us your results'. Because quite honestly, two years in, you've got absolutely nothing done. You've now basically filled up the court log with hearings, you've got appeals on any decisions made. So guess what, it really isn't working so something needs to be done.

Is this a response to that to try to get something on the board? Potentially. As I said, the framework has always been there. We believe, if you really look at the true economics and really provide common sense approaches to dealing with some of the issues like excess expenses, essential services, et cetera, there is a framework that can easily be resolved, and therefore, agreed upon and we get to move forward. The COFINA-GO deal is obviously a huge step forward in terms of dealing with almost \$19 billion of Commonwealth debt that could be resolved on a consensual basis going forward. So I think there's pressure building. Is there a framework? Absolutely. Is there an ability for consensual settlement? Absolutely. But someone's got to stop playing the games. Someone's going to stop looking at litigation as the only solution or trying to pretend that they're willing to go to litigation. But those hearings are going to start to be heard, those appeals are going to start to be heard. Ultimately, we're going to recognize that we are a country and an environment of rule of law, and guess what, things are going to have to get settled. And the opportunity to settle them then becomes more restrictive, but we believe it's all out there and we just need to follow a real, proper, law recognizing course of things to get resolved.

### **Michael Temple**

Fair enough. Regarding capital management, given your confidence in the ultimate resolution to your favor with Puerto Rico, and given there's still relative undervaluation of the stock against the various metrics of shareholder value, I'm just curious, is there room or scope for the consideration of increasing your share buyback, especially in light of, as I said, even though you're not particularly happy with it, at least two somewhat positive steps forward with the COFINA and now the PREPA restructuring activities? And again, acknowledging that they're not what you think they should fully be.

### **Dominic Frederico**

No. Remember that when we set out on the capital management strategy, we set an annual target and we set that annual target is going to be based on external factors. And in these most recent years, we've also talked about that to achieve the external target or this expected target, we would need the cooperation of couple of parties and most importantly, the New York DFS to approve special dividends annually that allow us to top up the capacity of the operating subsidiaries dividend capability so we get to the level that we're looking at. As we look at today, remember, first and foremost, in the capital

management strategy, the defense of our high ratings so that we're able to continue to still adequately produce and negotiate and execute on our transactions in our core competency space of financial guarantee. Two, we do look at Puerto Rico as a potential benefit or detriment relative to those amounts, and those arguments and especially when it gets to special dividend. Three, as you know, we have other plans relative to capital usage and we have to evaluate those, both in the portfolio acquisition as well as alternative investment space acquisition. So we set a goal annually, we work to achieve that goal annually. We examine all external conditions that would influence that annual target and we believe that annual target was the right amount and I think over history, it's proven itself to be pretty reasonable and I think it provides the appropriate shareholder value without trying to go into an acceleration in any one given year to the detriment of a potential future year.

### **Michael Temple**

Okay. And then final question, as you highlighted the Syncora transaction, it now marks the fourth consecutive year in which you've made a strategic acquisition of a legacy competitor. Does the outlook continue to look reasonably good for continued such transactions? I know there's not as many birds sitting on the fence anymore, but how would you assess opportunities going forward after completing the Syncora deal?

### **Dominic Frederico**

Well, I think there's something important to notice, right? So the Syncora deal represents another type of transaction we can use to acquire legacy portfolios. As you point out, typically, we've done it through acquisition and acquisition has its own characteristics. As we look to the remaining portfolios, there are complications. Either there's credits we don't like, there's the complicated capital stream that we really can't assess or be able to acquire. So this provides us with another tool in our chest that allows us to continue the consolidation of the portfolio and, of course, as you know, there's at least two major portfolios left. We believe those companies are further along the line in realizing whatever the future plans might hold and how they have to deal with the regulatory capital requirements. So we think the environment is very fertile, very opportunistic. We continue to pursue those opportunities.

### **Operator**

[Operator Instructions] Our next question comes from Geoffrey Dunn of Dowling and Partners.

### **Geoffrey Dunn, *Dowling & Partners Securities, LLC***

Thanks, good morning. Dominic, I want to understand the RSA, your sentiment around this new RSA. It doesn't sound like a positive to me. It sounds like it's a weaker version of the original. It's moving forward without the fiscal reviews that you, as a company, have repeatedly suggested need to be done. But the sentiment on the Street seems mixed, positive or negative. To me, it's sounding negative from your commentary. Can I just clarify what your opinion is?

**Dominic Frederico**

Sure. I'd say it's not negative. So hopefully, that disarms that. So think of it, Geoff, they were getting 85% in a securitized structure. They're now getting 67.5% in a securitized structure and a 10% hope note. But the hope note, I have to tell you, when we looked through the information, it is based on the current projections and you know the government's been very, very conservative in their projections, they make the case look worse than it is. So you have to say that the hope note has got some value. Also, it carries a high coupon rate. So at the end of the day, when you think about for us, we have to pay debt service. So regardless of the proceeds we receive would have to go out, so there is some value there. So don't get me negative. Remember, if you tried to value the 77.5% against the 85%, depending on the coupon and the value of the Class B share, whatever you want to call it, it's probably a push. So for them, God bless them if that's the deal they want, go right ahead and take it and I think that's a positive step.

Any move towards a consensual settlement has to be considered positive based on the current stance of the board, who's been absolutely ignoring every requirement, every law, et cetera. So for some recognition that a secured bondholder has some right, God bless them, it's groundbreaking in my eyes. So I don't want to undersell it. And I think for those folks that take that deal, I'm sure they're very happy with the deal and I can construct the fact that says this is probably as good, if not similar to what they had been in the past.

Now, the government has made all sorts of claims, but be careful when you look at the claims. They're talking about debt service over a specific period of time. Every deal has always been putting debt service more towards the back end. If this extends the structure, obviously, by definition, the first 20 years come under a different level of capital or cash requirement. Okay, those things can always be engineered as part of any negotiation. So it seems similar to me, it's representative of at least a recognition of rights. That's a positive step forward. Obviously, we have the secured lien, and we're a little bit different creditor to say the least in this argument, so of course we'll expect, as we continue to negotiate, as we have across all the borders, in trying to get to a consensual agreement a deal that makes sense for us.

**Geoffrey Dunn**

Then a naïve question, who is the oversight on the PROMESA OB?

**Dominic Frederico**

Congress, last time I checked. And really, obviously, the judge should be kind of the on-site oversight to say 'what do I accept as filings?', but Congress should be the true oversight because they're the ones that specified the law that created this thing.

**Geoffrey Dunn**

All right. And last question, in your commentary you were talking about the most recent suit you filed against the constitutionality of the OB appointments. Did you say that has already been ruled on and effectively, that puts you on track to join the appeal?

**Dominic Frederico**

Yes. So remember, last week, Judge Swain, or it was the week before ruled that because she believed the Oversight Board is territorial, in effect, people and not Congressional people or federal people, that the appointment clause doesn't matter. And, of course, if you also read, that same day, another judge came out on a different claim against the federal government that ruled exactly the opposite: That said the control board are federal employees, therefore the federal government is responsible or could be responsible, let me be very legalistic in my description. So you've got two conflicting opinions, which for us, is great. Because if the idea is that this Court wants to run one way, at least there's another court that says, no, there's a possible second way to go.

**Geoffrey Dunn**

And that's kind of where I was going with this question. So what's the next step? I think the other one was the Tucker Act challenge and then you have Judge Swain's ruling. Now that goes to the appeal court? And basically, those two kind of conflicting rulings will then be resolved? Is that the next step here?

**Dominic Frederico**

Not yet. Right now, you've got Swain basically denying the suit from the constitutionality of the appointment of the Control Board - that will be appealed within that court to the appellate which is the appellate court in Boston, the first circuit court in Boston. So that is where that goes next, they'll schedule the presentations of arguments, they'll set court dates, et cetera, and that will get appealed at that level. If there's still conflict there, then depending what that court does, it is either attempts to go higher or it gets resolved there. So that runs its own track. The other court runs its own track as well, and they don't, at this point, meet at the top until somewhere down the road.

**Geoffrey Dunn**

Thank you.

**Dominic Frederico**

You're welcome.

**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, Senior Managing Director, Investor Relations and Corporate Communications**

Thank you, operator. I'd like to thank everyone for joining us on today's call. If you have additional questions, please for 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.