Assured Guaranty Ltd. (AGO)
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Fourth Quarter and Year-End 2019 Earnings Call

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Thank you operator. And thank you all for joining Assured Guaranty for our 4th Quarter and year-end, 2019 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.

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If you are listening to a 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.

The year 2019 was both outstanding and transformative for Assured Guaranty.

- We wrote new financial guaranty business totaling $463 million in PVP, by far our best direct production result since 2009.

- Dramatic growth in our direct international infrastructure and global structured finance businesses drove a 65% year-over-year increase in total direct PVP.

- We set new records for key measures of shareholder value, with year-end values per share of $71.18, $66.96 and $96.86, respectively, for shareholders' equity, adjusted operating shareholders' equity and adjusted book value.

- Our value creation efforts, including our effective capital management program, resulted in a 13% growth in adjusted book value per share, the non-GAAP measure we believe best approximates the Company's intrinsic value per share.

- For the fifth time in the last six years, we repurchased $500 million or more of common shares. Rob will provide more detail on our capital management program in a few minutes.

- Our loss mitigation efforts in Puerto Rico made progress. Major steps included the resolution of our COFINA exposure and our participation in a Restructuring Support Agreement for PREPA. However, the behavior of the Oversight Board and the government has continued to ignore creditor rights and the rule of law, and we oppose the current Plan Support Agreement the Oversight Board has negotiated with certain general obligation bondholders.

- And most importantly, we fulfilled a long-held strategic diversification priority by acquiring an established asset management firm that has a complementary skill set and target market. Our acquisition of BlueMountain Capital Management provides a new revenue stream from a platform we call Assured Investment Management. Assured Guaranty's transformation into a dual financial guaranty and asset management company diversifies revenue by adding fee income in addition to our risk premiums from insurance, and opens new pathways for us to create value for our stakeholders.

As for the details, let me begin with our remarkable new business production in 2019. It was especially impressive given the headwinds of historic low interest rates and extremely tight credit spreads.

Municipal bond yields fell to a then-record low as investors, prompted by tax law changes, poured an unprecedented $105.5 billion into municipal bond funds. The yields on the 30-year municipal bonds fell below 2% at times, and ended the year almost a full percentage point below where they started the year. The low interest rate environment also made taxable issuance attractive for numerous municipal issuers, bringing non-traditional buyers into the market. All told, municipal bond par issued increased 27% year-over-year to $407 billion in 2019. Industry insured volume also grew 27%.

We saw an even higher rate of growth, 34%, in Assured Guaranty's primary-market insured par sold. We continued to lead the U.S. municipal bond insurance industry, guaranteeing 60% of the insured new issue par sold during 2019, including 64% of the insured par awarded through competitive bids. In total for the year, we guaranteed 840 tax-exempt and taxable new issues, with an aggregate insured par of $14.7 billion.

That included 22 different transactions where we insured $100 million or more of par. Among them was the largest single insured public finance issue in almost a decade, a $700 million portion of CommonSpirit Health's $6.5 billion financing, which was named The Bond Buyer's Deal of the Year. This was one of several transactions generated by our renewed presence in the health care sector.

Additionally, in a reflection of the U.S. municipal bond market's high regard for our guaranty, 10% of our 2019 primary-market municipal par insured held underlying ratings in the double-A category from S&P Global Ratings or Moody's Investors Services.

With the addition of $1.3 billion of par we insured in the secondary markets, we guaranteed a total of $16.3 billion of U.S. public finance business sold in 2019, which generated more than $200 million of PVP.

Our municipal bond insurance has always been a way to lower the financing cost of projects with environmental benefits, long before certified Green Bonds became a category. During 2019 and January of 2020, we guaranteed the three largest insured Green Bond transactions to date.

Beyond U.S. public finance in 2019, we demonstrated the value created by our commitment to a diversified financial guaranty underwriting strategy. Diligent work throughout the year in our international infrastructure business paid off in the fourth quarter with the highest international PVP result not only for any quarter but also for any year since we acquired AGM in 2009. In total for all of 2019, we produced $211 million of primary- and secondary-market PVP related to a variety of public sector and public-private infrastructure transactions in the United Kingdom and Europe. These included privately executed, bilateral guarantees on a large number of sub-sovereign credits and wraps of bonds involving university housing, social housing, water systems, solar energy and a local government leaseback arrangement.

While we have an important and well-established base in the U.K. market, we have experience in other countries and took steps in 2019 to further diversify the markets where we are active. For example, we guaranteed a €207 million Spanish solar energy refinancing that was both the first wrapped bond issuance in Spain since the global financial crisis and the largest renewable energy transaction we had guaranteed anywhere up to that point. The transaction was privately placed not only with European investors but also with investors based in South Korea.

Additionally, we created a new subsidiary in France to address the potential impact of the UK's withdrawal from the European Union on our UK-based insurance subsidiary. The new French company, Assured Guaranty (Europe) SA, has already begun writing new business in Europe, and we intend to transfer to it guarantees that our UK subsidiary currently provides to beneficiaries located in the European Economic Area. The French subsidiary has also received financial strength ratings of AA+ from Kroll and AA from S&P.

Additionally, to develop more opportunities in Australia and New Zealand, we entered into an exclusive Co-Operation Agreement with DTW Capital Solutions, the independent arranger and advisor we collaborated with in 2018 on a wrapped bond issue for the Port of Brisbane.

Our worldwide direct structured finance business grew significantly during the year. Structured finance PVP exceeded $51 million in 2019, including direct business that was more than double the direct structured finance PVP in 2018. Our business providing risk management solutions for insurance companies accounted for two-thirds of structured finance PVP in 2019, but the business was also diversified across aviation transactions, collateralized loan obligations, asset-backed securities and other structured finance transactions.

Since the start of 2008, our insured portfolio amortized more quickly than we added new financial guaranty business. This has dramatically reduced our insurance exposure and helped to improve our insured leverage ratios, even though we repurchased $3.3 billion of outstanding common shares, paid $680 million in dividends to shareholders and paid approximately $11 billion in gross claims. By the way, 70% of those claims were in our discontinued residential mortgage-backed securities business.

We have reached an inflection point where our rate of new business written should tend to equal or exceed that of exposures amortized in a given year. This should enhance our unearned premium reserve and support potential growth in our stream of predictable future earned revenue. The new business we write also has a direct positive effect on our claims-paying resources, offsetting the impact of the claims we pay out annually.

Currently, most of those claims relate to our Puerto Rico exposures. We have been active in Puerto Rico negotiations and litigation to mitigate our potential losses and also to oppose precedents that defy the rule of law and could ultimately result in higher financing costs for municipalities throughout the United States. We have always preferred to reach consensual settlements that avoid years of costly litigation and help to restore capital market access. I'm pleased to say that one consensual settlement was implemented in

2019, when we and other creditors supported confirmation of the COFINA plan of adjustment, which enabled the Puerto Rico Sales Tax Financing Corporation to restructure its debt load. We paid off in full our COFINA exposure and subsequently sold the exchange bonds we received in that restructuring.

A second accomplishment occurred in June, when PREPA, the Oversight Board, the Commonwealth and holders of 90% of PREPA's revenue bonds agreed to the PREPA RSA. We believe prompt implementation of this agreement is the first critical step toward the privatization and rebuilding of PREPA, so that it becomes the efficient, reliable, resilient and sustainable electricity provider that is essential for Puerto Rico's long-term economic health.

This month, the Oversight Board announced a Plan Support Agreement for general obligation and Public Buildings Authority bonds without the support of Assured Guaranty and other bond insurers, as well as other large and small creditors. Its treatment of GO and PBA bonds needs significant improvements to comply with the rule of law and give potential future investors at least some reason to have confidence entrusting their capital to the Commonwealth when it seeks to issue new debt.

Meanwhile, from a financial perspective, there continues to be positive news, as the Commonwealth's revenues have consistently exceeded the conservative projections used in the Oversight Board's certified fiscal plan. For example, the Commonwealth reported that its main bank account, the Treasury Single Account, held a cash balance of $9 billion as of January 31, 2020, compared with less than $8 billion projected in its Liquidity Plan. Including that account, the Commonwealth reported that, at year-end, accounts of the government and its instrumentalities held an aggregate cash balance exceeding $17 billion. This is a large amount for a government that claims to be insolvent.

We continue to believe Puerto Rico can restore the trust of the capital markets through good faith negotiations and consensual settlements. We are ready to engage in constructive talks at any time or litigate to the extent we cannot reach agreement.

Puerto Rico exposures constitute less than 2% of our insured portfolio, which is in very good shape overall. Our remaining RMBS exposures are now largely investment grade and have dwindled to less than 2% of net par exposure. In total, our below-investment-grade net par outstanding is now below 4%, and more than half of that related to is Puerto Rico exposures.

The rating agencies regularly test the ability of our capital resources to support this insured portfolio under extreme economic stress, and they also consider the quality of our management, competitive position and numerous other factors. During 2019, S&P affirmed the AA financial strength rating it applies across all of our insurance subsidiaries. KBRA affirmed its AA+ ratings of AGM and MAC and affirmed AGC's financial strength rating at AA. Moody's affirmed AGM at A2. All these ratings have stable outlooks.

These ratings position our financial guaranty business to continue to perform well. And now we have added another business segment that fits well with our deep credit experience and also expands our opportunities to improve returns and generate fee-based revenue to complement the risk-based revenues of the financial guaranty business.

The Assured Investment Management platform adds a new dimension to Assured Guaranty. Its core will be BlueMountain Capital Management, LLC and its associated entities, whose outstanding equity interests we acquired on October 1, 2019 for $157 million.

BlueMountain is an asset management firm with $17.8 billion in assets under management at year-end 2019. It has a long record of success managing credit-focused investments and ranked at year-end as the 19th largest global manager of collateralized loan obligations. We contributed $60 million of working capital at closing and an additional $30 million in February 2020 to support Assured Investment Management's growth and restructuring.

We also believe that having Assured Investment Management manage a portion of our investment portfolio in house provides an opportunity to improve investment returns and better utilize our internal resources. We intend, initially, to commit $500 million of capital to funds managed by Assured Investment Management plus additional amounts in other accounts it manages. Of the $500 million, we had invested approximately $79 million by year-end in three new investment vehicles, with each vehicle dedicated to one of three strategies: CLOs, asset-backed securities and healthcare private capital. These strategies are consistent with the investment strengths of Assured Investment Management and our plans to foster its growth.

BlueMountain's CEO and CIO Andrew Feldstein, who co-founded the firm, is now also CIO and Head of Asset Management for Assured Guaranty, overseeing both the investment activity of our insurance companies and the operations of Assured Investment Management. Our insurance and asset management teams have already begun developing the synergies inherent in their mutual strengths in credit, asset-backed finance, infrastructure and healthcare. One of the first initiatives is the creation of Assured Healthcare Partners to manage healthcare structured capital investments and to attract funds from third-party limited partners.

So as we begin a new chapter in the story of Assured Guaranty, we believe:

- the overall quality of our insured portfolio is strong and will continue to improve

- new business production will substantially replenish the amortization of the insured portfolio and further contribute to our financial strength and growth

- we will continue our strategic diversification of both the types of obligations we insure and the geographical reach of our financial guaranty markets

- we will expand our new asset management business, diversify our revenue opportunities and strengthen our ability to improve investment returns, and

- we will manage capital efficiently for shareholders while, above all, preserving the financial strength to fulfill our unconditional and irrevocable obligations to protect 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.

As Dominic mentioned, we had an exciting 2019. Before I review the quarter and year results, let me give you a brief summary of some reporting changes that you may have noticed in our earnings release and financial supplement. With the closing of the BlueMountain acquisition and expansion into a fee-based asset management business, we have now changed our view and presentation of the financial results from a single consolidated segment, to a multi-segment approach that reflects the Company's diversified businesses. All prior periods have been presented on a consistent segmented basis for ease of comparison.

Starting this quarter, we will be reporting our results for the insurance segment, asset management segment and corporate division separately.

The insurance segment represents our long-established insurance business, and the asset management segment includes the newly acquired BlueMountain entities which will operate within the Assured Investment Management platform. Both of these segments will be presented without the effect of consolidating FG VIEs and BlueMountain investment vehicles in which the insurance subsidiaries invest.

Corporate results reflect the activities of our three holding companies - Assured Guaranty Limited, AG US Holdings, and Assured Guaranty Municipal Holdings. The Corporate division includes interest expense, losses on extinguishment of debt, costs for administrative expenses allocated from the operating companies and Board of Directors' expenses.

Our non-GAAP operating income, is what we now call "adjusted operating income." We are reporting non-GAAP operating shareholders' equity (which is now "adjusted operating shareholders' equity) and adjusted book value, both of which are calculated in the same manner as they have always been.

When analyzing our consolidated adjusted operating income, you can easily identify the effect of VIE consolidation which is shown separately in a column labeled "other."

Internally, we analyze the results of our two segments and corporate division before the effect of VIE consolidation.

On a consolidated basis, adjusted operating income was $87 million in the fourth quarter of 2019, compared with $92 million in the fourth quarter of 2018.

I will start with our insurance segment results. Adjusted operating income was $133 million in the fourth quarter of 2019, compared with $129 million in the fourth quarter of 2018.

Net earned premiums and credit derivative revenues in the fourth quarter of 2019 were $129 million, including $39 million of accelerations due to refundings. In the fourth quarter of 2018, net earned premiums and credit derivative revenues were $133 million, including $28 million in accelerations primarily due to refundings.

Loss expense was $20 million in the fourth quarter of 2019, compared with $24 million in the fourth quarter of 2018. In both periods, the expense was primarily related to economic loss development on certain Puerto Rico exposures.

Net economic loss development in the fourth quarter of 2019 was $13 million. This included $15 million in loss development primarily attributable to Puerto Rico, and a $9 million increase in loss and LAE in various structured finance transactions, partially offset by an $11 million benefit on second lien RMBS exposures. The effect of changes in the discount rates on economic development was a benefit of $7 million for the fourth quarter of 2019.

Net investment income was $85 million for the fourth quarter of 2019 compared with $99 million for the fourth quarter of 2018. The variance was mainly due to lower average invested assets.

In the asset management segment, excluding amortization of intangibles and restructuring charges, adjusted operating income was a loss of $2 million. As we previously disclosed, we are transitioning the investment focus and business model of our Assured Guaranty Investment Management platform towards its core strategies, and we have begun the process of an orderly wind down of all hedge funds and certain legacy opportunity funds. We expect the restructuring and integration process to continue throughout 2020. We made excellent progress towards this goal in the fourth quarter, with net distributions in the wind down funds of $1.3 billion, but more importantly, we launched additional opportunity funds in asset backed finance and healthcare structured capital, using primarily Assured Guaranty's insurance segment capital. We also launched two new CLOs generating assets under management of $977 million. We expect to see positive returns on new strategies to out-pace the wind down costs in late 2020 and early 2021.

Fourth quarter 2019 adjusted operating loss for the corporate division was $32 million, compared with $34 million in the fourth quarter of 2018. Fourth quarter 2019 results included $6 million in acquisition expenses related to the BlueMountain acquisition, while fourth quarter 2018 included an $8 million loss on extinguishment of debt.

The effect of consolidating VIEs now includes, not only the FG VIEs, but also three Assured Guaranty Investment Management funds, and one Assured Guaranty Investment Management CLO. The net impact to the adjusted operating income of consolidating these VIEs was not significant in the fourth quarter of 2019 or 2018.

The consolidated tax rate was 3.5% in the fourth quarter of 2019 compared with 11.8% in the fourth quarter of 2018. The lower tax rate was primarily due to a favorable impact of a regulation issued in fourth quarter 2019 related to base erosion and anti-abuse tax.

Moving on to full year results, adjusted operating income was $391 million, compared with $482 million in 2018.

The Insurance segment had adjusted operating income of $512 million in 2019, compared with $582 million for 2018. Full-year insurance results were lower primarily due to lower premiums and credit derivative revenues, which were $511 million in 2019, compared with $580 million in 2018. The decrease was attributable to lower refundings and terminations and the scheduled amortization of net par. Loss expense was also higher by $16 million.

The Corporate division had adjusted operating loss of $111 million in 2019, compared with $96 million in 2018.

Turning to share repurchases, in the fourth quarter of 2019, we repurchased 3.3 million shares for $160 million, bringing full year 2019 repurchases to 11.2 million shares, or $500 million. These shares were purchased at an average price of $47.97 per share.

Year to date in 2020, we have purchased an additional 840,000 shares for $40 million. Since January 2013, our successful capital management program has returned $3.3 billion to shareholders, resulting in a 55% reduction in total shares outstanding.

On a per-share basis, adjusted operating income benefited from the Company's ongoing share repurchase program. The effect of the cumulative share repurchase program on the fourth quarter 2019 adjusted operating income was approximately $0.36 per share, bringing per share adjusted operating income for the quarter to $0.90. For the full year 2019, the accretive effect of share repurchases on adjusted operating income was approximately $1.56.

The cumulative effect of these repurchases was a benefit of approximately $19.24 per share in adjusted operating shareholders' equity, and approximately $35.06 in adjusted book value per share, which helped drive per share adjusted operating shareholders equity and adjusted book value to new record highs of $66.96, and $96.86, respectively.

During 2019, we returned $74 million in dividends to our shareholders, and this week the Board approved an 11% increase in our quarterly dividend to $0.20 per share. The Board also authorized additional share repurchases of $250 million, bringing our current outstanding authorization to $408 million.

We currently have over $280 million in cash and investments available for liquidity needs and capital management activities at the holding companies, with $90 million of that at AGL.

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] And the first questioner today will be Bose George with KBW.

Thomas McJoynt, *Keefe, Bruyette, & Woods*
Good morning, this is Tommy McJoynt on for Bose. I wanted to ask about the fact that -- so you said that the level of new business production looks like it's going to be sufficient this year to stabilize the book. Do you expect more of that growth to come in channels that are away from the U.S. public finance? And then could you remind us how you think about the variability in returns between U.S. public finance versus the other businesses?

Dominic Frederico
If you look at this year, we were a little bit surprised by the continued pace of refundings because of the use of taxable executions to refund the tax exempts. So we thought we would have had higher par at the end of the year than we started the year. But as I said, there was this kind of aberrational year, which will probably continue using taxables as a strategy to take advantage of the low interest rates. However, if you look at the UPR, we're up $200 million year-over-year. So we're building the earnings store, so even though the par lagged this year, which we thought we'd have a little bit more success, the UPR has exactly the effect we thought as we're now running more business than is actually amortizing off the book.

If you look at the mix, our flow business is always going to be the U.S. public finance market. That has now been pretty consistent in that $200 million range. Obviously, where spreads and rates are today, they're going to be once again hard pressed. But as we find new areas of opportunities, specifically in the health care field and other infrastructure projects, we still think we can maintain that pace. The real benefit or the real addition of our strategies by still maintaining an international presence and the structured finance presence as being the only guarantor out there, you take advantage fully of that market. As our guaranty has now become more acceptable and it's being used for purposes other than the saving financings cost, really capital arbitrage-type transactions, that activity continues to really represent the differential maker in how we're going to be able to continue to rake more par than we see amortizing off the book. As you know, in typical terms, the U.S. structured finance business has a shorter useful life. So that business is becoming less of a percent of the total structured finance business as the international infrastructure takes over a bigger lead that has longer amortization, therefore that business will stay with us longer. So I think we're able -- to be able to think and in 2020, we will have par at the end of the year greater than the beginning, and of course, the UPR will continue to build as well.

Thomas McJoynt
Okay, thank you. And then turning -- I guess, now that we are going to see some stabilization in the book and perhaps even growth beyond that, and given the combined effect of the acquisition of BlueMountain, does that change your outlook for capital distribution, maybe not this year, but a few years down the road?

Dominic Frederico
Well, I think you've got to say, our goal has always been to be efficient capital managers. And the goal was that if we can't use it, we're going to return it to the extent allowable by both available cash flow and what the regulators will approve in terms of further special dividend awards. That is still the mantra. And as we see BlueMountain and our Assured Investment Management continue to expand and get in the new businesses and attract more funds, we'll then make the appropriate analysis of the use of capital at that time.

Thomas McJoynt
Okay. And then just last one. Looking at the outlook for investment income this year, given, obviously, rates coming down, but potentially getting some offset from some yield benefit from allocating some capital to BlueMountain, how do you look at net investment income this year relative to 2019?

Dominic Frederico
Well, we think the opportunity that BlueMountain represents for Assured Investment Management, is significant is timely, it happens right at the perfect opportunity. So as you can see, there's going to be pressure in the U.S., what I'll call fixed income and especially municipal and government markets. We believe having the alternative now and dedicating a percentage of the portfolio to BlueMountain management, we'll be able to not only offset some of that decline, but actually show an increase year-over-year in investment income.

Operator
The next question comes from Michael Temple, a private investor.

Michael Temple, *Private Investor*
A series of questions, some -- Puerto Rico to start. I know you can't comment too much directly on negotiations. But I wonder if you could just address the situation with HTA bonds, where, on the one hand, we saw the PROMESA plan of a cramdown of that class as low as the $0.03 range, yet markets for those bonds are trading/quoted, say, in the mid-40s. And the fact that despite the loss at the Supreme Court as to suspension of those payments, you still have rights and liens attached to those bonds. I just wonder if

you could discuss for us how much of a -- how you think of that process? Since we have such a wide range of outcomes, starting with a $0.03 cramdown to the current $0.40 to some people suggesting that recovery should be far, far greater given the liens that attach to those bonds.

Dominic Frederico
I guess you can start on looking at it two different ways. One, if you think about our friends in Detroit and what the first offer there was on the tax-backed bonds in the Detroit bankruptcy, right? I think the first offer by Mr. Orr and company was in the $0.03 to $0.05 range, which we ultimately get paid $0.70-odd cents. $0.74. So at the end of the day, I always love positioning in the marketplace from the standpoint of negotiation. Just like in Detroit, I believe, our legal rights are incredibly strong, and if you really want to pursue that pace, God bless you. However, I never give the market that much credit for knowing more than they know. But obviously, you can see there is some difference of opinion. And remember, we also have this other strong language relative to Puerto Rico that if you took the revenues from the transportation bonds the only reason and purpose you could use that revenue for was to pay the general obligation bonds. There's no ambiguity over that. So I can't imagine there is going to be a court that says “yes, you're right. There's some sort of vagueness or opaqueness to that statement.” So we get paid one way or the other. You look at what the general obligation bonds started out in terms of an offer with the current deals on the table, and we believe that will get approved. So obviously, we're very secure in our view that the settlements that you see out there are not going to be the settlements that are ultimately agreed to, if they want to get into a litigation by which we do not believe is in their best interest, so be it. And I think the legal agreements that we have and the terms that we have are incredibly strong in our favor. We -- also remember, the 3% is the Control Board’s kind of offer relative to the clawback revenue, meaning the non-toll and other direct revenue sources of transportation. So that would not represent the full settlement anyway. So I think the numbers are going to change. We do obviously have a lot more information in private negotiations that we're not allowed to share. But we're highly confident in our ability to maintain easily in any of our financial strength, we're not having any significant impairment relative to the financial results of the company.

Michael Temple
Okay. Thank you for that. Again, staying on topic with Puerto Rico. Given the movement in negotiations, do you get a sense internally that with all that's going on that a confirmation plan can be put in place by year-end, it may not fully close but agreements in principle and the process of dotting I’s and crossing T’s, is year-end reasonable? Or one shouldn't get their hopes up that this could be concluded by Christmas of this year?

Dominic Frederico
Remember, there's two big caveats over that, right? Number one is the Supreme Court's decision on the constitution of the Control Board, whether it's legal or illegal. That's a huge open issue that we hope to be resolved in the current session of the Supreme Court. So where that falls could have a dramatic impact on that. Number two, I believe anything could be wrapped up very quickly to get to a potential agreement. I mean, as you see on the general obligation, you're starting to come up to a number that maybe people won't

be very upset with if you put some better topping on it and at the end of the day, you can get a deal done. In transportation, we think is even easier because you have enough revenue in the tolls and in the oil tax that was awarded to transportation to pay their obligations and so you can get that done. The government is sitting on $17 billion of cash. I mean at the end of the day, you could have made all debt service for the last 3 years instead of leaving that 100% to the market. I mean there are solutions out there that could easily be achieved in the current year but again you know you have got to have people that are going to recognize rule of law and come to the table and recognize legal rights. If they do that, even in some negotiated forum, this can probably get done pretty quickly. But as I said, first the Supreme Court and, two, we've got to have a change in the attitude of the Control Board.

Operator
The next question comes from Geoffrey Dunn of Dowling & Partners.

Geoffrey Dunn, *Dowling & Partners*
Thanks. Good morning. I wanted to follow-up on what you were just talking about, about the actual authority of the PROMESA Oversight Board right now. Obviously, the appointments of the board members was ruled against last year, but they seem to be pushing forward more than ever. So I just don't quite understand where the authority stands right now, particularly as you see them expand this attempted GO effort. So could you just update where that all stands just to kind of catch us up on that.

Dominic Frederico
I wish I could catch you up more, Geoff, but really it lays in the hands of the Supreme Court. I mean, I think the board is trying to show they're going to get something done. If you really think about it, the COFINA settlement was done really by the Commonwealth and the COFINA agent without really the involvement of the board and was done with us, the marketplace. So in the absence of the board, you got the largest settlement done. The PREPA settlement has been done, but we can't finally get through the approval and certification of the court. And I blame that on the court and the judge specifically. We keep delaying that hearing. These guys, I would think, would like to get something done before their either terms expire or they're disbanded, yet the way they're going about it, they're never going to be able to cram that down. I think us and there are other financial guarantors represent too big of a creditor pool to be ignored. And I think then if you don't get to a consensual settlement, maybe they get disbanded and maybe they don't. If they do get disbanded, remember, the next litigation's going to be on prior acts so that could really have a heavy influence, but it doesn’t include COFINA because that was court settled and as I said, not from the Title III of the Control Board. There's a lot of open moving parts. If you want to get something done, and therefore, get around us, make the entire point moot about the constitution of the board, then get a consensual settlement done and it's finished. And as I said, on the GO side, you're getting close to a consensual deal. If you move up some of the numbers. And now it's just about handling transportation, which we always felt was the easiest deal to handle in the entire process because there's enough revenue out there and the amount of funds that are currently sitting in government accounts where we can frame that even more.

Geoffrey Dunn
Okay. The other question I had was on capital management. Is the company still committed this year to $500 million plus of buyback?

Dominic Frederico
That's part of our plan.

Geoffrey Dunn
Okay. I had one more, but I'll have to follow-up, I forgot it. Thanks.

Dominic Frederico
No problem.

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'd 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.