SYNCORA HOLDINGS LTD.
1Q 2017 GAAP EARNINGS CALL

Moderator: Scott Beinhacker
June 22, 2017
8:30 a.m. ET

Operator: This is conference # 31262383

Operator: Ladies and gentlemen, thank you for standing by. And welcome to the Syncora First Quarter 2017 Consolidated GAAP Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers remarks there will be a question and answer session.

If you would like to ask a question during this time simply press star then the number 1 on your telephone keypad. To withdraw your question, press the pound key. Thank you. I would now like to turn the conference over to Mr. Scott Beinhacker, Head of Investor Relations at Syncora. Please go ahead, sir.

Scott Beinhacker: Good morning, and thank you for joining us today for our first quarter 2017 GAAP consolidated financial results conference call. I'm Scott Beinhacker, the new Head of Investor Relations at Syncora. I am excited to work with you as we continue to enhance our stakeholder outreach activities. For future reference, please feel free to reach me by phone at 212-478-3400 or by email at investorrelations@scafg.com.

Participating with me on the call today are Fred Hnat, our chief executive officer, and David Grande, our chief financial officer.

Before I turn the call over to my colleagues, I will remind everyone that during our call and the Q&A session, management will reference certain documents that we posted after the market closed yesterday to the investor relations section of our website, www.syncora.com specifically, on the investor events page.

These documents, which I hope you have had an opportunity to review, include: the Syncora Holdings Ltd. GAAP consolidated financial statements as of March 31, 2017 and December 31, 2016, and for the three months ended March 31, 2017 and 2016, and the associated earnings release, together with a financial highlights deck.

Please note that, as in the past, while we will not be reviewing the presentation slide-by-slide during the call, we will make reference to a number of the slides as we discuss our financial results.

I would also like to remind everyone that during the call and the Q&A session, we may make projections or other forward-looking statements about future results, plans and events. We caution that these forward-looking statements are not a guarantee of future events, and that actual events may differ materially from those in these statements.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control, including, but not limited to, the factors described in our historical filings with the New York State Department of Financial Services and in Syncora Holdings Ltd.'s, Syncora Guarantee Inc.'s, and Syncora Capital Assurance Inc.'s consolidated GAAP and statutory financial statements, as applicable, which are posted on our website.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as, "may, plan, seek, comfortable with, will, expect, intend, estimate, anticipate, believe or continue," or the negatives thereof, or variations thereon, or similar terminology.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. The company assumes no obligation to update forward-looking statements, information in the press release, the financial highlights deck or as presented on the call to reflect the impact of circumstances or events that arise after the date that the forward-looking statements are made.

References throughout the call to SHL, SGI, and SCAI refer to Syncora Holdings Ltd., Syncora Guarantee Inc., and Syncora Capital Assurance Inc., respectively, and the NYDFS refers to the New York State Department of Financial Services. Finally, references to numbers on the call are generally stated as approximations.

Lastly, to the extent possible, we have tried to address many of your questions and topics we received since our last earnings call in our prepared remarks. I look forward to receiving your feedback after the call.

And with that introduction, I would now like to turn the call over to our new CEO, Fred Hnat.

Fred Hnat: Thank you, Scott and welcome to our investor call.

Today is my first call CEO of Syncora, and I am excited about this opportunity to provide some insight into our recent activities. As discussed on prior calls, we worked very hard to assure a smooth transition of responsibilities and duties to our new management team and we believe we have been successful.

We are well-positioned to lead Syncora in this new phase.

Although we had an investor call on our year-end financial results only a little over two months ago, I will provide an update on the progress of our ongoing strategic efforts and goals since that call after David Grande reviews our financial performance for the first quarter.

There are three high level items I wanted to mention now and will discuss in more detail later in the call:

First, an important item described in our June 20th press release: I am pleased to report that the NYDFS has approved a semi-annual payment of 27.5 million dollars to our third-party surplus noteholders. This payment is consistent with the annual net payment of 55 million dollars permitted in August 2016 and will be made in accordance with the terms of the surplus notes. The approval by the NYDFS of this second payment on our surplus notes underscores our strong financial condition and is an indication of the success that the Company is having in its efforts to return value to our stakeholders.

Second, we are continuing to focus on certain potential strategic transactions and I will provide an update on our efforts around reinsurance later in the call.

Third, we have been engaged in robust efforts around risk reduction and asset monetization and I will provide an update on new developments in these areas in a moment.

I would now like to turn the call over to David to discuss our first quarter 2017 financial performance and provide insured portfolio highlights.

David Grande: Thank you Fred, and thanks to everyone for joining us on today's call. As Scott mentioned, last night we posted to our website our first quarter 2017 GAAP earnings release and financial statements. In addition, we have posted a supplement titled "First Quarter 2017 Highlights," which we refer to as our financial highlights deck. This deck contains various financial and portfolio information, including the expanded portfolio disclosure for all credits with par exposure greater than $40 million together with a GAAP loss reserve roll forward.

Looking at our earnings for the quarter, our overall performance continues to be driven by the steady runoff of our book of business and loss development activity. For the three months ended March 31, 2017, we had a GAAP net loss attributable to SHL of $30.8 million or a loss of $.36 per common share, as compared to a net loss attributable to SHL of $85.7 million or a loss of $1.52 per common share for the same period last year.

Non-GAAP operating loss was $19.1 million or a loss of $.22 per common share for the three months ended March 31, 2017 as compared to a loss of $43.4 million for a loss of $.77 per common share for the same period last year.

A full description of the limitations in using non-GAAP financial measures and the adjustments made to derive our non-GAAP operating income and Adjusted Book Value, is included in the earnings release.

Turning to the drivers of our results, although we had a net loss for the three months ended March 31, results were flat with the exception of net realized losses on investments and net incurred losses.

For the first quarter, we had $14.9 million of net realized losses on investments, primarily due to impairment charges related to foreign currency exchange losses on certain Euro-Denominated remediation bonds. As the company no longer has the intent to hold these investments to recovery, these securities were written down to fair value.

In addition, the Company experienced 16.8 million dollars of net incurred losses for the quarter, primarily due to adverse developments on Puerto Rico General Obligation exposures, offset partially by continued positive reserve developments on our RMBS exposures. Net incurred losses were 35.1 million dollars for the same period in 2016.

There were three other major drivers for the quarter that I would like to discuss:

First, 15.6 million dollars of net premiums earned, which decreased slightly as a result of the continued run-off of our book of business mainly driven by premium accelerations from refundings and remediation activities. Total premium accelerations were 8.1 million dollars for the three months ended March 31, 2017, as compared to 6.2 million dollars for the same period in 2016.

Second, 13.5 million dollars of mark-to-market gains on our CDS contracts, as compared to 31.6 million dollars of mark-to-market losses for the same period last year. These gains were primarily a result of yield curve and non-performance risk spread widening.

And third, lower operating expenses mainly as a result of the headcount reductions we discussed on last quarter's call. For the three months ended March 31, 2017, operating expenses were 16.7 million dollars, as compared to 20.9 million dollars for the same period last year.

Additional drivers for the quarter include losses on our insurance cash flow certificates as a result of expecting to pay fewer claims on remediated policies (due to the positive RMBS developments I just mentioned) and the continued accretion and accrual of interest on SGI's surplus notes.

As shown on slide 9 of the financial highlights deck, SHL's common shareholders' equity decreased from year end 2016 by 11.4 million dollars to 513.3 million dollars, or 4 dollars and 52 cents of GAAP book value per common share as of March 31, 2017. This was primarily driven by the items I just discussed on the consolidated statements of operations. Similarly, SHL's adjusted book value decreased by 19.0 million dollars to 465.1 million dollars, or 5 dollars and 36 cents per common share.

I'd like to now cover some highlights of our insured portfolio. As outlined on slides 11 and 12 of the financial highlights deck, for the three months ended March 31, SHL reduced its total net par exposure by 12 percent, to 18.0 billion dollars. The reduction in total net par exposure was driven mainly by 1.8 billion dollars in public finance refundings, 333 million dollars in amortizations, and 274 million dollars in terminations and commutations. The average internal rating of our portfolio was unchanged from year end 2016 at bbb+, and total credit count decreased 13.3 percent from 819 credits as of December 31, 2016 to 710 credits as of March 31, 2017.

Our below investment grade credits, or BIG exposures, were 2.8 billion dollars, or 15 percent of Syncora's total insured portfolio as of March 31,

2017. In addition, our BIG flag list leverage ratio, as shown on slide 15 of the deck and defined as our BIG exposure divided by our claims paying resources, decreased by 1 percent in total, which was driven by decreases in BIG exposures at SGI.

With that, let me turn the call back over to Fred to provide you with an update on the company's strategy.

Fred Hnat: Thank you, David. Syncora's management and the Board continue to be committed to delivering the most value to all of our stakeholders in a timely manner through the execution of certain key strategic initiatives.

The **first** of these initiatives may include the execution of a reinsurance structure on terms mutually acceptable to the company and its regulators subject to certain contractual consents and board approval.

- Since our last call in April, I have received some preliminary pricing indications from potential reinsurance counterparties, which is a step forward in our process for considering a potential reinsurance transaction. We continue to speak to additional potential reinsurance counterparties who may submit proposals. We are reviewing the proposals that have been presented to understand the economic terms and structure of the proposed reinsurance transactions and the value they create for Syncora and the holders of its securities and financial guarantee policies. Value can be achieved in two principal ways - first, the capping of a substantial portion of our future liabilities and reducing our overall risk profile and second, the potential for increasing future distributions on our outstanding securities at a quicker pace. Because any decision with respect to these proposals will need to be approved by our Board of Directors and the NYDFS and receive certain third party consents, we can make no statement as to the length of time or final outcome of that process. Any potential transaction will have to be evaluated according to a delicate balance of several factors, including capital retention, risk reduction, the cost of the reinsurance protection, the reinsurance counterparty itself, as well as the potential amount and timing of distributions, if any, to our shareholders and noteholders.

- If we are unable to reach satisfactory terms for a reinsurance transaction, we will continue the ongoing run-off of the insurance platform and will consider execution of other strategic initiatives.

- As for our progress with respect to our ongoing run-off, as I mentioned earlier, we are pleased with the NYDFS' decision to permit a semi-annual payment of 27.5 million dollars on our outstanding surplus notes held by third-parties. The payment is consistent with the annual net payment of 55 million dollars permitted in August 2016. The approved payment will be made in accordance with the terms of the Surplus Notes on July 24, 2017 to holders of record on July 12, 2017. That said, we are keenly aware that this payment amount is modest and accretion continues at a high rate. We will continue to explore ways to increase payments and to minimize this interest, as doing so would benefit our common shareholders. As required by the terms of the surplus notes, we will continue to request approval from the NYDFS for payment of all amounts due and owing under the surplus notes on the scheduled semi-annual payment dates. The NYDFS has not specifically stated its criteria for determining whether to permit a payment on the surplus notes, but it bears mentioning that the NYDFS's primary focus is the protection of policyholders.

- As we explore value-creating reinsurance options, we are also considering various asset monetization initiatives that will allow us to continue to build on the progress we made last year.

- The combination of these efforts will further strengthen our financial condition, which will enable us to advance our goal of de-levering Syncora's platform, subject to NYDFS approval.

The **second** key strategic initiative I want to discuss is our ongoing focus on risk reduction and remediation.

- Since our last earnings call, there have been numerous developments on our Puerto Rico exposure. We anticipated most of these events and believe we are well positioned to manage through them. As we have noted before, we have relatively small insured exposure of 339 million dollars, including 169 million dollars of GO and 141 million dollars of PREPA and we believe we are appropriately reserved.

- On the GO front:

  - On July 1st we expect to pay approximately 121 million dollars of claims, most of which is at SCAI, and are prepared to make those payments. These claims represent a large portion of all of our expected Puerto Rico claims.

  - The Commonwealth filed for Title III on May 3rd. While uncertainty remains about the timeframes of such a proceeding, as well as legal outcomes, we believe the GO bonds, which are entitled to priority distributions under the Commonwealth's constitution, must be respected in order for the Commonwealth to continue to effectively utilize the capital markets in the future. We also believe that the Commonwealth's fiscal plan certified by the PROMESA oversight board violates PROMESA by not respecting the constitutional priority of the GO bonds. We hope the courts will give effect to the rights of the GO bonds vis-à-vis COFINA and other Puerto Rico entities through clawbacks.

- In the context of the PREPA negotiations:

  - We were asked to provide more concessions on the RSA terms. In connection with the amended RSA signed in April 2017, we were able to negotiate provisions that will help us better manage our cash position at SCAI. This amendment was agreed to by the Governor and the Puerto Rico Fiscal Agency & Financial Advisory Authority.

- Despite the fact that PROMESA grandfathered the RSA, the Oversight Board still has not approved the RSA. We hope that the recent letter from House Natural Resources Committee chair Rob Bishop will urge the Oversight Board to allow the RSA to be implemented under Title VI as had been agreed.

- In past quarters, we have talked about our "liquidity mismatch", which includes credits that face refinancing risks due to a variety of factors including the underlying credit, market conditions or the transaction structure. The largest of those credits is Reliance Rail and we continue to aggressively pursue our remediation plan for Reliance Rail with the goal of facilitating a successful refinancing while credit markets are strong. The New South Wales government has recently begun a process to engage a financial adviser to assist in the refinancing process. We view this as a positive indication that the New South Wales government is determined to progress a timely refinance of the project.

- However, as we have said before, this is a complicated credit with potential execution risk and uncertainty remains as to timing for completion of a refinancing. Financial advisors and Legal counsel in Australia have advised that, should Reliance Rail fail to refinance, Syncora would retain the ability to proactively remediate the exposure.

The **third** key strategic initiative I want to discuss is the pursuit of asset monetization transactions, including litigation recoveries and the sale of illiquid assets.

- In this regard, we are cognizant that market conditions are currently very good for infrastructure assets such as toll roads. Accordingly, we are working to enhance the value of American Roads, a non-core asset, while evaluating strategic options for the platform. In contrast to some of the other toll road platforms in the market recently which consisted of one major road, American Roads consists of five smaller, geographically-dispersed toll road assets. We have engaged a financial advisor to help with our review of strategic options with respect to this platform.

- On the litigation front, as you might expect, we continue to aggressively pursue our litigation claims. There were no major developments in the last two months, but we continue working toward successful resolutions of our litigation. Oral arguments were held on the Greenpoint standing motion, but no decision has yet been issued.

- We provide some information on our litigation related to asset recovery efforts on slide 20 of the financial highlights deck.

Fourth, as part of our efforts to increase efficiency for the Company, we are pursuing a merger of SGI and SCAI. We believe the combined company would be a stronger entity both from liquidity and surplus perspectives, providing better protection for policy holders, and would enable us to realize operational efficiencies for the overall Syncora platform. Any merger would be subject to regulatory and contractual consents and approvals of numerous parties, so it is not possible to predict a timeline or outcome of these efforts.

Fifth and lastly, we are actively examining the range of available options to utilize the 1.75 billion dollars of NOLs that were reallocated to Syncora Holdings U.S. Inc., the U.S. tax parent, as part of the restructuring transactions, being mindful of the IRS rules that affect such utilization. The IRS rules are complex, so we are careful to assure that the NOLs are preserved in any transaction or strategy pursued, and that any strategy to utilize the NOLs squarely fits within those rules.

We have made measurable progress on a number of our key strategic initiatives. And we are determined to work toward the further stabilization of our insured portfolio and financial condition, with the ultimate goal of unlocking additional value for our stakeholders in the months and years ahead.

Scott Beinhacker: Thank you, Fred. With that operator, let's open the call to questions. Operator, would you please provide instructions for those analysts on the call?

Operator: Certainly. The floor is now open for your questions. If you would like to ask a question, during this time, simply press Star followed by 1 on your telephone keypad. Your first question comes from Rob Halder of NatAlliance.

Robert Halder: Good morning guys, thank you for doing the call. Just a couple of quick questions following up on some of your reinsurance comments, so, probably one question with a follow up.

Your guys risk in force is coming down, cash reserves are up and I'm wondering if you can go into a little bit more detail on why you're looking at a reinsurance transaction to start. And then I have a follow up on that one.

Fred Hnat: Thank you, Rob. I appreciate the question. It's important to understand why we'd like to execute a reinsurance transaction. But equally important to understand why at the end of the day, we don't need to do a reinsurance deal if the terms are unfavorable or don't meet the requirements of the NYDFS.

As I mentioned earlier, the reason we're considering reinsurance and why we would like to enter into a reinsurance transaction is that with our liability substantially capped off through the reinsurance risk transfer, we may be in a position to free up capital to accelerate distributions to our stake holders.

This is capital that without the reinsurance would be needed to support claims. So, this is where the NYDFS gets involved in assessing whether the risk transfer is appropriately structured and appropriately managed. And we need to work with them, obviously, in this regard.

Robert Halder: And, I'm sorry.

Fred Hnat: Yes, go ahead.

Robert Halder: No, so that just got to the second part of my question, which was really, can you comment on your relationship with the DFS and whether you think they would be supportive?

And does it matter whether- would they be supportive of an entire reinsurance to close transaction or would it just be a portion of the book or would they have to look at the entire transaction?

Fred Hnat: Well, we don't know that yet Rob. But just to characterize our relationship with the DFS. We have a long standing and constructive relationship with them. I would characterize the relationship as very strong.

We have a history of engaging and active dialogue with them. We have calls quarterly, either to provide financial updates or a company related update. So, obviously, our relationship is critical because a lot of what we do does require getting approval from them, including quarterly statutory permitted practices.

And any material transactions, such as reinsurance, would obviously require the NYDFS' approval. And we wouldn't seek that approval unless we believed it was in the best interest of the company and its stakeholders. We're mindful that the NYDFS' first responsibility is to Syncora's policyholders.

So, we expect the department to be very focused on Syncora's post reinsurance surplus and liquidity position. They will look at, we think, the financial strength of the reinsurer and the quality of any credits that are held back.

And so, if we're able to address all the considerations to the department's satisfaction, while at the same time being able to accelerate payments to our stake holders, we think that the transaction could be in everybody's best interest.

Robert Halder: Got you. And then the last question that I have, and you guys had touched on it a little bit, was Puerto Rico and specifically PREPA. You guys commented on the April amendment, we also and I think the market also sees that there is no PREPA deal that has been done so far.

Can you guys give a couple of comments on where you see that now and where you stand in the process?

Fred Hnat: Yes, Rob this issue is quickly coming to a head with a July 1st payment date. Like the other creditors of PREPA, we're frustrated by a loss of momentum that we see and some of the positions taken by the oversight board in recent weeks and months.

In any discussion of Syncora's Puerto Rico exposures, including PREPA, we want to remind people that our exposures are relatively small as compared to other creditors including bond insurers. That said, we're a party to the PREPA RSA with those other creditors whose positions we do support.

And in the last RSA revisions, both PREPA and the Governor agreed to effect the RSA through a consensual Title VI proceeding, so as to avoid a July 1st default, and move forward on closing on an expedited basis.

That's not happening with the oversight board right now. Under PROMESA the oversight board solely needs to certify that the RSA is consistent with the RSA that was in effect before PROMESA. And they've gone beyond that mandate, calling the RSA into question more broadly.

So from our standpoint, we stand with the other creditors in insisting that the oversight board fulfill its obligations under PROMESA by certifying the RSA, so that it can be implemented in accordance with its terms and we can move forward to closing.

Robert Halder: OK, great, thank you guys.

Operator: Your next question comes from Andrew Gadlind at Odeon Capital Group.

Andrew Gadlind: Hello, good morning. A couple of questions. First just to follow up on the reinsurance line of questioning, when you think about this transaction now that you've had bids coming in and you've had time working on it, would you be thinking about this as a novation of policies or just a straight reinsurance arrangement, where officially Syncora would still be on the hook?

Fred Hnat: Yes, thank you Andrew, those are good questions. I think I'll defer them to David Grande to answer.

David Grande: So, yes, you're asking about whether we'd look to a novation or a straight out type of reinsurance. At this point it's very early in the process; I mean that's going to get into some of how the deal was structured. So, we don't really have an answer on the specific structure at this point, for the deal.

Fred do you want to add any thing to that? I think that's where…

Fred Hnat: No.

David Grande: So, it's really early in the process at this point. So, we don't really have any thing to communicate in terms of structure of the deal.

Andrew Gadlind: Are both options on the table right now, or is there a leaning to one or the other?

David Grande: We're open to both options; we're not leaning to one or the other at this point. Obviously, as Fred had mentioned, without a novation the company is still liable for all of the risk on the book of business, even though it's reinsured and that's something that we have to consider, especially when we're thinking of this in the context of how much capital can be retained and how much capital can potentially be paid off in terms of surplus note payments and ultimately distributions. And that's something that the NYDFS is going to be looking specifically at, as well.

Andrew Gadlind: But, so based on what DFS comes back with guidelines about how it would respond to either novation or just a straight reinsurance that presumably will dictate part of how you compare bids that are coming in.

David Grande: I think that -- I think so, yes…

Fred Hnat: Just to interject, I think what we've seen historically is initially a reinsurance structure that's followed by a novation and the traditional either quota share or excess of loss reinsurance structure can be executed and risk transfer but novations require consent of policy holders, which can take some time to achieve.

So I think it would be more the exception than the rule to start out with the strategy of Novating policies.

Andrew Gadlind: OK and then follow up question again on this issue, so you're having conversations with DFS simultaneous to soliciting bids, is it, would it be accurate to say, that before you would agree to the transaction, you already have a range of pay downs on surplus notes that would be possible if you did a deal? Meaning that you already -- you're not going to do the deal unless you know, as well as anybody can in a regulated business, that the regulator will allow at least at X dollars amounts of reinsurance.

Fred Hnat: Yes so I think I understand your question. It's a very good one. But we may be getting a little bit ahead of ourselves in the discussion. We don't know today what reinsurance structure we have in front of us, and consequently, we don't know exactly what the NYDFS is going to say about the reinsurance itself or the future payment of the surplus notes.

Obviously we would like to have as much comfort as possible in moving into a reinsurance transaction. With respect to know what amount of surplus notes can be paid down. But that remains to be seen how that dialogue plays out.

Andrew Gadlind: Yes, I'm asking the question because of on a STAT basis as of last quarter the company had approximately $1.35 billion of cash in the system between the two insurance entities. And we're talking about $120 million being paid in a week or so.

And then reinsurance transaction because the Company would be giving up cash. I'm just trying to weigh the costs versus the benefits in a transaction and how that gives the company flexibility to move forward in further pay downs.

David Grande: Yes that's a very good point. I think one of the things of reinsurance in general that's not always fully understood, is the cost of doing a reinsurance transaction. I can maybe say some words about that. Yes there are several factors that can influence the cost of the reinsurance transaction.

Just to name a few off the top of my head here, there's the type of reinsurance structure, quota share, XOL, the amount of coverage, right? And the amount of quality of exposure that's being left behind is going to inform the cost of the reinsurance. The quality of the insurance, risk that's being reinsured.

So there's going to be different views of, as to the expected losses on the portfolio. And that's going to drive price in scientifically. And then I guess just another one, just generally from a process perspective, the presence of competitive tension within the bidding process.

Something that you had alluded to earlier. But in terms of the costs of reinsurance, the typical deal, would involve an upfront premium payment by the ceding company, and this could be the significance especially if you have existing losses on your books.

Plus, all future installment premiums on the covered policies. And so you're right, it could be a large amount of cash outflow. The up side is that, in return what you're getting for that is the elimination of tail risk on your portfolio. And as Fred had mentioned under an acceptable deal, we ideally would have sufficient capital remaining such that, both the company and the NYDFS would feel comfortable accelerating payments on our surplus notes ultimately distributions up and out of the insurance company.

Andrew Gadlind: One more, just another question on the claims payment of expected of $121 million on July 1st, is that gross or net of bonds the company has re-purchased over the years?

David Grande: The $121?

Andrew Gadlind: Yes.

Fred Hnat: I think that's a net payment. We can confirm that and come back to you Andrew.

Andrew Gadlind: OK, no, that makes sense. And then just, you know, Fred talked a little bit about plans to monetize NOLs and that the company is pursuing that. Can you share any of the steps that have been taken so far? Any ideas broadly about the future investment areas for the company, and finally there is a lot of rumor either about tax reform that will happen this year or that won't happen this year, and how does that effect the market demand for NOL right now?

Fred Hnat: Thanks, Andrew, I've been working with David on an NOL initiative and I'll let him speak to that question.

David Grande: Sure thanks, Fred, I guess I'll just start off by saying that we believe that the NOL monetization workstream is an important initiative. Management does continue to focus its more immediate attention on the matters of reinsurance, risk reduction, remediations and asset monetization.

So, all the initiatives that Fred had discussed in his prepared remarks, but given these more near term strategic initiatives, the timing of our plan to monetize the NOLs actually works out quite well. In that under the tax rules, you know, we have this three year change of control reset period, it's a waiting period, before we're able to raise any meaningful amount of capital to pursue these opportunities.

But putting the timing aside, there's really two potential approaches to utilizing our NOLs that we are currently evaluating. The first is to identify new business opportunities and these are opportunities with sufficiently high returns such that we can offset our NOLs against.

But I think with that, it's also important to note that the Syncora has certain structural constraints to funding these new businesses. And what I'm really referring to here is that SGI cannot dividend money out of the insurance companies until the surplus notes are paid off.

So while SGI'S surplus position has strengthened in recent years, its capital is primarily there to pay claims and debt service on its surplus notes. The second workstream I'll just mention is to assess larger scale opportunities within an M&A type transaction and this generally involves working with a partner to identify target acquisitions whose taxable income profile fits with the tax attributes of Syncora such that significantly higher returns can be generated.

So, we believe that both approaches have merit. We need to conduct further analysis in order to determine the advantages and disadvantages of each. And which ones might results in the utilization of NOLs and therefore, provide more value up to our common share holders.

But I've got to say, I guess it would be the uncertainty around the tax reform I think that would probably affect the second workstream more. But this is something that we are evaluating and we need to do more work around in terms of, the real impacts of that and how it might affect our strategy going forward.

Andrew Gadlind: Hey great thank you, taking a lot of time, I'll jump back into the cue.

Operator: At this time, there are no further questions. I will now turn the call back over to Mr. Scott Beinhacker for any additional or closing remarks.

Scott Beinhacker: Thank you operator, and thanks everyone for joining us on the call. I hope you found it helpful. We look forward to talking to you again next quarter. In the mean time, if you have any questions at all, and as a means of continuing our dialogue, please feel fee to reach out to me 212-478-3400 or through our dedicated investment relations email, (investorrelations@scafg.com).

A transcript and replay of this call will be available on our website later today. Thank you all for listening.

Operator: Ladies and gentlemen thank you for your participation in today's conference. This concludes today's call. You may now disconnect.

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