City of
SACRAMENTO
Office of the City Treasurer

915 I Street, HCH 3rd Floor
Sacramento CA 95814

John Colville ~ City Treasurer

Phone 916-808-5168
Fax 916-808-5171

ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED

Dated: May 15, 2018

NOTICE IS HEREBY GIVEN that on May 07, 2018, Moody's Investors Service ("**Moody's**") affirmed its "A2" insurance financial strength rating of Assured Guaranty Municipal Corp with a Stable Outlook.

This affects the following bond issue:

- 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park)

The rating report from Moody's is attached.

City of Sacramento

Brian Wong
Debt Manager

Attachments: Moody's Report – Affirms Assured Guaranty's Ratings

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Assured Guaranty's ratings; outlook is stable

07 May 2018

New York, May 07, 2018 -- Moody's Investors Service, ("Moody's") has affirmed the A2 insurance financial strength (IFS) rating of Assured Guaranty Municipal Corp. (AGM) and the A3 IFS rating of Assured Guaranty Corp. (AGC). In the same rating action, Moody's also affirmed the Baa2 senior unsecured debt ratings of both Assured Guaranty US Holdings Inc. (AGUS) and Assured Guaranty Municipal Holdings Inc. (AGMH). The outlook for these ratings is stable. A full list of rating actions on Assured Guaranty Ltd. (Assured Guaranty) and its subsidiaries is provided below.

SUMMARY RATIONALE

Assured Guaranty's ratings reflect its strong overall capital profile and core earnings power, its ability to underwrite transactions in both the public finance and structured finance markets worldwide through its multiple insurance operating subsidiaries, the ongoing improvement in capital adequacy due to insured portfolio amortization, as well as its leadership position in the financial guaranty insurance sector. These strengths are tempered by the still depressed levels of financial guaranty insurance utilization, which leaves the company with a limited opportunity set within this niche sector. Other challenges include the potential for volatility in earnings and capital arising from large single risk exposures within its insured portfolio, and the firm's elevated levels of below-investment grade risk exposure, including substantial exposures to the Commonwealth of Puerto Rico and its affiliated debt issuers.

According to Moody's, Assured Guaranty's Puerto Rico exposures are expected to result in significant losses. At 1Q2018, Assured Guaranty had approximately $5.0 billion of consolidated net par exposure to various Puerto Rico issuers and had approximately $1.0 billion of consolidated net loss reserves on its US public finance exposures, the majority of which are associated with Puerto Rico issuers. As part of our analysis of Assured Guaranty's Puerto Rico exposures, Moody's contemplates a variety of loss given default (LGD) scenarios based on the LGD-range implied by Moody's underlying ratings and other market indicators. Moody's most recent analysis suggests that Assured Guaranty's Puerto Rico-related losses are likely to exceed (and in some scenarios, substantially exceed) the company's currently established US public finance loss reserves, which would require the company's subsidiaries to take reserve charges for incremental losses beyond those already reserved.

Puerto Rico Loss Projection - AGM

At 1Q2018, AGM had approximately $2.3 billion of net par exposure to Puerto Rico issuers, representing approximately 61% of the firm's 1Q2018 qualified statutory capital (QSC) plus net statutory US public finance loss reserves established at 4Q2017. Using the range of outcomes in the scenarios described above, we project the present value of AGM's potential

Puerto Rico losses to be in the range of $1.1 billion to $1.9 billion. Accounting for one year of estimated pre-tax earnings, loss reserves already established, and potential salvage and tax recoveries, these losses could result in an income statement net loss to AGM of approximately $150 million to $625 million, reducing AGM's QSC by between 4% and 18% from current levels. According to Moody's, prospective capital deterioration of this magnitude remains consistent with AGM's current A2 IFS rating.

Puerto Rico Loss Projection - AGC

At 1Q2018, AGC had approximately $1.7 billion of net par exposure to Puerto Rico issuers, representing approximately 57% of the firm's 1Q2018 qualified statutory capital (QSC) plus net statutory US public finance loss reserves established at 4Q2017. Using the range of outcomes in the scenarios described above, we project the present value of AGC's potential Puerto Rico losses to be in a range of $850 million to $1.5 billion. Accounting for one year of estimated pre-tax earnings, loss reserves already established, and potential salvage and tax recoveries, these losses could result in an income statement net loss to AGC of approximately $150 million to $550 million, reducing AGC's QSC by between 6% and 22% from current levels. Similar to AGM, prospective capital deterioration within this range remains consistent with AGC's current A3 IFS rating.

However, Moody's notes that the ultimate level of losses arising from Assured Guaranty's Puerto Rico exposures are subject to numerous uncertainties. The resulting impact of the eventual debt restructuring process on the credit profiles of Assured Guaranty and its subsidiaries will depend on a number of factors, including: the amount of losses ultimately incurred, the length of the debt restructuring process, the amortization of the insured portfolio in the interim, demand for financial guaranty insurance following the restructuring of Puerto Rico's debt obligations, as well as the amount of earnings and capital retained (or returned to shareholders) during this period. We note that the combination of losses at the higher end of our loss projection range and significant capital extraction from operating subsidiaries to fund common share buybacks could result in negative ratings pressure on Assured Guaranty and its subsidiaries.

RATING RATIONALE - Assured Guaranty Municipal Corp.

AGM's A2 IFS rating reflects its strong capital profile, conservative underwriting of US municipal and international infrastructure finance risks and leading market position in the financial guaranty insurance sector. AGM is the flagship guarantor within Assured Guaranty, producing more than 90% of the group's premiums and more than 56% of premiums in the financial guaranty industry during 2017. AGM's ability to organically generate significant capital through premium and investment earnings make its credit profile resilient to a broad range of stress scenarios.

RATING RATIONALE - Assured Guaranty Corp.

AGC's A3 IFS rating reflects AGC's strengthening capital adequacy profile due to an increase in its capital resources resulting from several acquisitions of legacy financial guarantors, including Radian Asset Assurance, CIFG and Syncora (through a pending reinsurance transaction expected to close within the next couple of months). The resulting increase in AGC's invested assets and future premium earnings also improves the firm's prospective profitability. AGC's capital adequacy profile has also experienced improvement from the continued amortization of its insured portfolio and meaningful credit strengthening among several of AGC's legacy structured finance exposure classes. Despite these improvements, Moody's continues to maintain a one notch rating differential between AGM and AGC to reflect AGC's higher proportion of below investment grade exposures and its more limited strategic role within the Assured Guaranty group of companies.

RATING RATIONALE -- Assured Guaranty (Europe) plc

The A2 IFS rating of Assured Guaranty (Europe) plc (AGE) reflects a combination of formal and implicit support from its parent, AGM. Formal support from AGM includes a net worth maintenance agreement and quota share and excess of loss reinsurance arrangements. AGE serves as the booking entity for Assured Guaranty's financial guaranty business written in Europe.

RATING RATIONALE -- Assured Guaranty (UK) plc and Assured Guaranty (London) plc

The continuing reviews for upgrade on the Baa1 IFS rating of Assured Guaranty (London) plc (AG London) and the A3 IFS rating of Assured Guaranty (UK) plc (AGUK) reflect Moody's expectation that Assured Guaranty will be successful in its efforts to accomplish its stated goal of merging three of its European subsidiaries, including AG London and AGUK, with and into AGE, with AGE as the surviving entity. Upon the merger, obligations and bonds insured by AG London and AGUK will become insured obligations of AGE. Moody's anticipates aligning the ratings of AG London and AGUK with AGE's A2 IFS rating upon the completion of the planned merger.

RATING RATIONALE -- Debt Ratings

The Baa2 senior debt ratings of AGMH and AGUS represent a three-notch spread between the senior debt ratings and AGM's A2 insurance financial strength rating, which is consistent with Moody's typical notching practices for U.S. insurance holding company structures. Assured Guaranty's Baa2 long-term issuer rating is aligned with the senior debt ratings of AGMH and AGUS. Assured Guaranty fully and unconditionally guarantees the senior debt of AGMH and AGUS and guarantees on a junior subordinated basis the junior subordinated debt of AGMH and AGUS.

WHAT COULD CHANGE THE RATINGS UP OR DOWN

The main rating sensitivities for Assured Guaranty and its subsidiaries relate to the composition and performance of their respective insured portfolios, capitalization levels and market support.

The following factors could result in a downgrade: 1) Ultimate Puerto Rico losses that exceed the upper end of our loss projection ranges; 2) the extraction of meaningful amounts of capital from operating subsidiaries without an associated reduction of risk; and 3) Assured Guaranty's new business production falls to unsustainable levels (e.g. less than 25% market share or less than $100 million in annual premiums).

While we don't expect the ratings to be upgraded in the near to medium term, the following factors could favorably influence the credit profile of Assured Guaranty and its subsidiaries: 1) a favorable resolution to the firm's Puerto Rico-related exposures that leads to limited additional loss reserve charges; and 2) a significant increase in demand for financial guaranty insurance (15%+ US municipal market insured penetration) at attractive pricing levels.

RATINGS LIST

The following ratings have been affirmed, with a stable outlook:

Assured Guaranty Ltd. -- long-term issuer rating at Baa2;

Assured Guaranty US Holdings Inc. -- senior unsecured debt at Baa2, junior subordinated debt at Baa3(hyb);

Assured Guaranty Municipal Holdings Inc. -- senior unsecured debt at Baa2, junior subordinated debt at Baa3(hyb);

Assured Guaranty Municipal Corp. -- insurance financial strength rating at A2;

Assured Guaranty (Europe) plc -- insurance financial strength rating at A2;

Sutton Capital Trusts I, II, III, and IV -- contingent capital securities at Baa2(hyb).

Assured Guaranty Corp. -- insurance financial strength rating at A3;

Woodbourne Capital Trusts I, II, III, and IV -- contingent capital securities at Baa3(hyb).

The following ratings remain on review for upgrade:

Assured Guaranty (UK) plc -- insurance financial strength rating at A3;

Assured Guaranty (London) plc -- insurance financial strength rating at Baa1.

The principal methodology used in these ratings was Financial Guarantors published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Assured Guaranty Municipal Corp. and Assured Guaranty Corp. are financial guaranty insurance companies based in New York. They are wholly owned by Assured Guaranty Ltd. [NYSE:AGO], the ultimate holding company. As of 31 March 2018, Assured Guaranty Ltd. had consolidated GAAP net par outstanding of approximately $257 billion, qualified statutory capital of $6.7 billion, and total claims paying resources of $11.5 billion.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

James Eck
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Marc R. Pinto, CFA
MD - Financial Institutions
Financial Institutions Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653