EXECUTION VERSION

MASTER TRANSACTION AGREEMENT

among

Syncora Holdings Ltd.; Syncora Guarantee Inc.; Syncora Capital Assurance Inc.;
and

Certain Portfolio Trusts that are Affiliates of Syncora Guarantee Inc.;

and

Counterparties to Credit Default Swap Agreements with Syncora Guarantee Inc.
and Affiliates of Syncora Guarantee Inc.

Dated as of April 26, 2009

Section 5.13. Further Agreements of the Syncora Parties And SHL. Until the SGI Surplus Notes have been paid in full and so long as any Assigned Swaps, P&I CDS, Novated Policies, P&I CDS Policies, the Existing DB Swaps or the New DB Swaps and Policies are in effect, the Syncora Parties and SHL agree with and for the benefit of the holders from time to time of the SGI Surplus Notes, Assigned Swaps, the P&I CDS and the Novated Policies (the "Section 5.13 Benefited Parties") as follows:

(a) "Run-Off" Operations.

(i) Other than in connection with the renewal or settlement of existing policies or commitments, or the issuance of new, amended or modified policies in connection with Remediation Efforts with respect to SGI, SGI shall not write any new business.

(ii) Other than in connection with the renewal or settlement of policies or commitments ceded or novated to DropDownCo pursuant to this Agreement or the Ancillary Agreements, or the issuance of new, amended or modified policies in connection with Remediation Efforts with respect to DropDownCo or as contemplated by this Agreement or the Ancillary Agreements, DropDownCo shall not write any new business.

(b) Cancelled Shares. SHL and the Syncora Parties shall not issue any new equity securities, or re-issue, convert or exchange any stock currently held or expected to be held (including the Cancelled Shares), as a result of this Restructuring, as treasury shares.

(c) Financial Reporting Package. The Syncora Parties shall provide the financial information reporting package to the Section 5.13 Benefited Parties at the times set forth in and otherwise in accordance with Schedule 5.13-A (the "Financial Reporting Package").

(d) Limited Purpose of SGI-SPV. The Syncora Parties shall cause (i) the SGI-SPV to have no other purpose or business than to hold the Commuted Swaps and Policies transferred to it pursuant to Section 2.01(a), (ii) the SGI-SPV to not engage in any other business, hold or acquire or voluntarily incur any assets or liabilities other than the Commuted Swaps and Policies or sell, assign or transfer any assets, including the Commuted Swaps and Policies, unless such actions are approved by the NYID and the Commuting CDS Counterparties, (iii) the SGI-SPV to at all times be a direct wholly-owned Subsidiary of SGI unless dissolved into or merged with SGI and (iv) all claims under or on account of the Commuted Swaps and Policies to be fully postponed and subordinated to the prior payment in full of all obligations of SGI under this Agreement, the Ancillary Agreements or otherwise, whether existing as of the Closing Date or arising thereafter, and no present or future holder of any such claim under or on account of any of the Commuted Swaps and Policies shall seek, demand, accept or retain any payment in respect thereof prior to the payment in full of all such obligations of SGI.

(e) Tax-Sharing Agreements. The Syncora Parties and their respective Affiliates shall not create any new tax-sharing agreements between or among any of SHL, SGI and DropDownCo, other than the Tax Sharing Agreement, or amend the Tax Sharing Agreement.

(f) No Settlements. No Syncora Party or SHL will enter into any settlements regarding credit default swap agreements, financial guaranty insurance policies or other obligations guaranteed by a Syncora Party for cash or other consideration prior to the Closing except as set forth on Schedule 6.01(i) (it being understood that, except for the lease settlement disclosed in Schedule 6.01(i), none of such settlements shall have occurred prior to the Closing).

(g) Restrictions on DropDownCo:

(A) DropDownCo will not merge or consolidate or sell, assign, transfer or dispose of (including by way of reinsurance, recapture or otherwise) all or any material portion of its assets, other than (v) paying claims, (w) pursuant to Section 5.11, (x) in connection with Remediation Efforts with respect to DropDownCo, (y) the disposition of investments in accordance with its investment policy or (z) as otherwise required or permitted by this Agreement, any Ancillary Agreement or the Tax Sharing Agreement. DropDownCo will not create or suffer to exist any Lien, security interest or encumbrance on its assets other than Permitted Liens.

(B) DropDownCo will not make investments (other than pursuant to its investment policy or to the extent incidental to Remediation Efforts with respect to DropDownCo).

(C) DropDownCo will not enter into or agree to any amendment to the DropDownCo Surplus Notes other than in accordance with Section 8.06 of this Agreement.

(D) DropDownCo will not prepay all or any portion of the DropDownCo Surplus Notes, pay any dividend or distribution to SGI or any other Affiliate, purchase any asset from or enter into any other transaction with SGI or any other Affiliate, issue any securities to SGI or any other Affiliate, make any loan to or investment in SGI or any other Affiliate, or otherwise transfer, assign or dispose of assets to SGI or any other Affiliate, except:

(1) pursuant to the terms of the Ancillary Agreements;

(2) pursuant to the terms of the Tax Sharing Agreements;

(3) DropDownCo may pay dividends to SGI after the DropDownCo Short Term Surplus Note has been paid in full; provided that after giving effect to any such dividend, DropDownCo will have surplus and other claims paying resources of not less than what is required for it to have A Capital plus $50,000,000; and

(4) management and service fees and reimbursements permitted pursuant to Section 5.13(h) below.

(E) DropDownCo will not (x) incur any indebtedness for borrowed money or (y) incur any other material voluntary obligation other than obligations pursuant to this Agreement or any Ancillary Agreement to which it is a party or in connection with Remediation Efforts with respect to DropDownCo or in the ordinary course of its business consistent with the obligations under this Agreement.

(h) Management Fees. No Syncora Party shall pay any management or service fee to or reimburse expenses of any Affiliate of any Syncora Party except pursuant to the Ancillary Agreements or the Intercompany Service Agreements.

(i) Ancillary Agreements. Each Syncora Party and SHL will observe and perform its respective obligations under each of the Insurance Novation Agreement and the Public Finance Reinsurance Agreement to which it is a party, preserve and enforce its rights thereunder and not amend, waive or terminate any of the provisions thereof.

(j) Exclusions. (i) Notwithstanding any other provision in this Section 5.13 or Section 5.14, none of SHL or the Syncora Parties shall be deemed to have failed to observe or comply with any covenants described in this Section 5.13 or Section 5.14 if, as permitted by the terms of the Assigned Swaps (as amended by the Swap Assignment Agreement), SGI, on behalf of DropDownCo, makes any payments required to be made by DropDownCo under the Novated Policies (as amended by the Swap Assignment Agreement); and

(ii) Notwithstanding the foregoing, nothing in this Section 5.13 shall in any way restrict any Syncora Party's ability to take the actions set forth on Schedule 5.13-B hereto.

Section 5.14. Further Agreements of SGI. Except as set forth on Schedule 5.14, until such time as the principal amount of the SGI Surplus Notes, and all accrued and unpaid interest thereon, have been paid in full in cash and no P&I CDS or P&I CDS Policy remains in effect, the Syncora Parties and SHL agree with and for the benefit of the holders from time to time of the SGI Surplus Notes, and with respect to subsections (c) through (h) of this Section 5.14, the holders from time to time of the P&I CDSs and P&I CDS Policies, to observe and comply with the following covenants and agreements:

(a) SGI will not make any distribution, whether in cash, property, securities or a combination thereof, to the holders of the SGI Long Term Surplus Notes (in their capacities as such) or pay, or commit to pay, or directly or indirectly redeem, repurchase, retire, prepay, convert, exchange or otherwise acquire for consideration, or set apart any sum for the aforesaid purpose, any SGI Long Term Surplus Note except with respect to all SGI Long Term Surplus Notes on a pro rata basis and on the same terms;

(b) SGI will not make any distribution, whether in cash, property, securities or a combination thereof, to the holders of the SGI Short Term Surplus Notes (in their capacities as such) or pay, or commit to pay, or directly or indirectly redeem, repurchase, retire, prepay, convert, exchange or otherwise acquire for consideration, or set apart any sum for the aforesaid purpose, any SGI Short Term Surplus Note except with respect to all SGI Short Term Surplus Notes on a pro rata basis and on the same terms;

(c) SGI will not merge or consolidate or sell, assign, transfer or dispose of (including by way of reinsurance) all or any material portion of its assets, other than (v) in connection with matters permitted by Schedule 5.13-B, (w) paying claims, (x) in connection with Remediation Efforts with respect to SGI, (y) the disposition of investments in accordance with its investment policy or (z) as otherwise permitted or required by this Agreement, any Ancillary Agreement or any Tax Sharing Agreement. SGI will not create or suffer to exist any Lien, security interest or encumbrance on its assets other than Permitted Liens.

(d) SGI will not assign, sell, transfer, create or suffer to exist any Lien, security interest or other encumbrance on or over or otherwise dispose of its rights to receive payments or its other rights under the DropDownCo Surplus Notes;

(e) SGI will at all times own, beneficially and of record, all of the equity interests of DropDownCo;

(f) SGI will not pay any dividend, repurchase, redeem, exchange or convert any of its equity securities (or of any of its direct or indirect parent) or make investments (other than pursuant to its investment policy, incidental to Remediation Efforts with respect to SGI or as set forth on Schedule 5.14);

(g) SGI will not issue any surplus notes or other similar securities that are preferred to common or preferred equity but junior in right of payment to indebtedness or policy obligations, other than the SGI Surplus Notes; and

(h) SGI will not (x) incur any indebtedness for borrowed money or (y) incur any material voluntary obligation other than obligations pursuant to this Agreement or any Ancillary Agreement to which it is a party or in connection with Remediation Efforts with respect to SGI or in the ordinary course of its business consistent with its obligations under this Agreement.

Section 8.06. Amendment and Waiver. This Agreement may not be amended, altered, supplemented, waived or modified except (i) by an instrument in writing signed by, or on behalf of, SHL, the Syncora Parties and all of the CDS Counterparties or (ii) in the case of updating or amending schedules, in accordance with Section 5.09; provided that from and after the Closing (A) Section 5.13 (and, for the purpose of Section 5.13, any defined term used therein) may be amended, altered, supplemented, waived or modified by an instrument in

writing signed by and only by the Syncora Parties and the Section 5.13 Benefited Parties representing the Minimum CDS Counterparty Threshold and (B) Section 5.14 (and, for the purpose of Section 5.14, any defined term used therein) may be amended, altered, supplemented, waived or modified by an instrument in writing signed by and only by SGI, the holders of a majority in principal amount of the SGI Long Term Surplus Notes, the holders of a majority in principal amount of the SGI Short Term Surplus Notes and the holders of a majority in notional amount outstanding of P&I CDSs then in effect (and as to which an "Early Termination Date" has occurred with respect to the corresponding Assigned Swap). Notwithstanding any provision to the contrary herein, Schedule B may be modified by written consent of all of the Commuting CDS Counterparties upon notice to, but without the consent of, SHL and the Syncora Parties. No amendment, alteration, supplement, waiver or modification shall, unless in writing and signed by a CDS Counterparty, affect the duties or obligations of such CDS Counterparty under this Agreement or any Ancillary Agreement.

"Minimum CDS Counterparty Threshold" means, (i) prior to the Closing Date, (A) at least seventy-five percent (75%) in notional amount of the aggregate sum of the notional amounts of (X) the ABS CDO CDSs and (Y) the CDO CDSs; (B) at least sixty-six and two-thirds percent (66 2/3%) in total notional amount of the ABS CDO CDSs; and (C) at least sixty-six and two-thirds percent (66 2/3%) in aggregate number of the CDS Counterparties and (ii) from and after the Closing, at least (W) holders of greater than fifty percent (50%) of the then-outstanding principal amount of the SGI Surplus Notes, (X) holders of greater than fifty percent (50%) of the then-outstanding notional amount of the Assigned Swaps (or, with respect to any particular Assigned Swap as to which an "Early Termination Date" has occurred (and in the place of such Assigned Swap), the corresponding P&I CDS (if any)), (Y) greater than fifty percent (50%) in aggregate number of the Persons that then hold the SGI Surplus Notes and (Z) greater than fifty percent (50%) in aggregate number of the holders of the then-outstanding Assigned Swaps (or, with respect to any particular Assigned Swap as to which an "Early Termination Date" has occurred (and in the place of such Assigned Swap), the corresponding P&I CDS (if any)); provided that, with respect to any amendment, alteration, supplement, waiver or modification to Section 5.13(g)(A), (C) or (D) of this Agreement, "Minimum CDS Counterparty Threshold" means at least (I) holders of greater than seventy-five percent (75%) of the then-outstanding principal amount of the SGI Surplus Notes, (II) holders of greater than seventy-five percent (75%) of the then-outstanding notional exposure of the Assigned Swaps (or, with respect to any particular Assigned Swap as to which an "Early Termination Date" has occurred (and in the place of such Assigned Swap), the corresponding P&I CDS (if any)), (III) greater than seventy-five percent (75%) in aggregate number of the Persons that then hold the SGI Surplus Notes and (IV) greater than seventy-five percent (75%) in aggregate

number of the holders of the then-outstanding exposure of the Assigned Swaps (or, with respect to any particular Assigned Swap as to which an "Early Termination Date" has occurred (and in the place of such Assigned Swap), the corresponding P&I CDS (if any)). Notwithstanding anything to the contrary, Affiliates shall be treated as one CDS Counterparty, Person or holder (as applicable) solely for purposes of the numerosity tests described in (1) clauses (i)(C), (ii)(Y) and (ii)(Z) of this definition and (2) parts (III) and (IV) of the proviso above in this definition; provided that CDS Counterparties that were not Affiliates as of July 28, 2008 shall be treated as separate CDS Counterparties, Persons or holders (as applicable) for purposes of such numerosity tests.

"Permitted Liens" means (a) Liens for taxes not yet due and payable or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established on the Financial Statements in accordance with GAAP or SAP, as applicable, (b) statutory Liens of landlords, (c) Liens of carriers, warehousemen, mechanics, materialmen and repairmen incurred in the ordinary course of business consistent with past practice and not yet delinquent, (d) in the case of real property, zoning, building, or other restrictions, variances, covenants, rights of way, encumbrances, easements and other minor irregularities in title, none of which, individually or in the aggregate, (i) interfere in any material respect with the present use of or occupancy of the affected parcel by the Syncora Parties, (ii) have more than an immaterial effect on the value thereof or its use, or (iii) would impair the ability of such parcel to be sold for its present use, (e) Liens securing obligations permitted to exist under Section 5.13 or Section 5.14 that would not materially interfere with the value or utility to the Syncora Parties of the item subject to the Lien, and (f) the Liens set forth on Schedule 5.13-B hereto.