

**CONDITIONAL SURPLUS NOTE PURCHASE
TERM SHEET**

The following Term Sheet reflects the basic terms of a proposed agreement between Syncora Guarantee Inc. (“SGI”) and Syncora Capital Assurance Inc. (“SCAI”) and together with SGI, the “Parties”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in MTA II.

Conditional Purchase Obligation	<p>In order to provide surplus support to its wholly-owned subsidiary from time to time, SGI shall commit to purchase certain surplus notes (the “<u>N</u>ew <u>N</u>otes”) from SCAI, on the terms and subject to the conditions set forth in this Term Sheet (the “<u>C</u>onditional Purchase Obligation”):</p> <ul style="list-style-type: none">• <i>Maximum Amount</i> – \$100 million in the aggregate, in increments of \$20 million, increased by the principal amount of any New Notes that are both issued and paid in full by SCAI prior to the Final Maturity Date.• <i>Conditions to Purchase</i> – At such times that all applicable conditions to purchase (as set forth below) are satisfied, SGI shall purchase from SCAI (and SCAI shall issue to SGI) New Notes in an amount (not to exceed the Maximum Amount) necessary to restore SCAI’s Surplus to \$100 million (the “<u>M</u>inimum Surplus Level”).
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<p>New Note General Terms</p>	<ul style="list-style-type: none"> • <i>Interest Rate</i> – The New Notes shall bear interest at the rate of 6.5% per annum, payable (subject in each case to NYDFS approval) on December 31 and June 30 of each year prior to the Final Maturity Date, and on the Final Maturity Date.¹ Until such time as all payments of principal and interest on the existing SCAI surplus notes have been paid in full, interest shall be paid through the addition of such amount to the outstanding principal amount on the applicable interest payment date. From and after such time as all payments of principal and interest on the existing SCAI surplus notes have been paid in full, interest shall be paid in cash. • <i>Amortization</i> – Subject to the prepayment rights discussed below, the principal amount of any New Notes shall be due and payable (subject in each case to NYDFS approval) in twelve equal payments (to be made on December 28 and June 27 of each year), commencing on December 28 of the ninth year after issuance of such New Notes. • <i>Priority</i> – No cash payment of interest or principal may be made on the New Notes on any date unless the existing SCAI surplus note (including all outstanding principal and interest) has been paid in full. • <i>Documentation</i> – Except as modified by this Term Sheet, the New Notes shall be substantially in the form of the SCAI Long-Term Surplus Note previously issued. • <i>Transferability</i> – SGI shall be permitted to sell, assign, transfer or grant any security interest or other encumbrance in the New Notes; <i>provided, however,</i> that any such transfer must be made in compliance with the Securities Act of 1933; <i>provided, further,</i> that if the New Notes are transferred the Conditions Precedent to Purchase set forth below shall not apply to such transferee.
<p>Optional Prepayment</p>	<p>From and after the date on which all payments of principal and interest on the existing SCAI Surplus Notes have been paid in full, SCAI may, at its option from time to time and without imposition of a prepayment penalty, but subject in each case to NYDFS consent, prepay all or any portion of any New Notes held by any holder of the New Notes.</p>

¹ NTD: For comparison, the interest rate of the current Long-Term Surplus Note is 6% and that of the Short-Term Surplus Note coupon was 5%.

<p>Conditions Precedent to Purchase</p>	<p>SGI’s Conditional Purchase Obligation shall be subject to the following conditions (including, in each case, the requirement that such conditions would be met after giving effect to the proposed purchase):</p> <ol style="list-style-type: none"> 1. Either (i) SCAI’s Surplus as of the end of the prior quarter is less than the Minimum Surplus level or (ii) SCAI’s expected Surplus at the end of the coming quarter is projected in good faith by SCAI management to be less than the Minimum Surplus Level; and 2. SGI’s Surplus as of the prior quarter end (assuming for this purpose that the proposed purchase of New Notes was effected as of the prior quarter end) shall not be less than \$100 million.
<p>Definitions</p>	<p>For the purposes of this Term Sheet, “<u>Surplus</u>” shall mean statutory surplus under New York Insurance Law.</p>
<p>Conditions to Effectiveness of Conditional Purchase Obligation</p>	<p>Effectiveness of the Conditional Purchase Obligation would occur upon the last to occur of the following:</p> <ul style="list-style-type: none"> • Waiver of any applicable MTA II restrictions; • Approval of the Conditional Purchase Obligation by (i) the SGI and SCAI boards of directors, (ii) the SCAI Special Transactions Committee, and (iii) the NYDFS.
<p>Governing Law and Exclusive Venue</p>	<p>New York</p>

This Term Sheet (i) assumes the receipt of all required consents from third parties and the NYDFS, (ii) is non-binding, subject to change, and does not purport to describe all of the terms and conditions of the transactions, and (iii) is not intended to express the agreement of the Parties and is not intended to be binding on the Parties now or at any point in the future. This Term Sheet does not contain an exhaustive summary of the provisions that will be contained in the definitive documentation and is intended to be used solely as a negotiation aid by the Parties.
