

THIS SURPLUS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL SUCH NOTE IS REGISTERED UNDER SUCH ACT OR, IN THE OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE OBLIGOR, AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THIS SURPLUS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFER AND MAY NOT BE ASSIGNED, SOLD, EXCHANGED, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH AND SUBJECT TO THE TERMS AND CONDITIONS HEREOF.

LONG TERM SURPLUS NOTE

No. LT-1
U.S. \$200,000,000

July 15, 2009
New York, New York

For value received, SYNCORA CAPITAL ASSURANCE INC., a New York insurance corporation ("Obligor"), promises to pay to SYNCORA GUARANTEE INC. (the "Noteholder"), the aggregate principal amount of U.S. \$200,000,000 (as may be increased from time to time pursuant to the terms herein, the "Principal Amount"), together with interest on the Principal Amount at the rate provided for herein, on the Maturity Date, as hereinafter defined.

This Surplus Note shall accrue interest at an interest rate equal to six percent (6%) per annum. Interest on the Principal Amount shall be payable on the 27th day of June and the 28th day of December in each year, commencing on December 28, 2009, and on the Maturity Date (each such date being hereinafter referred to as an "Interest Payment Date" or a "Payment Date"). On or prior to June 27, 2013, the Obligor shall pay accrued interest (as selected by the Obligor) either (a) in cash or (b) through the addition of such amount (the "PIK Accrual") to the then outstanding Principal Amount on the applicable Interest Payment Date. Interest shall accrue on the PIK Accrual and shall be payable as

provided herein. On or after December 28, 2013, all interest accruing on the Principal Amount shall be payable in cash. The outstanding Principal Amount due on this Surplus Note shall mature on June 27, 2024 (the "Maturity Date").

The outstanding Principal Amount of this Surplus Note shall be due and payable in twelve equal payments to be made on the 27th day of June and the 28th day of December in each year, commencing on December 28, 2018 (each such date, a "Principal Payment Date" and a "Payment Date"). Such principal payments shall each be in the amount calculated as one-twelfth of the outstanding principal balance (immediately prior to the making of any such payments) on December 28, 2018.

The Obligor shall not be entitled to prepay all or any portion of the Principal Amount prior to the relevant scheduled Principal Payment Date.

When payment would otherwise be due on a day other than a Business Day, the next succeeding Business Day shall be substituted for such day. Interest shall accrue on the basis of a year of 360 days and actual days elapsed from and including the first day of an Interest Period, to and including the last day of such Interest Period. "Business Day" shall mean a day when banks are open for business in New York City. "Interest Period" shall mean the period commencing on and including the date of this Surplus Note, to and including the first Interest Payment Date, and each successive period thereafter, commencing on and including the date immediately following each Interest Payment Date, to and including the next succeeding Interest Payment Date.

Unpaid Principal Amount and the interest accrued thereon shall be payable only out of free and divisible surplus of Obligor if and to the extent that the free and divisible

surplus of Obligor (determined on a statutory basis in accordance with the New York Insurance Law) is sufficient for the payment thereof.

Any payment of unpaid Principal Amount and the interest thereon shall be paid only with the prior written consent of the Superintendent of Insurance of the State of New York (the "Superintendent") in accordance with the applicable provisions of the New York Insurance Law.

If any payment of the Principal Amount of, or interest on, this Surplus Note cannot be paid when due because of the limitations set forth in either of the two preceding paragraphs (such limitations, collectively, the "Surplus Limitations") then such unpaid amount shall accrue interest at the rate herein provided and such amount (together with interest) shall be paid at the earliest possible time, or times (including, without limitation, through multiple partial payments), as such payment may be made without violation of the Surplus Limitations.

The unpaid Principal Amount represented by this Surplus Note and the accrued interest thereon shall be a liability and claim against the Obligor, and any of its assets, to the extent permitted by Section 1307 of the New York Insurance Law. Until such amounts are repaid, all statements published by the Obligor or filed by the Obligor with the Superintendent shall report the issuance and holding of this Surplus Note in accordance with statutory accounting principles prescribed or otherwise permitted by the Superintendent.

This Surplus Note and all rights hereunder may not be assigned, sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of, in whole or in part, without the prior written consent of the Obligor.

This Surplus Note is issued pursuant to the Master Transaction Agreement, dated as of April 26, 2009 (as from time to time amended, the “Master Transaction Agreement”), among SYNCORA HOLDINGS LTD. (formerly known as Security Capital Assurance Ltd), a Bermuda exempted company, the Noteholder, the Obligor, certain portfolio trusts that are party to the Master Transaction Agreement, and the counterparties to credit default swap agreements with affiliates of the Noteholder that are party to the Master Transaction Agreement and are entitled to the benefits thereof.

This Surplus Note will be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws.

Payments of both unpaid principal and interest are to be made in United States dollars and in immediately available funds at the office of Noteholder, 1221 Avenue of the Americas, New York, NY 10020, or at such other place as Noteholder shall designate to Obligor in writing.

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