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This presentation is a draft, provided for discussion purposes only. The list of possible scenarios included in this presentation is non-exhaustive, and the actions described herein are subject to change and receipt of board and regulatory approvals, among others. It is anticipated that this presentation will be refined and appropriately tailored to the final structure and legal documentation for the transaction subject to board and regulatory approvals*

Project Star

MOELIS & COMPANY

Illustrative Transaction Strawman

April 2016

Key Transaction Rationale

The Syncora Companies (“Syncora” or the “Company”) benefit from an overall restructuring transaction in several ways

- 1 Deleveraging of holding company and insurance entities
- 2 Financial stability for the insurance platforms
- 3 Improved liquidity
- 4 Enhanced financial and operating flexibility
- 5 Maximize stakeholder value and NOL utilization opportunities
- 6 New business opportunities to be actively explored

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Syncora Current Capitalization

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(\$ in mm)	Maturity	Principal and PIK			Unapproved and Accrued Interest			Total		Net Par + PIK ¹
		Gross Par + PIK ¹	Held by Syncora	Net Par + PIK ¹	Gross	Held by Syncora	Net	Gross Par + PIK	Net Par + PIK	
SGI Short-term 5% Surplus Notes	2011	\$165 ²	(\$21)	\$144	\$42	(\$5)	\$37	\$207	\$181	\$144
SGI Long-term 6% Surplus Notes	2024	602 ³	(27)	575	97	(4)	93	700	668	575
Total Surplus Notes		\$768	(\$48)	\$719	\$139	(\$10)	\$130	\$907	\$849	\$719
Twin Reefs Preferred Shares		\$200	(\$65)	\$135				\$200	\$135	\$135
SHL Preferred Shares		250	(85)	165				250	165	165
Total Preferred Shares		\$450	(\$150)	\$300				\$450	\$300	\$300
SNs + Preferred		\$1,218	(\$198)	\$1,019				\$1,357	\$1,149	\$1,019
SHL Common Shares		59	(3)	56				59	56	59

*Net of
Securities held
by Syncora*

Source: Company Financials as of December 31, 2015

Note:

1. Includes PIK and excludes unapproved and accrued interest
2. \$150mm original face plus \$15mm PIK interest
3. \$475mm original face plus \$127mm PIK interest

Key Elements of the Transaction

The key elements of the restructuring transaction include:

- 1** **SGI Surplus Note Discount:** SGI Surplus Noteholders provide security discount and approve allocation of excess NOLs to Holdco in exchange for potential ongoing debt service payments and SHL common equity
- 2** **Cancellation or Transfer of Syncora Held Securities:** Cancellation or transfer to SHI of \$85mm of SHL Preferred Shares held by SGI
- 3** **Tax Sharing Agreement (“TSA”) Amendment:** TSA Amendment effected to allocate excess NOLs (~\$2.0bn) to Holdco
- 4** **Preferred Exchange:** Preferred security holders exchange illiquid, non-performing and non-cumulative securities at a discount for \$[20]-\$[30]mm of Surplus Notes acquired by SHL from Surplus Noteholders and [10]-[20]% of SHL common equity

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Analysis at Various Prices

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ILLUSTRATIVE SHL PREFERRED SECURITIES RECOVERY

(\$ mm)	Illustrative Pro Forma SHL Common Equity Valuation				
	\$150	\$200	\$250	\$300	\$350
Surplus Notes Transferred to SHL Preferred Shareholders					
Total SGI Surplus Notes (<i>Par Value</i>)	\$25	\$25	\$25	\$25	\$25
SHL Common Equity Transferred to SHL Preferred Shareholders					
Pro Forma SHL Common Equity Ownership	15.0%	15.0%	15.0%	15.0%	15.0%
Implied New Equity Value	\$23	\$30	\$38	\$45	\$53
Illustrative Recovery Analysis					
Total Value to SHL Preferred Equity	\$48	\$55	\$63	\$70	\$78
SHL Preferred Equity Current Par (<i>Net of Syncora Held Amounts</i>)	165	165	165	165	165
SHL Preferred Share Recovery (<i>% of Current Par</i>)	28.8%	33.3%	37.9%	42.4%	47.0%

ILLUSTRATIVE SHL PREFERRED SHAREHOLDERS RECOVERY SENSITIVITY ANALYSIS

Recovery to Current Par (%):

		Illustrative Pro Forma Common Equity Valuation				
		\$150	\$200	\$250	\$300	\$350
Illustrative Pro Forma Surplus Note Pricing	100%	28.8%	33.3%	37.9%	42.4%	47.0%
	95%	28.0%	32.6%	37.1%	41.7%	46.2%
	90%	27.3%	31.8%	36.4%	40.9%	45.5%
	85%	26.5%	31.1%	35.6%	40.2%	44.7%
	80%	25.8%	30.3%	34.8%	39.4%	43.9%

Note: Surplus Notes reflect midpoint of \$20mm-\$30mm range and Common Equity percentage reflects midpoint of 10-20% range

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