

SUPPLEMENTAL NOTICE OF SEPARATE SPECIAL GENERAL MEETING OF  
FIXED/FLOATING SERIES A PERPETUAL NON-CUMULATIVE PREFERENCE  
SHARES OF SYNCORA HOLDINGS LTD.

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Hamilton, Bermuda

August 4, 2016

TO THE HOLDERS OF FIXED/FLOATING SERIES A PERPETUAL NON-  
CUMULATIVE PREFERENCE SHARES

Notice is hereby given that the Addendum attached as Appendix A to the notice of the Separate Special General Meeting of the Fixed/Floating Series A Perpetual Non-Cumulative Preference Shares of Syncora Holdings Ltd. dated 8 July 2016, which describes the implementation of the Variation, is amended by the deletion of the definition of “Settlement Date” in the Addendum and in its place the insertion of the following:

**“Settlement Date:** No later than the fifth business day following the Expiration Time.”

The amendment is being made to conform the definition of “Settlement Date” to that used in the Confidential Offering Memorandum and Confidential Information Statement dated 8 July 2016.

For the avoidance of doubt, while the total amount of Reallocated Surplus Notes that each Existing SHL Preferred Share will convert into as part of the SHL Preferred Consideration is a fixed aggregate amount, the split described in the Addendum between Existing Long-Term Surplus Notes and Existing Short-Term Surplus Notes is based upon 100% participation by holders of Existing SGI Surplus Notes and the actual split will vary based on the actual levels of participation by the holders of Existing Long-Term Surplus Notes and the holders of Existing Short-Term Surplus Notes.

Attached hereto at Appendix A is a revised Addendum incorporating the above amendment.

This Supplemental Notice shall not affect any Proxies already voted nor does it affect the instructions relating to the Proxies or otherwise.

By Order of The Board of Directors,

/s/ James W. Lundy, Jr.

James W. Lundy, Jr.

*Secretary and General Counsel*

## **APPENDIX A - ADDENDUM**

## ADDENDUM

TO

### THE PREFERENCES, RIGHTS AND RESTRICTIONS OF THE FIXED/FLOATING SERIES A PERPETUAL NON-CUMULATIVE PREFERENCE SHARES, PAR VALUE US\$0.01 PER SHARE AS SET OUT IN THE EXTRACT OF MINUTES OF THE MINUTES OF A MEETING OF A SUBCOMMITTEE OF THE FINANCE AND RISK COMMITTEE

OF

#### SYNCORA HOLDINGS LTD. HELD ON 29 MARCH 2007

Syncora Holdings Ltd., a Bermuda exempted company (**Company**), HEREBY CERTIFIES that pursuant to resolutions of the holders of the Existing Preferred Shares (as defined below) of the Company passed at a duly convened separate special general meeting of such Existing Preferred Shares on 8 August 2016 (**Special General Meeting**) the Terms (as such term is defined below) (attached at Exhibit A to this Addendum) of the Preferred Shares (as such term is defined below) were altered, amended, supplemented and varied pursuant to bye-law 50(2) of the Company's bye-laws (**Bye-laws**) as follows:

#### BACKGROUND

- (A) Pursuant to an extract of the minutes of a meeting of a subcommittee of the finance and risk committee of the Company held on 29 March 2007 (**Minutes**) the Company resolved to issue a series of preference shares designated as "Fixed/Floating Series A Perpetual Non-Cumulative Preference Shares (**Preferred Shares**) and such Preferred Shares were issued with the preferences, rights and restrictions as set out in the Minutes, which are referred to herein as the **Terms**; and
- (B) Subject to certain Conditions (as such term is defined below), the Company intends to vary the Terms pursuant to the Variation (as such term is defined below) and, as such, this Addendum was adopted by the existing holders of the Preferred Shares at a meeting of the holders of the issued and outstanding Preferred Shares (**Existing Preferred Shares**) dated 8 August 2016.

#### 1. DEFINITIONS

**2009 MTA:** means that certain master transaction agreement, dated April 26, 2009, by and among SHL, SGI and SCAI;

**Affiliate:** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person;

**Companies Act:** means the Bermuda Company Act 1981, as amended;

**Conditions Precedent:**

- i. NYDFS approval or non-disapproval, as applicable, of the Restructuring Transactions, including (a) the proposed transfer of assets between SGI and SHI described herein, (b) a payment of at least \$58.9 million on the Existing SGI Surplus Notes (which amount includes a payment of \$55 million on Existing SGI Surplus Notes owned by holders other than SGI), (c) a permitted practice to increase SGI's unassigned fund (surplus) by transferring its gross paid-in and contributed surplus account to its earned surplus account and to restate SCAI's unassigned funds (surplus) to the extent possible by netting its negative earned surplus against its gross paid-in and contributed surplus and (d) the TSA Amendment (as defined below);
- ii. payment of at least \$58.9 million on the Existing SGI Surplus Notes (**Surplus Note Payment**), in immediately available U.S. dollars concurrently with the closing of the Restructuring Transactions;
- iii. consent by more than 50% in value of the Existing Short-Term Surplus Notes and more than 50% in value of the Existing Long-Term Surplus Notes to the waiver of certain 2009 MTA provisions;
- iv. the Restructuring Transactions will not result, as determined by us in good faith, in an aggregate cumulative "owner shift" in excess of 38.5 percentage points for purposes of Section 382 of the United States Internal Revenue Code of 1986, as amended;
- v. execution and delivery of the TSA Amendment;
- vi. neither the Exchange Offers nor SHL Preferred Amendment have been determined to violate any applicable law or interpretation of the staff of the United States Securities and Exchange Commission;
- vii. absence of any statute, rule, regulation, judgment, order, decree or injunction which prohibits or prevents the closing of either of the Exchange Offers;
- viii. Computershare Trust Company, N.A., as existing fiscal agent, shall have not taken any action that would or could adversely affect the Exchange Offers; and
- ix. specific permission from the Bermuda Monetary Authority, pursuant to the provisions of the Exchange Control Act of 1972 and related regulations, each as amended and under the specific permission granted to the Company, if and to the extent issuance of the New Common Shares to either a current or potential shareholder of the Company in connection with the Exchange Offers results in such person holding 5% or more of the Company's common shares, par value \$0.01 per share;

**Eligible Holders:** means a holder of Existing Preferred Shares who is not an Ineligible Holder;

**Exchange Offers:** means the offer to exchange certain consideration for the Existing SGI Surplus Notes;

**Existing SGI Surplus Notes:** means the Existing Long-Term Surplus Notes and Short-Term Surplus Notes;

**Existing Long-Term Surplus Notes :** means SGI's outstanding 6% Surplus Notes due 2024;

**Existing Short-Term Surplus Notes :** means SGI's outstanding 5% Surplus Notes due 2011;

**Expiration Time:** 12:00 noon, New York City time, on August 5, 2016, unless extended or earlier terminate;

**Holding Company:** has the meaning ascribed to that term in Section 86(2) of the Companies Act;

**Ineligible Holders:** means a holder of Existing Preferred Shares who is not a person to whom the a proxy solicitation is being made, on the basis that such person is (a) in the United States, not a "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or institutional "accredited investors" within the meaning of subsection (1), (2), (3), or (7) of Rule 501(a) under the Securities Act, (b) outside the United States, a "U.S. person" (as defined in Rule 902 under the Securities Act) in reliance on Regulation S of the Securities Act and/or (c) a person to whom the SHL Preferred Proxy Solicitation cannot otherwise be lawfully made;

**Minimum Conditions:**

The consummation of the SHL Preferred Amendment is conditioned upon, among others, the valid grant of proxies of a sufficient number of Existing Preferred Shares to (i) achieve a quorum for the Special General Meeting and (ii) have a majority of Existing Preferred Shares voted at the Special General Meeting vote in favor of the SHL Preferred Amendment, which number, in the case of (i) and (ii), is satisfied by eligible holders, irrespective of any participation at the Special General Meeting by Ineligible Holders (and would also have been so satisfied if any Ineligible Holders who provide confirmation of their status as Ineligible Holders had actually participated at the Special General Meeting), including the satisfaction of such condition at an adjourned Special General Meeting.

The consummation of the Exchange Offers is conditioned upon, among others, the valid tender of at least \$860,498,687 comprising principal, paid-in-kind interest and accrued and unapproved interest (or 98% of the outstanding amount including principal, paid-in-kind interest and accrued and unapproved interest (computed through the anticipated close of the Exchange Offers) owned by holders other than the Company) of Existing SGI Surplus Notes in the Exchange Offers;

**Restructuring Transactions:** Collectively, a payment in cash of at least \$55 million on Existing SGI Surplus Notes (other than those held by the Company or its Subsidiaries or Affiliates), the TSA Amendment, and certain internal restructuring transactions;

**SCAI:** Syncora Capital Assurance Inc.;

**SGI:** Syncora Guarantee Inc.;

**SHI:** Syncora Holdings US Inc.;

**SHL Preferred Amendment:** Resolution to be passed by the holders of the Preferred Shares at a separate special meeting intended to vary the terms of the Existing Preferred Shares;

**Settlement Date:** No later than the fifth business day following the Expiration Time;

**Subsidiary:** has the meaning ascribed to that term in Section 86(1) of the Companies Act;

**TSA Amendment:** The proposed amendment of the existing Tax Sharing Agreement dated as of 13 September 2007, as amended on 15 July 2009 among SHI, SGI, SCAI and certain of their domestic affiliates to "unlock" the value of net operating losses that exceed a specified amount and allow SHI and other members of the consolidated group to utilize such net operating losses without paying notional tax to SGI or SCAI;

**Variation:** has the meaning ascribed to that term in paragraph 3 below.

## 2. **EFFECTIVENESS OF VARIATION**

- 2.1 At the Settlement Date, subject to satisfaction of the Conditions the Terms shall be varied pursuant to the Variation.
- 2.2 The Variation shall be conditional on the satisfaction or waiver on or before the Settlement Date of each of the Minimum Conditions and the Conditions Precedent (together, **Conditions**).
- 2.3 The Variation shall become effective from the Settlement Date.

## 3. **EFFECT OF VARIATION**

- 3.1 On the Settlement Date and notwithstanding anything to the contrary in this Addendum, the Company's Bye-laws or memorandum of association or the Terms without any action on the part of the holder of any Existing Preferred Share:
  - (a) Each Existing Preferred Share that is owned by the Company, or by any respective Subsidiary or Affiliate of the Company immediately prior to the Settlement Date (**Excluded Shares**) shall without any action on the part of the holder thereof, be: (i) purchased by the Company as treasury shares pursuant to section 42B of the Bermuda

Companies Act 1981, as amended (**Act**); and (ii) immediately thereafter cancelled, and shall cease to exist, and no Variation shall be deemed to occur in respect of the Terms attached to the Excluded Shares.

(b) Each Existing Preferred Share issued and outstanding immediately prior to the Settlement Date (other than the Excluded Shares) shall automatically be cancelled and converted into:

(i) 78.5 validly issued, fully paid and non-assessable common shares in the capital of the Company, par value US\$0.01 per share (**New Common Shares**); and

(ii) \$51.25 principal amount of Existing Short-Term Surplus Notes comprising principal, paid-in-kind interest and accrued and unapproved interest and \$190.56 principal amount of Existing Long-Term Surplus Notes comprising principal, paid-in-kind interest and accrued and unapproved interest (**Re-allocated Surplus Notes** and together with the New Common Shares, **SHL Consideration**).

(items (a) and (b) above are together the **Variation**)

For the avoidance of doubt, while the total amount of Reallocated Surplus Notes that each Existing SHL Preferred Share will convert into as part of the SHL Preferred Consideration is a fixed aggregate amount, the split described in this Addendum between Existing Long-Term Surplus Notes and Existing Short-Term Surplus Notes is based upon 100% participation by holders of Existing SGI Surplus Notes and the actual split will vary based on the actual levels of participation by the holders of Existing Long-Term Surplus Notes and the holders of Existing Short-Term Surplus Notes.

(c) As of the Settlement Date and immediately following the Variation, all Existing Preferred Shares shall be cancelled automatically and shall cease to exist and the holders of Existing Preferred Shares shall cease to have any rights (including, without limitation, rights to dividend) with respect to such Existing Preferred Shares, except in the case of the Existing Preferred Shares (other than Excluded Shares), the right to receive the SHL Consideration. For the avoidance of doubt, the holders of Existing Preferred Shares will not receive any dividends on the Existing Preferred Shares converted into the SHL Consideration.

3.2 Upon the Variation taking effect on the Settlement Date, subject to the Company's Memorandum of Association, the Bye-laws and the provisions and restrictions contained in the Companies Act, as amended, the Terms and this Addendum together will constitute the preferences, rights and restrictions to which the Existing Preferred Shares are subject.

4. **SETTLEMENT OF SHL CONSIDERATION**

At the Settlement Date each holder of Existing Preferred Shares will receive (i) its pro rata portion of the New Common Shares from Computershare, as a book-entry position in the Direct Registration System and will be mailed a transaction advice reflecting such New Common Shares, (ii) a certificate representing its pro rata portion of the Existing Short-Term Surplus Notes calculated as set forth in Section 3.1(b)(ii) hereof and (iii) a certificate representing its pro rata portion of the Existing Long-Term Surplus Notes as set forth in Section 3.1(b)(ii) hereof.

5. **MISCELLANEOUS**

5.1 **Termination, Amendment and Waiver**

This Addendum and the Variation set out herein shall cease to apply automatically if the Conditions are not satisfied on or before 30 September 2016. Without prejudice to any liability of any party in respect of any antecedent breach hereof or to any accrued rights of any party hereto, if this Addendum is terminated pursuant to this paragraph then the rights and preferences attached to the Preferred Shares shall not be affected and the Terms shall continue in full force and effect.

5.2 **Notices**

All notice provisions contained in the Terms will apply to this Addendum *mutatis mutandis*.

**IN WITNESS WHEREOF** Syncora Holdings Ltd. has caused this Addendum to be signed by [ ], this day of [ ] 2016

**SIGNED** for and on behalf of **Syncora Holdings Ltd.** )  
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Authorised signatory

Name:

Position: