

Syncora Guarantee Inc.
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April 27, 2009

HSBC Bank USA, National Association
452 Fifth Avenue
New York, New York 10018
Attention: CTLA-Structured Finance/STACS 2007-1

Re: Claim Notice (the "Claim Notice") dated April 23, 2009, regarding SunTrust Acquisition Closed-End Seconds Trust, Series 2007-1 Policy No. CA03757A

Dear Sir or Madam:

Please be advised that in Syncora Guarantee Inc.'s (f/k/a XL Capital Assurance Inc.) ("Syncora") 2008 Annual Statement filed with the New York State Insurance Department, Syncora reported a surplus to policyholders deficit at December 31, 2008 of \$2,399,691, 659, and an impairment of its required minimum surplus to policyholders of \$2,465,691, 659.

On April 10, 2009, the New York State Department of Insurance issued an order to Syncora pursuant to Section 1310 of the New York Insurance Law (the "Order"), a copy of which is attached hereto. The Order directs Syncora to suspend paying any and all claims as of April 26, 2009 until such time as Syncora has restored its surplus to policyholders to the minimum amount required by New York State Insurance Law. Syncora has not restored its surplus to policyholders to this minimum amount and is therefore suspending payment of any and all claims, including the claim submitted in the Claim Notice, in compliance with the Order.

Sincerely,

A handwritten signature in black ink, appearing to read "Drew D. Hoffman", written in a cursive style.

Drew D. Hoffman
Head of Surveillance



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, N.Y. 10004

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In the Matter of

SYNCORA GUARANTEE INC.

**ORDER PURSUANT TO
INSURANCE LAW § 1310**

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WHEREAS, Syncora Guarantee Inc. (the "Company") is a domestic financial guaranty insurance corporation organized and licensed under Article 69 of the New York Insurance Law ("Insurance Law"); and

WHEREAS, Section 1310 of the Insurance Law provides that whenever the Superintendent of Insurance (the "Superintendent") finds that the admitted assets of a domestic stock insurer are less than the aggregate amount of its liabilities and outstanding capital stock, or the admitted assets of any such insurer which is required to maintain a minimum surplus to policyholders are less than the aggregate amount of its liabilities and the amount of its minimum surplus to policyholders, the Superintendent shall determine the amount of the impairment and order the insurer to eliminate the impairment within such period as he designates, and may also order the insurer not to issue any new policies while the impairment exists; and

WHEREAS, pursuant to Section 201 of the Insurance Law, the Superintendent possesses the rights, powers and duties in connection with the business of insurance in the State of New York, expressed or reasonably implied by the Insurance Law or any other applicable law of the State of New York State; and

WHEREAS, in its 2008 Annual Statement filed with the New York State Insurance Department (the "Department"), the Company reported a surplus to policyholders deficit at December 31, 2008 of \$2,399,691,659, and an impairment of its required minimum surplus to policyholders of \$2,465,691,659; and

WHEREAS, the Superintendent has directed the Company to submit a plan to eliminate the aforementioned impairment of the Company's surplus to policyholders; and

WHEREAS, on April 10, 2009, the Company submitted a letter to the Department (the "Letter") seeking approval of a plan under Section 1310 of the Insurance Law to effectuate a comprehensive Restructuring (as such term is defined below), and eliminate the impairment to the Company's surplus; and

WHEREAS, the Company has been engaged in negotiations with certain of its credit default swap counterparties (the "Counterparties"), and a fund in which the Company proposes to invest has commenced a tender offer for the acquisition or exchange of certain residential mortgage backed securities guaranteed by the Company, through which the Company seeks to achieve a comprehensive Restructuring intended to remediate its credit default swap exposures and residential mortgage backed securities exposures, remove its capital impairment and return it to compliance with the applicable minimum surplus to policyholders requirement (the "Restructuring"); and

WHEREAS, in the absence of a successful Restructuring, the Company is expected to continue to report a significant policyholders' deficit; and

WHEREAS, a successful Restructuring is likely to result in a better overall recovery for the policyholders of the Company than what may be expected to be achieved in a rehabilitation or liquidation; and

WHEREAS, the Superintendent has been informed that the Counterparties support the Company's efforts to effectuate the Restructuring; and

WHEREAS, the Company and the Counterparties have provided assurances that they will act in good faith to expeditiously complete the Restructuring; and

WHEREAS, the Department has reviewed the Letter and the plan to eliminate the impairment.

NOW, THEREFORE, it is hereby **ORDERED** as follows:

1. Without limiting in any way the Superintendent's ability to seek rehabilitation or liquidation of the Company prior to such date, the Company shall take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders requirement by not later than May 29, 2009.

2. Until the Company achieves compliance with paragraph 1 of this Order, as set forth in the Letter, the Company shall not write any new policies and, as of April 26, 2009, shall suspend paying any and all claims and otherwise shall operate only in the ordinary course and as necessary to effectuate the Restructuring.

Dated: New York, New York
April 10, 2009

ERIC R. DINALLO
Superintendent of Insurance

By: 
Michael Moriarty
Deputy Superintendent of Insurance