

Financial Guaranty Insurance Company
Audit Committee Charter

I. Purpose

The Audit Committee (the “Committee”) shall be appointed by the Board of Directors (the “Board”) of Financial Guaranty Insurance Company (the “Company”) to assist the Board in fulfilling its oversight responsibility relating to:

- (A) The preparation and integrity of the Company's financial statements in conformity with accounting practices and guidelines prescribed or permitted by the New York State Department of Financial Services (“SAP”);
- (B) The qualifications, independence, engagement and performance of the Company’s independent auditor;
- (C) The independent auditor’s annual audit and interim reviews of the Company’s financial statements;
- (D) The Company’s policies and controls for managing risk, including the risk of fraud, as provided in this Charter; and
- (E) The Company's compliance with legal and regulatory requirements and its compliance policies.

II. Membership

The Committee's membership shall be determined by the Board and shall consist of at least three non-executive members of the Board. The Board shall appoint the Chair of the Committee.

III. Meetings and Reports

The Committee shall meet at least quarterly and as frequently as it or the Board determines appropriate, and it shall have regular meetings (to be scheduled by the Chair of the Committee) preceding each regular quarterly meeting of the Board. The Chair of the Committee, or any two other members of the Committee, may call (or reschedule) meetings of the Committee. Meetings of the Committee may be held telephonically. The Committee may act by unanimous written consent.

The Chair shall preside at all Committee meetings at which he or she is present and, with input from other Committee members, shall set the agendas for Committee meetings. All members of the Board are free to suggest items for inclusion in the agenda for the Committee's meetings. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

The Committee shall meet periodically in separate private sessions with management, the independent auditor, the Company's General Counsel, Chief Financial Officer, and Chief Executive Officer and in "executive" sessions without Company officers or employees present. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend all or any part of a meeting of the Committee or to meet with any member of, or advisers to, the Committee. The Committee shall have full, free and unrestricted access to these persons and firms. The Committee may invite and permit other guests to observe all or portions of its meetings.

The Committee shall report regularly to the Board with respect to the Committee's activities. The report to the Board may take the form of an oral report by the Chair or by any other Committee member or any officer or employee of the Company designated by the Chair to make such report. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

IV. Functions and Duties

In addition to and consistent with any other functions and duties expressly delegated to the Committee by the Board, the Committee shall perform the following functions and duties:

A. Statutory Basis Financial Statements and Disclosure Matters

1. The Committee shall review and discuss with management the Company's annual audited statutory basis financial statements and the Company's quarterly statutory basis financial statements.
2. The Committee shall review and discuss with the Company's independent auditor the annual audited statutory basis financial statements and, if a review of the quarterly statutory basis financial statements has been undertaken by the independent auditor, the results of such review.
3. The Committee shall review and discuss with management any "MD&A" disclosures prior to their filing.
4. The Committee's review of the Company's financial statements shall include, to the extent the Committee deems necessary or beneficial to its review, discussions with management and the independent auditor concerning:
 - Major issues concerning the financial statements, including accounting principles and financial statement presentation, and any significant changes in the Company's selection or application of accounting principles;
 - Major issues as to the adequacy and effectiveness of the Company's internal control over financial reporting and any specific remedial actions adopted in light of significant deficiencies or material weaknesses;

- Significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments, including any analyses prepared by management or the independent auditor of the effects of alternative accounting methods on the financial statements;
- The effect of regulatory, accounting and reporting initiatives on the financial statements;
- The judgment of both management and the independent auditor about the quality, not just the acceptability, of accounting principles applied in the financial statements;
- The completeness and clarity of the disclosures in the financial statements and the adequacy of the disclosure procedures; and
- Any material written communications between the independent auditor and management, such as any management letter, related management letter response and the timeframe for remediation or schedule of unadjusted differences.

The Committee may also review other particular information such as the Quarterly Operating Review and information reports sent to the New York State Department of Financial Services, as it deems necessary. The Committee may delegate responsibility for the review of the foregoing matters to a member of the Committee.

5. The Committee shall discuss with the independent auditor issues upon which it consulted with its national office.
6. The Committee shall discuss with the independent auditor any problems or difficulties such auditors encountered during the course of their audit work (and management's response), including:
 - (a) Any restrictions on the scope of activities or access to requested information;
 - (b) Any significant disagreements with management; and
 - (c) Any accounting adjustments that were noted or proposed by the independent auditor but were "passed" as immaterial or otherwise.
7. The Committee shall discuss with the independent auditor any other matters required to be discussed or communicated under applicable professional auditing standards.

B. Oversight of the Company's Relationship with the Independent Auditor

1. The Committee shall have the authority to appoint or replace the independent auditor. The Committee shall be directly responsible for the compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements

between management and the independent auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or related work (including audit-related review or attest services). The independent auditor shall report directly to the Committee.

2. The Committee shall review and approve the annual plan, timing and scope of work of the independent auditor, including staffing of the audit.
3. The Committee shall approve in advance all auditing services to be performed by the independent auditor or by any other public accounting firm and all non-audit services to be performed by the independent auditor. The Committee shall not approve any non-audit services to be performed by the independent auditor that are prohibited to be performed by the independent auditor under the AICPA and NAIC independence rules. The Chair of the Committee shall approve in advance all non-audit services to be performed by any such other public accounting firm and may in lieu of the Committee approve all de minimis permitted non-audit services to be performed by the Company's independent auditor, and shall report any such approvals to the entire Committee at or before the next regular meeting of the Committee. Each of the foregoing required approvals shall include approving the fees and material terms of the related engagement. Tax and other non-audit services that may from time to time be provided by public accounting firms (other than the independent auditor) with which the Company has an existing business relationship at the time this Charter is adopted shall not require any of the foregoing approvals. The Committee may delegate to one or more Committee members the authority to approve or grant pre-approvals for audit and non-audit services to be performed for the Company by the independent auditor or any other public accounting firm (as applicable). The Committee shall be authorized to set policies for approving the retention by the Company of the independent auditor or other public accounting firms to perform services for the Company.
4. The Committee shall be authorized to set policies for the hiring by the Company of employees or former employees of the independent auditor or other public accounting firms, including a prohibition, as required for the NAIC, against the Company's chief executive officer, chief financial officer, controller or chief accounting officer (or any person serving in an equivalent position) having worked on the Company's audit as an employee of the independent auditor during the one-year preceding the initiation of the current audit. The Committee may delegate to one or more Committee members the authority to approve such hirings.
5. The Committee shall obtain and review a report from the independent auditor at least annually addressing (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by the PCAOB, governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues, (iv) all relationships between the independent auditor and the Company (in order to assess if the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management), and (v)

confirmation by the auditor of its independence with respect to the Company and its affiliates under AICPA and NAIC auditor independence rules.

6. At least annually, the Committee shall evaluate the independent auditor's qualifications, performance and independence, including the performance of senior personnel assigned to the account. The Committee shall discuss with management their views of the independent auditor's performance.

C. Oversight of the Company's Risk Management and Controls

1. The Board has delegated to the Committee the responsibility for overseeing the Company's policies and procedures for identifying, monitoring and controlling risks, including the risk of fraud, that may affect the Company's financial statements or its financial reporting and disclosures. At least annually, management shall report to the Committee on such matters, and the Committee and management shall discuss such report and the steps management has taken to identify, monitor and control such risks.
2. Except as provided in paragraph 1 above, the Board has retained the responsibility for overseeing the Company's policies and procedures for overall risk assessment and risk management, including policies and procedures for identifying, monitoring and controlling risks in the Company's insured and investment portfolios and other significant financial risk exposures. At least annually, management shall report to the Board on such matters, and the Board and management shall discuss such report and the steps management has taken to identify, monitor and control such risks and exposures. .

D. Oversight of the Company's Compliance Function

1. The Committee shall monitor the Company's compliance function, including compliance with the Company's code of conduct and related policies, and shall review with the Company's General Counsel the adequacy and effectiveness of the Company's procedures to ensure compliance with legal and regulatory requirements. The Committee shall receive any reports prepared by the Company's internal or outside counsel concerning evidence of a material violation of laws or breaches of fiduciary duty by the Company or any of its officers or employees.
2. The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing, regulatory compliance and financial statement matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters and violations of applicable laws and regulations or the Company's code of conduct.
3. The Committee shall discuss with management, the Company's General Counsel and the independent auditor any correspondence or inquiries to or from regulators or governmental agencies, which raise material issues regarding the Company's financial statements or accounting policies and compliance with laws and regulations.

4. The Committee shall discuss with the Company's General Counsel legal matters (including compliance and litigation matters) that may have a material impact on the financial statements or the Company's compliance policies.
5. The Committee shall review any matters pertaining to the integrity of senior management, including conflicts of interest and adherence to standards of business conduct as required by the Company's policies.

E. Annual Evaluation and Charter Review

1. The Committee shall evaluate its performance on an annual basis to determine whether it is functioning effectively and shall report the results of the evaluation to the entire Board.
2. The Committee shall review and assess the adequacy of this Charter on an annual basis, and shall recommend changes it deems appropriate to the Board for approval.

V. Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, the Committee's role is one of oversight and it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with SAP. These are the responsibilities of management. Moreover, the Company's independent auditor is responsible for planning and conducting audits to determine whether those statutory-basis financial statements present fairly in all material respects the financial position and results of operations of the Company in conformity with SAP.

Each member of the Committee, in exercising his or her business judgment in connection with the Committee's activities and oversight functions, shall be entitled to rely in good faith on the accuracy and completeness of the information, reports, opinions and statements provided to the Committee by officers and employees of the Company and those other persons and organizations from whom he or she receives information.

The Committee has the authority to retain legal counsel, consultants or other outside advisers with respect to any issue or to assist it in fulfilling its responsibilities, without consulting with or obtaining the approval of any officer of the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisers retained by the Committee.