

Financial Guaranty Insurance Company
Audit Committee Charter

I. Purposes

The Audit Committee (the “Committee”) is 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 statutory-basis financial statements (the “financial statements”), which shall be prepared in conformity with accounting practices and guidelines prescribed or permitted by the New York State Department of Financial Services, as well as those accounting practices detailed in NYSDFS Guidelines (“SAP”);
- (B) The qualifications, independence, engagement and performance of the public accounting firm that shall audit the Company’s annual financial statements and review its interim financial statements (the “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 legal, regulatory and corporate compliance.

The Committee is also appointed to satisfy the requirements for an audit committee under New York Insurance Regulation No. 118 (as the same may be amended, “Reg 118”).

II. Membership

The Committee's membership shall be determined by the Board and shall consist of at least three members, all of whom shall be members of the Board who are Independent Directors (as defined in the Company’s Amended and Restated Charter). The Board shall appoint the Chair of the Committee from among the Committee’s members.

III. Meetings and Reports

The Committee shall meet on a regularly-scheduled basis at least quarterly and additionally as it or the Board determines appropriate. These regular quarterly meetings will typically precede the regular quarterly meetings 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. Notice of meetings shall be given to all Committee members, or may be waived, in the same manner as required for meetings of the Board. A majority of the members of the Committee shall constitute a quorum for a meeting, and the

affirmative vote of a majority of the members present at a meeting at which a quorum is present shall constitute the action of the Committee. 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 executive sessions with the independent auditor, the Company's General Counsel and the Company's Controller (Chief Accounting 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 in such manner as the Committee shall determine is appropriate under the circumstances to fulfill its purposes:

A. Financial Statements and Disclosures

1. The Committee shall review and discuss with management and the independent auditor the Company's annual audited financial statements, before the same are published or filed or the audit report is issued.
2. The Committee shall review and discuss with management and the independent auditor the Company's quarterly financial statements, before the same are published or filed.
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:

- a) 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;
- b) 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;
- c) 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;
- d) The effect of regulatory, accounting and reporting initiatives on the financial statements;
- e) The judgment of both management and the independent auditor about the quality, not just the acceptability, of accounting principles applied in the financial statements;
- f) The completeness and clarity of the disclosures in the financial statements and the adequacy of the disclosure procedures; and
- g) 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 financial reports and 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 one or more members 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 or Reg 118.

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

1. The Committee shall be directly responsible for the appointment, compensation 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 Committee shall have the authority to replace the independent auditor. The independent auditor shall report directly to the Committee.
2. The Committee shall review and approve the terms of the engagement of the independent auditor and the annual plan, timing and scope of work of the independent auditor, including staffing of the audit. The Committee shall oversee the rotation of the lead or coordinating audit partner who has primary responsibility for the audit in accordance with the requirements under Reg 118.
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 NAIC independence rules or Reg 118. 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, provided that the Company shall not be permitted to hire any employee or former employee of the independent auditor if such person participated in any capacity in the audit of the Company during the one-year preceding the initiation of the current audit or

the date that the most current statutory opinion is due, unless the Committee shall have approved such hiring after having determined that such hiring would not create any conflict for the Company to continue to utilize the independent auditor to audit the financial statements. 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 (including each non-audit service provided to the Company in order to permit the Committee to assess whether 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 independent auditor of its independence with respect to the Company and its affiliates under NAIC auditor independence rules and Reg 118 and that it satisfies all Reg 118 requirements for the Company to utilize the independent auditor to audit its financial statements.
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 Specified 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. Management shall periodically report to the Committee on matters concerning (i) the Company's policies and procedures (including internal controls) for properly recording and reporting data and for mitigating the risk of fraud and (ii) the Company's insured portfolio, including the loss reserves and reserving methodology for the Company's insured exposures, that may affect the Company's financial statements or its financial reporting and disclosures.
2. Except as provided in paragraph 1 above, the Board has retained the responsibility for overseeing the Company's policies and procedures for risk assessment and risk management and the Company's enterprise risk management program. 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 risks that may affect the Company.

D. Oversight of the Company's Legal, Regulatory and Corporate Compliance

1. The Committee shall periodically discuss with the Company's General Counsel matters concerning the Company's compliance function, including the adequacy and effectiveness of the Company's policies and procedures to ensure compliance with legal and regulatory requirements and the Company's Code of Conduct and other compliance policies, compliance awareness training delivered by the Company, and compliance issues or concerns reported to the Company. 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 the Company's Chief Executive Officer and 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 and regulatory matters (including compliance and litigation matters) that may have a material impact on the financial statements.
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 Code of Conduct.

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 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 and 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 adequate funding, as determined by the Committee, for payment of compensation to any advisers retained by the Committee.