

Financial Guaranty Insurance Company
Compensation Committee Charter

I. **Purpose**

The Compensation 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 Company's compensation plans, including incentive compensation, retention compensation, and severance arrangements, (B) evaluating and approving the compensation plans, policies and programs for the President (if any) and any Executive Vice Presidents, Senior Vice Presidents and Senior Managing Directors of the Company (collectively referred to herein as “senior executives”), and (C) evaluating and recommending to the Board for approval compensation plans, policies and programs for the Chief Executive Officer (“CEO”).

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, all of whom, in the judgment of the Board, shall be independent substantially in accordance the Nasdaq Stock Market (Nasdaq) listing requirements relating to compensation committees of listed companies. The Board shall appoint the Chair of the Committee from among its members.

III. **Meetings and Reports**

The Committee shall meet as frequently as it or the Board determines appropriate. The Chair of the Committee shall determine whether the Committee should meet prior to any regular quarterly meeting of the Board and, if so, shall schedule such meeting. 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 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 meet in “executive” sessions without Company officers or employees present. The Committee may invite and permit other guests to observe all or portions of its meetings with proper consideration for the sensitivity of the information being presented or discussed.

The Committee shall report regularly to the Board with respect to matters that are within the Committee's responsibilities. 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 any other functions and duties expressly delegated to the Committee by the Board, the Committee shall perform the following functions and duties:

- A. The Committee shall review and approve overall compensation policies developed by senior management with respect to compensation for the Company's employees.
- B. The Committee shall on an annual basis review, and make recommendations to the Board for approval regarding, the corporate goals and objectives and other criteria for evaluating performance of the CEO with respect to compensation of the CEO. The Committee shall evaluate at least once each year the CEO's performance in light of these goals and objectives and shall present these evaluations to the Board. Based upon these evaluations, the Committee shall recommend to the Board for approval the CEO's annual and long-term compensation, including salary, bonus, incentive and retention compensation. The Committee shall review and evaluate any new hire or severance compensation arrangements or other special compensation for the CEO, and shall present these evaluations to the Board for approval.
- C. The Committee shall on an annual basis review and establish the corporate goals and objectives and other criteria for evaluating performance of the Company's senior executives (other than the CEO) with respect to compensation of such senior executives. The Committee shall evaluate at least once each year the performance of such senior executives and, based upon these evaluations, shall review and approve the annual and long-term compensation, including salary, bonus, incentive and retention compensation, for such senior executives. The Committee shall review and approve any new hire or severance compensation arrangements or other special compensation for such senior executives.
- D. The Committee shall review and approve the total size of, and the methodology for determining, the annual bonus pool and any incentive, retention or other

compensation pool for employees of the Company (other than senior executives). The Committee shall delegate to the CEO or another designee the authority to approve the annual compensation, including salary, bonus, incentive and retention compensation, for all employees (other than senior executives), in accordance with the overall pools and any policy guidelines and limits approved by the Committee. The Committee shall delegate to the CEO or another designee the authority to approve any new hire or severance compensation arrangements or other special compensation for employees other than senior executives.

- E. The Committee shall have full authority to act on behalf of the Board in adopting, amending, modifying, administering or terminating any and all employee benefit plans and arrangements, including incentive and retention compensation, retirement, and severance plans and arrangements, that require action by the Board.
- F. The Committee shall review and approve all employment contracts with senior executives (other than the CEO), and all material amendments thereto. The Committee shall review and recommend to the Board for approval any proposed employment contract with the CEO, and all material amendments thereto.
- G. The Committee shall be responsible for the review and approval of management development and succession strategy for senior management. The Committee shall review and recommend to the Board for approval an appropriate development and succession strategy for the CEO.
- H. The Committee shall periodically review the form and amount of, and eligibility for, director compensation and, taking into account what is customary compensation for directors of comparable companies and any other factors it deems appropriate, including the current closely-held status of the Company, shall make recommendations to the Board with respect thereto. The Board shall set the form and amount of, and eligibility for, director compensation.

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.

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.

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

Each member of the Committee, in exercising his or her business judgment, 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.