

**Financial Guaranty Insurance Company**  
**Compensation Committee Charter**

**I. Purpose**

The Compensation 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 Company’s compensation plans and policies, including incentive compensation, retention compensation, and severance arrangements, and (B) the compensation, retention, management development, and succession strategy for the Company’s Chief Executive Officer (the “CEO”) and any Executive Vice Presidents, Senior Vice Presidents and Senior Managing Directors of the Company (collectively referred to herein as “senior executives”).

**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 below). The Board shall appoint the Chair of the Committee from among the Committee’s members.

The term “Independent Director” means a person that (i) is not, and has not been at any time during the past three (3) years, an officer or employee of the Company and (ii) does not have a relationship which, in the opinion of the Board, would interfere with such person’s exercise of independent judgment in carrying out the responsibilities of a director.

**III. Meetings and Reports**

The Committee shall meet at least annually, and additionally 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. 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 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 in such manner as the Committee shall determine is appropriate under the circumstances to fulfill its purposes:

- A. The Committee shall review and approve overall compensation plans and 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 make recommendations to the Board for approval regarding, any new or additional compensation or severance arrangement for the CEO. The Committee shall review, and make recommendations to the Board for approval regarding, the compensation and severance arrangements for any new CEO.
- 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 or additional compensation or severance arrangement for such senior executives. The Committee shall review and approve the compensation and severance arrangements for any new senior executives (other than the CEO).

- 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 and any long-term 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 (i) any additional compensation for employees (other than senior executives), and (ii) the compensation and severance arrangements for any new 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 all employee benefit plans and arrangements, including incentive and retention compensation, retirement, and severance plans and arrangements, that require action by the Board. For the avoidance of doubt, the preceding sentence is not intended to override the other provisions of this Charter that contemplate that the Board (not the Committee) shall approve compensation and other specified arrangements for the CEO.
- F. The Committee shall review and approve all employment or other contracts with senior executives (other than the CEO), and all material amendments thereto. The Committee shall review and recommend to the Board for approval all proposed employment or other contracts 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 executives (other than the CEO). 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 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.

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.