

FGIC Corporation
Corporate Governance Principles

I. **Introduction**

The Board of Directors (the "Board") of FGIC Corporation (the "Company") has adopted these corporate governance principles to promote the effective functioning of the Board and its Committees, to promote the interests of its stockholders and to provide an established framework for the governance of the Company and its subsidiaries in accordance with applicable law and the stockholders agreement among the Company and its principal and certain other stockholders (the "Stockholders Agreement").

II. **Role of Board and Management**

The Board represents and is elected by and accountable to the stockholders of the Company. The business and affairs of the Company are managed under the direction, and subject to the oversight, of the Board in accordance with applicable law. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In discharging their duties, directors are entitled to rely on the honesty and integrity of their fellow directors and the Company's officers and employees and outside advisors and auditors. The Board shall review and approve all material Company transactions not arising in the ordinary course of business.

The Board appoints the Company's Chief Executive Officer ("CEO") and other senior officers who in turn are responsible for presenting strategic and operating plans to the Board for review and approval and for executing these plans. The Board is responsible for overseeing the performance of the Company's business and senior management.

III. **Board Size and Qualifications; Non-Executive Chairman**

The Board shall presently consist of 14 members.

The Board should collectively possess a broad range of skills, expertise, industry and other knowledge, and business and other experience. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's stockholders. Directors should be able and willing to spend the time needed and meet as frequently as necessary to properly discharge their duties.

Directors shall offer to tender their resignation in the event of any significant change in their personal circumstances, including a significant change in their employment or occupation. The Board shall review the director's continuation on the Board and

determine whether to accept such proposed resignation or request that the director continue to serve on the Board, subject to and in accordance with the Stockholders Agreement. Directors also should advise the Chairman of the Board and the CEO prior to accepting appointment as a director of another company in order that a determination can be made that such appointment will not present any conflicts or legal issues.

Any director who is also an officer of the Company shall resign from the Board (and from the board of directors of any subsidiary or controlled affiliate of the Company) at such time as such officer resigns, retires or otherwise leaves the employ of the Company.

The Board intends to select and appoint an independent, non-executive Chairman of the Board, as well as a Vice Chairman of the Board.

IV. **Board Meetings**

The Board shall hold regular quarterly meetings and shall call for special meetings as necessary. Meetings of the Board may be held telephonically. The Board may act by unanimous written consent as and when advisable.

The Chairman (or, in his or her absence, the Vice Chairman) shall preside at all Board meetings at which he or she is present and, with input from the directors, shall set the agendas for Board meetings. All members of the Board are free to suggest items for inclusion in the agenda for the Board 's meetings. The agenda and information concerning the business to be conducted at each Board meeting shall, to the extent practicable, be communicated to the members of the Board sufficiently in advance of each meeting to permit meaningful review. Directors are expected to review all materials in advance of each meeting.

Directors are expected to attend all Board meetings and all meetings of any Committee of the Board on which they serve.

V. **Committees**

The Board currently has two standing Committees of the Board: an Audit Committee and a Compensation Committee. In addition, the Board of Directors of Financial Guaranty Insurance Company (which mirrors the composition of the Board) has established a Credit Committee. The Board may establish other Committees and may disband existing committees, as it deems appropriate consistent with applicable laws and its constitutive documents. The Board shall adopt charters setting forth the purposes and other matters relating to its Committees.

VI. **Access to Management and Advisors**

The Board may request any officer or employee of the Company or the Company's outside counsel, independent auditor or other advisors to attend all or any part of a meeting of the Board or to meet with any member of, or advisers to, the Board. The Board shall have full, free and unrestricted access to these persons and firms.

The Board and each 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 Board or the relevant Committee, for payment of compensation to any advisers retained by the Board or such Committee, respectively.

VII. **Executive Sessions**

It is anticipated that non-employee directors will meet without employee directors at an executive session at each regularly scheduled Board meeting and at such other times as the directors deem appropriate. The Chairman of the Board (or, in his or her absence, the Vice Chairman) will lead these executive sessions.

VIII. **Board Self-Evaluation**

The Board shall periodically review and assess the adequacy of these Corporate Governance Principles and shall implement changes it determines appropriate to further the Company's commitment to good corporate governance.

The Board shall evaluate its performance on an annual basis and shall implement changes it determines appropriate for the Board to fulfill its responsibilities more effectively. The Board shall evaluate the performance of each of its Committees on an annual basis and shall implement changes it determines appropriate to enable the Committee to fulfill its responsibilities more effectively.

IX. **Speaking on Behalf of the Company**

It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson. Non-management directors ordinarily do not communicate directly with these constituencies about Company matters. Directors should refer any inquiries from outside constituencies to the CEO. If a situation does arise in which it seems necessary for a non-management director to speak on behalf of the Company to one of these constituencies, the director should consult with the CEO.

X. **Director Compensation**

The Compensation Committee shall periodically review the form, amount 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, amount and eligibility for director compensation. A director who is also an officer or employee of the Company or of an equity investor in the Company shall not receive additional compensation for his or her service as a director.

XI. **Director Orientation and Education**

The Company, in consultation with the Board, shall provide an orientation process for new directors, including background materials and presentations by senior management, to familiarize new directors with the Company and its business and their duties and responsibilities as directors.