

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; (B) the qualifications, independence, engagement and performance of the Company's independent auditor; (C) the independent auditor's annual audit of the company's financial statements; (D) the resources, performance and scope of work of the Company's internal audit function; 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 Board members, in accordance with the stockholders agreement among FGIC Corporation and its principal and certain other stockholders (the "Stockholders Agreement"). The Board shall appoint the Chair of the Committee from among its members.

III. **Meetings and Reports**

The Committee shall meet at least quarterly and as frequently as it determines, 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 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 the directors, 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 internal auditor, the independent auditor and the Company's General Counsel, and in "executive" sessions without Company employees present. The Committee may request any officer or employee of the Company or the Company's outside counsel, internal auditor 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 the Company's senior management and employees, and to the Company's internal and independent auditors. 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 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 member 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. **Financial Statements and Disclosure Matters**

1. The Committee shall review and discuss with management, internal audit and the independent auditor the Company's annual audited and quarterly financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations prior to their release to the public.
2. The Committee shall discuss with management, internal audit and the independent auditor any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including changes in the Company's selection or application of accounting principles, issues as to the adequacy and clarity of the Company's disclosure procedures and internal controls and any special steps adopted in light of material control deficiencies.
3. The Committee shall review and discuss the annual and quarterly reports from the independent auditor on:
 - a. All critical accounting policies and practices used by the Company.
 - b. All material alternative treatments of financial information within generally accepted accounting principles (or statutory accounting practices) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
 - c. Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

4. The Committee shall discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, prior to their release. The Committee may also review other particular releases as deemed necessary. Such discussion may be conducted generally by discussing the types of information to be disclosed and the types of presentations to be made. The Committee may delegate responsibility for the review of the foregoing matters to a member of the Committee.
5. The Committee shall discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
6. The Committee shall discuss with the independent auditor issues upon which it consulted with its national office.
7. The Committee shall discuss with internal audit and 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;
 - (c) any accounting adjustments that were noted or proposed by the independent auditor but were "passed" as immaterial or otherwise; and
 - (d) any other matters required to be discussed with the Committee under professional standards, including those matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit and Statement on Auditing Standards No. 100.
8. The Committee shall review and discuss with management, internal audit and the independent auditor any asset impairment or other significant investment accounting issues.
9. The Committee shall be responsible for the resolution of disagreements among management, the independent auditor and the internal auditors.
10. The Committee shall review and discuss with management, internal audit and the independent auditor any "management" or "internal control" letter issued, prepared in draft or proposed to be issued, by the independent auditor.
11. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding

questionable accounting or auditing matters. The Committee shall review all complaints regarding accounting, internal controls or auditing matters.

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, subject to the Stockholders Agreement. 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 and scope of work of the independent auditor, including staffing of the audit and related budgeted hours by staffing category.
3. The Committee shall approve in advance all auditing services and all permitted (for public companies under the Securities Exchange Act of 1934) non-audit services (including the fees and terms thereof) to be performed for the Company by the independent auditor (other than de minimus non-audit services as defined in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 which shall be approved prior to completion of the independent auditor's audit). 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 of public companies under Securities Exchange Act of 1934. The Committee may delegate to one or more Committee members the authority to approve or grant pre-approvals for audit and permitted non-audit services to be performed for the Company by the independent auditor. 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 approve in advance the hiring by the Company of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company. The Committee may delegate to one or more Committee members the authority to approve such hirings. 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 public companies pursuant to Section 10A(1) of the Securities Exchange Act of 1934, 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.

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 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 the internal auditors), and (v) confirmation by the auditor of its independence with respect to the Company and its affiliates under AICPA and SEC 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 and internal audit their views of the independent auditor's performance.
7. The Committee shall ensure the rotation of members of the audit engagement team as required by law for public companies.

C. Oversight of the Company's Internal Audit Function

1. The Committee shall review and discuss with management and the independent auditor the Company's plans for an internal audit function, including responsibilities, budget and staffing, and, if appropriate, shall recommend changes. In addition, the Committee shall periodically review and discuss with management, the independent auditor and the internal auditors the performance and adequacy of the Company's internal audit function.
2. The Committee shall review and approve the annual plan and scope of work of the internal audit function, including goals and objectives of the senior internal audit executive and budget and staffing needs for the internal audit function.
3. The Committee shall review and approve the appointment, replacement and compensation of the senior internal audit executive. The senior internal audit executive and the internal audit function shall report directly to the Committee.

4. The Committee shall review all reports to management prepared by the internal auditors and management's responses to the issues raised in such reports.
5. The Committee shall review and discuss with management, internal audit and the independent auditor the adequacy and effectiveness of the Company's internal controls over financial reporting, including any significant deficiencies or material weaknesses identified by management and any changes to such controls and any fraud involving management or other with significant involvement in the Company's internal controls.

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 business 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.
2. The Committee shall discuss with management, the Company's General Counsel and the independent auditor any correspondence or inquiries from regulators or governmental agencies, which raise material issues regarding the Company's financial statements or accounting policies.
3. 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.
4. 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. Corporate Governance Principles; Annual Evaluation; Charter Review

1. The Committee shall develop and monitor the Company's principles of corporate governance, including related practices and procedures and directors' responsibilities, in conjunction with the Chairman of the Board and the Company's Chief Executive Officer and General Counsel. The Committee shall review and assess on an annual basis the Company's corporate governance principles, shall consult with the Company's Chief Executive Officer and General Counsel and shall recommend changes it deems appropriate to the Board for approval.

2. 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.
3. 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.

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 the independent auditor and to any advisers retained by the Committee.

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 generally accepted accounting principles. 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. Therefore, 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.