

FBR CAPITAL MARKETS CORPORATION

COMPENSATION COMMITTEE CHARTER

I. ORGANIZATION

The Board of Directors (the “Board”) of FBR Capital Markets Corporation (the “Company”) has constituted a standing committee of the Board known as the Compensation Committee (the “Committee”). The following shall constitute the Compensation Committee Charter (the “Charter”).

II. COMPOSITION AND SELECTION

The Committee shall be comprised of three or more directors, each of whom has been determined by the Board to be “independent” in accordance with applicable rules of the NASDAQ Stock Market, Inc. (“Nasdaq”). In addition, no director may serve unless he (a.) is a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (b.) satisfies the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code, as amended. The members of the Committee shall be appointed by the Board annually on the recommendation of the Nominating and Corporate Governance Committee of the Board and may be removed, with or without cause, by the Board.

The members of the Committee shall serve for one year or until their successors are duly elected and qualified. Unless a Chairman of the Committee is elected by the Board, the members of the Compensation Committee shall designate a Chairman by majority vote of the full Committee.

III. STATEMENT OF PURPOSE AND POLICY

The purpose of the Committee shall be to assist the Board in discharging its duties relating to compensation of the Company’s directors and officers. The Committee shall have overall responsibility for approving and evaluating director and executive officer compensation plans, policies and programs of the Company. In addition, the Committee is responsible for reviewing and discussing with management the Company’s disclosures contained under the caption “Compensation Discussion and Analysis” (“CD&A”) for use in any of the Company’s annual reports on Form 10-K, registration statements, proxy statements or information statements and to prepare the Committee report on executive compensation included in the Company’s annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) in effect from time to time.

The policy of the Committee shall be as follows:

- *Compensation Structure.* The Committee shall seek to maintain an overall compensation structure designed to attract, retain and motivate management and other employees by providing appropriate levels of risk and reward, assessed on a relative basis at all levels within the Company and in proportion to individual

contribution and performance; and

- *Long-Term Focus.* The Committee shall seek to establish appropriate incentives for management to further the Company's strategic plan.

IV. DUTIES AND RESPONSIBILITIES

Among its specific duties and responsibilities, the Committee shall:

1. Review and approve annually corporate goals and objectives relevant to the compensation of the Company's chief executive officer (the "CEO"); evaluate the CEO's performance in light of those goals and objectives; either as a committee or together with the other independent directors (as directed by the Board) determine and approve the CEO's compensation levels based on this evaluation; and, in determining the long-term incentive component of the CEO's compensation, consider, among other things, the Company's performance and relative shareholder return, the value of similar long-term incentive awards to chief executive officers at comparable companies and the awards given to the CEO in past years.
2. Either as a committee or together with the other independent directors (as directed by the Board) determine and approve the compensation of the Chairman of the Board and the compensation levels of all other directors.
3. Review and discuss with the Company's management the CD&A required by Securities and Exchange Commission Regulation S-K, Item 402 (or any other successor rule or regulation); based on such review and discussion, determine whether to recommend to the Board that the CD&A be included for use in any of the Company's annual reports on Form 10-K, proxy statements, information statements or registration statements.
4. Provide over the names of the members of the Committee, the required Committee report for use in any of the Company's annual reports on Form 10-K, proxy statements or information statements.
5. Review and make recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans.
6. Administer and approve awards pursuant to the Company's incentive compensation plans and equity-based plans.
7. Review and approve annually, for the CEO and the senior executives of the Company, among other things, (a) the annual base salary level; (b) the annual incentive opportunity level; (c) the long-term incentive opportunity level; (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate; and (e) any special or supplemental benefits.

8. In connection with any shareholder advisory vote on the frequency with which the Company shall hold a shareholder advisory vote on the compensation of the Company's named executive officers, review and recommend for approval by the board, or approve, the frequency that should be recommended to the Company's shareholders;
9. Review and recommend for approval by the Board, or approve, the frequency with which the Company should submit to the shareholders an advisory vote on the compensation of the Company's named executive officers, taking into account any prior shareholder advisory vote on the frequency with which the Company shall hold a shareholder advisory vote on compensation of the Company's named executive officers.
10. Review the results of any shareholder advisory votes on the compensation of the Company's named executive officers and consider whether to make any adjustments to the Company's executive compensation policies and practices.
11. Make regular reports to the Board.
12. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
13. Annually review its own performance.

When appropriate, as permitted under applicable law (including the Nasdaq Marketplace Rules or the rules and regulations of any other exchange on which the Company's common stock is then-listed), the Board or the Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee, the Board or members of management.

V. MEETINGS; ACTION BY CONSENT

The Committee shall meet on a regularly scheduled basis at least twice a year, or more frequently as circumstances dictate. The Committee shall meet at least annually with the CEO and any other corporate officers the Board and Committee deem appropriate to discuss and review the performance criteria and compensation levels of executive officers and other key employees. The Chairman or a majority of the members of the Committee may call meetings of the Committee upon reasonable notice to all members of the Committee. As permitted under Virginia law, and the articles of incorporation and bylaws of the Company, the Committee may act by unanimous consent. Following each meeting, the Chairman of the Committee shall report to the Board at the next regularly scheduled Board meeting, or sooner, as circumstances may dictate.

VI. OUTSIDE ADVISORS

The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of compensation of directors, the CEO or other senior executive officers and shall have sole authority to approve the consultant's fees and other

retention terms. The Committee also shall have authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Committee shall also have the authority to determine, and to receive from the Company, the appropriate compensation to be paid to any special legal, accounting or other consultant retained by the Committee.

VII. CONSISTENCY WITH ARTICLES OF INCORPORATION AND BYLAWS

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Company's articles of incorporation or bylaws, each as amended from time to time, the Company's articles of incorporation or bylaws, as appropriate, shall fully control.