

FirstCity Financial Corporation

Compensation Committee Charter

This Compensation Committee Charter (the “Charter”) sets forth the purpose and membership requirements of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) and establishes the authority and responsibilities delegated to it by the Board.

1. **Purpose.** The purpose of the Committee is to (i) assist the Board in the discharge of its fiduciary responsibilities relating to the fair and competitive compensation of the Company’s Chief Executive Officer (“CEO”) and other executives and (ii) prepare an annual report on executive compensation for inclusion in the Company’s proxy statement for the annual meeting of stockholders.

2. **Committee Members.**

2.1. **Composition and Appointment.** The Committee shall consist of two (2) or more members of the Board. The Board shall designate members of the Committee on the recommendation of the Nominating and Corporate Governance Committee. The members and Chairperson of the Committee shall be appointed by the Board. Membership on the Committee shall rotate at the Board’s discretion. The Board shall fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time without cause. Members shall serve until their successors are appointed by the Board.

2.2. **Independence.** Each member of the Committee must (i) be a “non-employee director,” as such term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision thereto, and (ii) meet the independence requirements of the NASDAQ Stock Market Marketplace Rules (“NASDAQ”) and applicable state and federal law, including the rules and regulations of the Securities and Exchange Commission (“SEC”), including the following requirements:

2.2.1. To be “independent,” a director may not be an officer or employee of the Company or any of its subsidiaries and may not have a relationship with the Company, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

2.2.2. No director shall be considered a “non-employee director” or “independent” if such director is, or has been at any time during the past three years, employed by the Company or by any parent or subsidiary of the Company.

2.2.3. No director shall be considered “independent” if such director accepts, or has a family member who accepts, any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current fiscal year or any of the past three fiscal years, other than (i) compensation for service as a member of the Board, the Committee or any other board committee, (ii) payments arising solely from investments in the Company’s securities, (iii) compensation paid to a family member of the director who is a non-executive employee of the Company or a parent or subsidiary of the Company, (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation, or (v) loans permitted under Section 13(k) of the Exchange Act.

2.2.4. No director shall be considered “independent” if such director is a family member of an individual who is, or has been at any time during the past three years, employed by the Company or by any parent or subsidiary of the Company as an executive officer.

- 2.2.5.No director shall be considered “independent” if such director is, or has a family member who is, a partner in, or controlling shareholder or an executive officer of, any organization (including any not-for-profit organization) to which the Company made, or from which the Company received, payments for property or services in the current fiscal year or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for the applicable year, or \$200,000, whichever is more, other than (i) payments arising solely from investments in the Company’s securities, or (ii) payments made under non-discretionary charitable contribution matching programs.
- 2.2.6.No director shall be considered “independent” if such director is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee (or, in the absence of a compensation committee, the board committee performing equivalent functions, or, in the absence of such committee, the board of directors) of such other entity.
- 2.2.7.No director shall be considered “independent” if (i) such director is, or has a family member who is, a current partner of the Company’s independent auditing firm (“External Auditor”), or (ii) such director, or a family member of such director, (a) was a partner or employee of the Company’s External Auditor, and (b) worked on the audit engagement for the Company at any time during the past three years.
- 2.2.8.No director shall be considered a “non-employee director” if such director possesses an interest in any transaction, or is engaged in a business relationship, for which disclosure would be required pursuant to Item 404(a) or (b) of Regulation S-K.
- 2.2.9.No director shall be considered a “non-employee director” if such director receives compensation, directly or indirectly, from the Company or any parent or subsidiary thereof for services rendered as a consultant or in any capacity, other than compensation received in such director’s capacity as a member of the Board, the Committee or any other Board committee, except for compensation in an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K.

For purposes of the above, the term “family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone who resides in such person’s home and the term “executive officer” shall mean those officers covered by Rule 16a-1(f) under the Exchange Act, or any successor provision to such rule.

Notwithstanding Subsections 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5, 2.2.6 or 2.2.7 above, if the Committee is comprised of at least three (3) members, the Committee may, under exceptional and limited circumstances, have one (1) member who is not “independent”; provided, that (i) such member is not a current employee or an immediate family member of an employee of the Company or any parent or subsidiary of the Company, (ii) the Board determines that membership on the Committee by such individual is in the best interests of the Company and its stockholders and the Board discloses, in the Company’s proxy statement prepared in connection with its next annual meeting of stockholders subsequent to such determination, the details of such individual’s relationship with the Company that would otherwise prohibit such individual from being considered “independent” and the reasons for the Board’s determination that the membership of such individual on the Committee is in the best interest of the Company and its shareholders. An individual that is serving as a member of the Committee pursuant to this exception may not serve for more than two years.

3. **Subcommittees.** The Committee shall have the authority to delegate authority and responsibilities to subcommittees; provided, that no subcommittee shall consist of less than two members.
4. **Advisors.** The Committee shall have the authority to (i) retain, at the Company's expense, an independent compensation consultant and other expert advisors ("Advisors") as it deems necessary to fulfill its responsibilities and (ii) determine, on behalf of the Company, the compensation of such Advisors.
5. **Meetings.**
 - 5.1. **Frequency of Meetings.** The Committee shall meet at least two times per fiscal year. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson of the Committee may call a special meeting at any time as he or she deems advisable.
 - 5.2. **Minutes.** Minutes of each meeting of the Committee shall be kept to document the discharge by the Committee of its responsibilities and a copy thereof shall be sent to the members of the Board.
 - 5.3. **Quorum.** A quorum shall consist of a majority of the Committee's members. The act of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee. However, the package of compensation for the CEO must be approved by the two-thirds vote of the standing members of the Committee.
 - 5.4. **Agenda.** The Chairperson of the Committee shall prepare an agenda for each meeting of the Committee, in consultation with Committee members and any appropriate member of the Company's management or staff, as necessary. As requested by the Chairperson, members of the Company's management and staff shall assist the Chairperson with the preparation of any background materials necessary for any Committee meeting.
 - 5.5. **Presiding Officer.** The Chairperson of the Committee shall preside at all Committee meetings. If the Chairperson is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting.
6. **Executive Compensation.**
 - 6.1. **Compensation Philosophy and Strategy.** The Committee shall review the compensation philosophy and strategy of the Company and its subsidiaries and consult with the CEO, as needed, regarding the role of the Company's compensation strategy in achieving the Company's objectives and performance goals and the long-term interests of the Company's stockholders.
 - 6.2. **Comparison Analysis.** The Committee shall annually review market and industry data to assess the Company's competitive position with respect to the individual elements of total executive compensation to ensure the attraction, retention and appropriate reward of the Company's executive officers.
 - 6.3. **Administration of Plans.** The Committee shall administer the Company's incentive compensation and stock option and other equity based plans (including specific provisions) in which the CEO and other executive officers may be participants and recommend to the Board amendments to such plans or adoption of new plans. In connection with administering such plans, the Committee shall have the authority to (i) approve option guidelines and general size of

overall grants, (ii) make grants, (iii) interpret the plans, (iv) determine the rules and regulations relating to the plans, (v) modify or cancel existing grants and substitute new grants (with the consent of grantees), (vi) designate employees eligible to participate in the plans, and (vii) impose limitations, restrictions and conditions upon any award as the Committee deems appropriate and as permitted under the applicable plan.

6.4. **Executive Compensation.** The Committee shall annually review and establish the base salary, incentive compensation, deferred compensation, stock options, performance units and other equity based awards for the CEO and make recommendations to the Board with respect to compensation of the Company's other executive officers. **[OR]** The Committee shall annually review and establish the base salary, incentive compensation deferral compensation, stock options, performance units and other equity based awards for the CEO and all other executive offices. **[OR]** The Committee shall annually review and make recommendations to the Board with respect to the base salary, incentive compensation, deferred compensation, stock options, performance units and other equity based awards for the CEO and all other executive officers. The CEO may not be present during voting or deliberations with respect to his or her compensation.

7. **Special Recommendations to the Board.** The Committee shall review and make recommendations to the Board regarding (i) any employment agreement, severance agreement, change in control agreement or provision, or separation agreement, or any amendment to the same, that is proposed to be entered into with the CEO or any other executive officer; (ii) any deferred compensation arrangement that is proposed to be entered into with the CEO or any other executive officer; and (iii) the benefits and prerequisites offered to the CEO or any other executive officer.

8. **Director Compensation Oversight.**

8.1. **Review of Director Compensation.** The Committee shall annually review and make recommendations to the Board regarding the compensation paid to the Company's directors. Such review shall include any fees paid for attendance at meetings of the Board and any of its committees and grants of stock options or stock.

8.2. **Compliance With Restrictions.** The Committee shall monitor the amount of compensation proposed to be paid to any director for compliance with the Company's equity compensation plans. In addition, the Committee shall monitor the effect that compensation proposed to be paid to a director will have on the director's ability to be considered "independent" under the requirements of the NASDAQ and applicable federal securities laws, including the rules and regulations of the SEC. The Committee shall advise the Board if any compensation proposed to be paid to a director would violate the Company's equity compensation plans or have an undesirable impact on the director's independence. In fulfilling its responsibilities hereunder, the Committee shall give due consideration to the different definitions of "independent" that apply to the Board and its different committees and any requirement that the Board or a Board committee contain a majority of, or be entirely composed of, "independent" directors.

9. **Reports and Assessments.**

9.1. **Board Reports.** The Chairperson of the Committee shall, periodically, at his or her discretion, report to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter.

- 9.2. **Charter Assessment.** The Committee shall annually assess the adequacy of this Charter and advise the Board and the Nominating and Corporate Governance Committee of its assessment and of its recommendation for any changes to the Charter.
- 9.3. **Annual Report on Compensation.** The Committee shall annually advise the Board as to whether the Company's executive officer compensation arrangements are appropriate.
- 9.4. **Proxy Statement Report.** The Committee shall prepare an annual report on executive compensation as required by the rules and regulations of the SEC and submit it to the Board for inclusion in the Company's proxy statement prepared in connection with its annual meeting of stockholders.