



COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Federated National Holding Company (the “Company”) to:

- Review and approve the compensation of the Company’s Chief Executive Officer (“CEO”), other executive officers and non-employee directors.
- Establish the goals and objectives to be met by the CEO and other executive officers, and review and evaluate the performance of the CEO and other executive officers against those goals and objectives not less than annually.
- Oversee the incentive plans and programs for the CEO, other executive officers and non-employee directors.

I. COMPOSITION AND QUALIFICATIONS

The Committee will be composed not less than three directors, all of whom satisfy the definition of “independent” under the listing standards of The Nasdaq Stock Market, Inc. (“Nasdaq”).

II. APPOINTMENT AND REMOVAL

The Committee members will be appointed by the Board and may be removed by the Board in its discretion. If the Board does not designate the chairperson, the members of the Committee shall designate the chairperson by majority vote. The chairperson shall chair all meetings of the Committee and set the agendas for Committee meetings. In the event of a tie vote on any issue, the chairperson’s vote shall decide the issue.

III. RESPONSIBILITIES

The scope of responsibilities of the Compensation Committee of the Board of Directors is as follows:

1. Discharge the Board of Directors’ responsibilities to the Company’s stockholders relating to the compensation of the CEO and other executive officers.
2. Review and approve corporate goals and objectives relevant to the compensation of the CEO and other executive officers.
3. Review and evaluate the performance of the CEO and other executive officers in light of the goals and objectives of the Company and determine their annual compensation packages, including base salaries, stock options and other stock-based incentives, variable pay amounts and variable pay metrics, based on these evaluations.
4. Monitor the effectiveness of CEO and other executive officer benefit plan offerings and approve changes where appropriate.

5. Make an annual report on executive compensation in the Company's annual proxy statement, as required by the rules of the NASDAQ, U.S. Securities and Exchange Commission (the "SEC") and other regulatory bodies.
6. Review and approve, or recommend to the full Board of Directors, executive incentive compensation plans and equity-based plans in which the CEO and other executive officers are eligible to participate.
7. Report regularly to the Board of Directors (a) following meetings of the Committee, (b) with respect to those matters that are relevant to the Committee's discharge of its responsibilities, and (c) with respect to those recommendations that the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman of the Committee or any other member of the Committee designated by the Committee to make such report.
8. With respect to compensation for the non-executive directors, the Committee shall:
 - Review and approve corporate goals and objectives relevant to the compensation of the non-executive directors, taking into account the need to fairly compensate directors for the time devoted to Company matters, attract and retain directors with the experience and credentials appropriate for a regulated and growing company such as the Company, and align the directors' interests with the long-term interests of the Company's shareholders.
 - Recommend to the Board of Directors the timing and amount of fees paid to the non-executive directors, including the timing and amount of any annual cash retainer and equity-based compensation.
 - Make an annual report on non-executive director compensation in the Company's annual proxy statement, if and as required by the rules of Nasdaq, the SEC and other regulatory bodies.

IV. MANNER OF CARRYING OUT RESPONSIBILITIES

1. The Committee shall have authority, in its sole discretion, to retain and terminate compensation consultants, including the fees and other terms of their engagements, to advise on the evaluation and compensation of the CEO and other executive officers of the Company. Such consultants may also be retained for other purposes, such as advising on compensation of the Company's non-executive directors. The Committee may also retain and obtain the advice of legal counsel or other advisors. The Company must provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to such consultants, counsel and advisors.
2. When considering the selection of a consultant, counsel or other advisor, the Committee shall take into account the following factors: (a) whether the consultant, counsel or advisor provides other services to the Company; (b) the amount of fees received from the Company by such consultant, counsel or advisor as a percentage of total revenue of such consultant, counsel or advisor; (c) the policies and procedures of such consultant, counsel or advisor to prevent conflicts of interest; (d) any business or personal relationship between such consultant, counsel or advisor and a member of

the Committee; (e) whether such consultant, counsel or advisor owns stock of the Company; and (f) any business or personal relationship between such consultant, counsel or advisor and an executive officer of the Company. These independence factors must be considered, although the Committee may engage such consultant, counsel or other advisor the Committee prefers after considering the factors above.

3. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any such compensation consultant, legal counsel or any other advisor retained by the Committee.
4. The CEO and other executive officers shall not be present during deliberations or voting on their compensation.
5. The Committee shall review and reassess annually the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such review in the manner it deems appropriate. The Committee's performance will be evaluated within the Self Evaluation that will be performed annually by the Board of Directors.