

CRYSTAL RIVER CAPITAL, INC.

Charter of the Compensation Committee of the Board of Directors

PURPOSE

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Crystal River Capital, Inc. (the “Company”) is to oversee the compensation of executive officers and senior management, including plans and programs relating to cash compensation, incentive compensation, equity-based awards, fees payable to Hyperion Brookfield Crystal River Capital Advisors, LLC (or any successor manager, the “Manager”) pursuant to a management agreement, as amended, by and between the Company and the Manager, and other benefits and perquisites and to administer any such plans or programs as required by the terms thereof.

MEMBERSHIP

The Committee shall be comprised of not less than three members of the Board. Members of the Committee shall be appointed by the Board and may be removed by the Board in its discretion. All members of the Committee shall be independent under the rules of the New York Stock Exchange, subject to the phase-in rules for companies listing in connection with an initial public offering. The Board shall designate a chairperson of the Committee.

DUTIES AND RESPONSIBILITIES

The Committee shall have the following authority, duties and responsibilities:

- *Manager Compensation and Evaluation.* The Committee is responsible for overseeing the annual review by the independent directors of the performance of the Manager and the management fees and other compensation paid to the Manager. The Company’s executive officers receive no compensation from the Company but are compensated by affiliates of the Manager which compensation can relate to the amount of income the Manager receives under the management agreement. The Committee shall review at least annually the goals and objectives of and the management fees payable pursuant to the management agreement and shall evaluate annually the performance of the Manager in view of the Company’s goals and objectives.
- *Chief Executive Officer Compensation.* The Committee is responsible for reviewing the performance of the Company’s chief executive officer and the adequacy of his compensation, if any, paid by the Company in accordance with applicable New York Stock Exchange requirements.
- *Director Compensation.* The Committee is responsible for evaluating the form and amount of director compensation in accordance with the Company’s Corporate Governance Guidelines and making recommendations to the full Board with respect to director compensation.

- *Incentive and Equity-Based Compensation Plans.* The Committee shall review and make recommendations to the Board with respect to the Company’s incentive compensation plans and equity-based compensation plans, including the 2005 Long-Term Incentive Plan, or material changes to any such existing plans and shall discharge and administer any such plans as required by the terms thereof.
- *Annual Compensation Committee Report.* The Committee shall prepare an annual report of the Committee, including a discussion of management compensation, for inclusion in the Company’s annual proxy statement in accordance with applicable SEC regulations.
- *Compliance.* The Committee shall, in consultation with management, oversee regulatory compliance with respect to compensation matters, including overseeing the Company’s policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and confirming that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
- *Other Duties.* The Committee shall perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company’s compensation programs.

DELEGATION TO SUBCOMMITTEE

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are (i) “Non-Employee Directors” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and (ii) “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

RESOURCES AND AUTHORITY OF THE COMMITTEE

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to retain counsel and other experts or consultants as it deems appropriate, without obtaining the approval of the Board or management. The Committee shall have the sole authority to select and retain a compensation consultant to assist in the evaluation of its compensation decisions.

COMMITTEE STRUCTURE AND OPERATIONS

The Committee shall meet at least twice annually and as often as necessary to carry out its responsibilities, and when necessary or desirable, may take action by unanimous written consent. Members of management may participate in Committee meetings at the invitation of the Committee. The Manager’s representatives shall not attend any meeting where the Manager’s performance or compensation is discussed, unless specifically invited by the Committee. Any action of the Committee (other than actions for which the Committee has sole authority as set forth herein) shall be subject to review and modification by the Board. Minutes

will be kept of each meeting of the Committee and will be available to each member of the Board.

PERFORMANCE EVALUATION

The Committee shall undertake an annual performance evaluation of the Committee, including an assessment of the performance of the Committee based on the duties and responsibilities set forth in this charter and such other matters as the Committee may deem necessary and appropriate. The evaluation to the Board may take the form of an oral report by the Committee chairman or any other member of the Committee designated by the Committee to make the report, and shall be undertaken under the supervision of the Corporate Governance Committee in accordance with the Corporate Governance Guidelines adopted by the Board. The Committee shall review and assess the adequacy of the Committee charter annually, propose any necessary changes to the Corporate Governance Committee for review and ultimate recommendation for approval to the Board.