

# EXCO RESOURCES, INC.

## 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”) of EXCO Resources, Inc. (the “Company”) and establishes the authority and responsibilities delegated to it by the Board.

**1. Purpose.** The purpose of the Committee is to (i) review and approve corporate goals and objectives relevant to Chief Executive Officer (the “CEO”) compensation, (ii) evaluate at least annually the CEO’s performance in light of those goals and objectives, (iii) either as a Committee or together with the other independent directors (as directed by the Board) determine and approve the CEO’s compensation level based on this evaluation, (iv) review and make recommendations to the Board with respect to non-CEO executive officer compensation and incentive-compensation and equity-based plans that are subject to Board approval and (v) review and discuss with management the Company’s Compensation Discussion & Analysis (“CD&A”) and related executive compensation information, recommend that the CD&A be included in the Company’s proxy statement for the annual meeting of shareholders or Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) and prepare an annual report on executive compensation as required by the SEC for inclusion in the Company’s proxy statement for the annual meeting of shareholders or Annual Report on Form 10-K filed with the SEC.

### 2. Committee Members.

**2.1. Composition and Appointment.** The Committee shall consist of three (3) or more members of the Board. The members and Chairperson of the Committee shall be appointed by the Board based on the recommendation of the Nominating and Corporate Governance Committee (“Governance Committee”). 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 with or without cause. Members shall serve until their successors are appointed by the Board.

**2.2. Qualifications.** Each member of the Committee shall be independent. To be “independent,” a director may not have a relationship with the Company or its management or a private interest in the Company that in any way may interfere with the exercise of such director’s independence from the Company and its management. In addition, each member of the Committee must meet the independence requirements of the New York Stock Exchange (the “NYSE”) and applicable federal securities laws, including the rules and regulations of the SEC. At least two (2) members of the Committee shall meet the definition of “non-employee director” under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and meet the definition of “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986.

### 3. Authority.

**3.1. Advisors.** The Committee may, in its sole discretion (i) select, retain, or obtain the advice of an independent compensation consultant, outside legal counsel and other expert advisors (“Advisors”) as it deems necessary to fulfill its responsibilities under this charter, (ii) determine the compensation and oversee the work and other terms of the engagement of such Advisors and (iii) terminate the engagement of such Advisors. The Advisors shall report

directly to the Committee. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its Advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its Advisors, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

**3.2. Independence of Advisors.** In retaining or seeking advice from Advisors, the Committee must take into consideration the following factors, as they may be amended from time to time: (i) the provision of other services to the Company by the person that employs the Advisor, (ii) the amount of fees received from the Company by the person that employs the Advisor, as a percentage of the total revenue of the person that employs the Advisor; (iii) the policies and procedures of the person that employs the Advisor that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Advisor with any member of the Committee; (v) ownership of the Company's stock by the Advisor; and (vi) any business or personal relationship between the Advisor, or the person employing the Advisor, and an executive officer of the Company. The Committee may retain, or receive advice from, any Advisor they prefer, including one that is not independent, after considering the specified factors. The Committee is not required to assess the independence of any Advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the Advisor, and about which the Advisor does not provide advice.

**3.3. Conflicts of Interest.** The Committee shall evaluate whether any Advisor retained or to be retained by it has any conflict of interest in accordance with applicable federal securities laws and regulations, including Item 407(e)(3)(iv) of Regulation S-K.

**3.4. Subcommittees.** The Committee may delegate authority and responsibilities to subcommittees as it deems proper, provided that no subcommittee shall consist of less than two members.

#### **4. Meetings.**

**4.1. Frequency of Meetings.** The Committee shall meet at least once per fiscal quarter. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson of the Committee may call a meeting at any time as he or she deems advisable.

**4.2. 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.

**4.3. 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 unanimously by the standing members of the Committee.

**4.4. Agenda.** The Chairperson of the Committee shall prepare an agenda for each meeting in consultation with Committee members and any appropriate member of the Company's management or staff. Appropriate members of Company management and staff shall assist

the Chairperson with the preparation of any background materials necessary for any Committee meeting.

- 4.5. 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.

## **5. Executive Compensation.**

- 5.1. 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 shareholders. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies and the awards given to the Company's CEO in past years.

- 5.2. 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.

- 5.3. 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.

- 5.4. 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. The Committee shall annually review with the CEO his or her decision as to the compensation of the Company's other executive officers.

- 6. CEO Performance.** The Committee shall annually evaluate the CEO's performance and take into account such performance evaluation in establishing the CEO's 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 and (ii) any deferred compensation arrangement that is proposed to be entered into with 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 NYSE 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 report from time to time 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 review and assess the adequacy of this Charter and advise the Board and the Governance Committee of its assessment and of its recommendation for any changes to the Charter.
- 9.3. **Committee Self-Assessment.** The Committee shall annually review and make a self-assessment of its performance and shall report the results of such self-assessment to the Board and the Governance Committee.
- 9.4. **Annual Report on Compensation.** The Committee shall annually advise the Board as to whether the Company's executive officer compensation arrangements are appropriate.
- 9.5. **Proxy Statement Report.** The Committee shall review and discuss with management the Company's CD&A and related executive compensation information, recommend that the CD&A be included in the Company's proxy statement for the annual meeting of shareholders or Annual Report on Form 10-K filed with the SEC and 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 shareholders or Annual Report on Form 10-K filed with the SEC.