

**THE FAIRCHILD CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**  
*(Amended and Restated as of January 31, 2005)*

**1. Director Qualification Standards:**

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities.

The Corporation has determined that a majority of its directors shall be “independent.” In order to be deemed independent, a director shall meet the following criteria:

- 1.1** *No Business Relationship Between Director and the Corporation:* Pursuant to Rule 303A(2)(a) of the NYSE Listed Company Manual, no director is “independent” unless the Board affirmatively determines that the director has no material relationship with the Corporation (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation). If a director (or any organization in which such director is a partner, controlling shareholder or executive officer) has (or in the last three years, has had) a business relationship with the Corporation (including a commercial, industrial banking, consulting, legal, accounting, charitable, familial or other relationship), the Board of Directors must specifically determine that (in the Board of Directors’ business judgment) such business relationship does not interfere with the director’s exercise of his independent judgment. In making this determination, the Board shall consider, among other things, the materiality of the relation to the Corporation, to the director, and, if applicable, to the organization with which the director is affiliated. The basis for any such finding must be disclosed in the Corporation’s annual proxy statement.
- 1.2** *No Employment Relationship:* A director is not independent if: (i) the director is, or has been within the last three years an employee of the Company, or (ii) an immediate family member of the director is, or has been within the last three years, an executive officer of the Company. (\*Subject to transition rule set forth below.) (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)
- 1.3** *No Payments in Excess of \$100,000:* A director is not independent if (i) the director received, or has an immediate family member who has received during any twelve-month period within the last three years, more than \$100,000 a year in direct compensation from the Corporation (other

than director and committee fees and pension or other forms of deferred compensation for prior services, provided that such compensation is not contingent in any way on continued service). (\*Subject to transition rule set forth below.) (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)

- 1.4** *Auditor Services:* A director is not independent if: (i) the director is a partner or employee of a firm that is the Company's internal or external auditor; or (ii) the director has an immediate family member who is a partner of such a firm; or (iii) the director has an immediate family member who is an employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning practice); (or) (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time. (\*Subject to transition rule set forth below.) (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)
- 1.5** *Interlocking Directorships:* A director is not independent if the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Corporation's executive officers serve on that company's compensation committee. (\*Subject to transition rule set forth below.) (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)
- 1.6** *Payments for Property or Services:* A director is not independent if the director is an executive officer or employee, or has an immediate family member who is an executive officer, of a company that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million, or 2% of such other company's consolidated gross revenues. (\*Subject to transition rule set forth below.) (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)
- 1.7** *Payments to Tax exempt Organizations:* Contributions to tax exempt organizations shall not be considered "payments" for purposes of the paragraph immediately above, provided, however, that the Corporation shall disclose in its annual proxy statement all contributions made by the Corporation to any tax exempt organization in which a director serves as an executive officer if, within the preceding three years, contributions by the Corporation to such tax exempt organization in any single fiscal year exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues. The Corporation's Board of Directors shall consider the "materiality" of any such tax exempt contributions pursuant to Rule 303A(2)(a) of the NYSE Listed Company

Manual. (*Cross Reference Rule: 303A(2)(b) of the NYSE Listed Company Manual.*)

**1.8 *Definition of Immediate Family Member:*** An “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home. (*Cross Reference Rule: 303A(1)(b) of the NYSE Listed Company Manual.*)

**1.9 *Transitional Rule:*** Each of the standards in NYSE Rule 303A(1)(b) contains a three year “look-back” provision. These new rules become effective no later than October 31, 2004. The NYSE permits phasing in the “look-back” provision by applying only a one year look back for the first year. Thereafter, a three year look back will apply. (*Cross Reference Rule: 303A(1)(b) of the NYSE Listed Company Manual.*)

## **2. Director Responsibilities:**

The Board is responsible under state corporate law to review and approve significant actions by the Corporation, including election of executive officers, declaration of dividends and major transactions. Consistent with the importance of the Board’s responsibilities, each director is expected to be familiar with the Corporation’s business and public disclosures, to review in advance of Board meetings all related materials distributed to the Board and to attend and participate in meetings of the Board and meetings of any committee of which such director is a member.

## **3. Director Access to Management and Independent Advisors:**

Except as otherwise determined in particular circumstances, the Board welcomes the regular attendance at each Board meeting of the Corporation’s executive officers who are not members of the Board.

The Board as well as each Board committee, will have complete access to the Corporation’s management.

The Board (and Board committees to the extent so provided in the applicable committee charters or otherwise authorized by the Board) may use reasonable amounts of time of the Corporation’s internal and independent accountants, internal and outside lawyers and other internal staff and also shall have the authority to hire independent accounting experts, lawyers and other consultants to assist and advise the Board (and any of its committees that are authorized to seek such advise and assistance) in connection with its responsibilities. The Board (and any such committees) shall keep the Corporation’s Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants

hired by the Board (or such committees). Except as otherwise provided in the charter of the Audit Committee, formal Board approval (in advance or after the fact) shall be required for expenditures by the Board and the committees (other than the Audit Committee) exceeding an aggregate of \$50,000 in any year, or, in the case of committee expenditures, exceeding any limits applicable to the specific committee.

**4. Presiding Independent Director:**

The non-management directors shall select from among themselves a continuing “Presiding Independent Director” who will be independent (as defined in Section 1 of these Corporate Governance Guidelines) and shall preside at one or more separate meetings of the non-management and independent directors held pursuant to Sections 6 and 7 of these Corporate Governance Guidelines. The Presiding Independent Director shall be identified as such in the Corporation’s annual proxy statement to facilitate communications by shareholders and employees with the non-management directors.

**5. Procedures for Communicating with Non-Management Directors:**

In order that interested parties may be able to make their concerns known to the non-management directors, the Board shall adopt a method for such parties to communicate directly with the Presiding Independent Director or with the non-management directors as a group. The Corporation shall post such adopted method on the Corporation’s website.

**6. Regularly Scheduled Meetings for Non-Management Directors:**

To empower non-management directors to serve as a more effective check on management, the non-management directors shall meet at regularly scheduled executive sessions without the presence of management (except to the extent that the independent directors request the attendance of any executive officers).

“Non-management” directors are all those who are not company officers, and includes directors who are not “independent” but are nevertheless not company officers.

**7. Regularly Scheduled Meetings of Independent Directors**

If the group of non-management directors includes directors who are not “independent,” the Corporation shall at least once a year schedule an executive session including only independent directors, without the presence of management (except to the extent that the independent directors request the attendance of any executive officers).

**8. Director Compensation:**

The Compensation Committee shall have the responsibility for recommending to the Board compensation and benefits for nonemployee directors. In discharging this duty, the committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of Fairchild's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be easy for shareholders to understand. At the end of each year, the Compensation Committee shall review nonemployee director compensation and benefits.

**9. Director Orientation and Continuing Education:**

The general counsel and the chief financial officer shall be responsible for providing an orientation for new directors and for periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Each new director shall, within six months of election to the Board, spend a day at corporate headquarters for personal briefing by senior management on the Corporation's strategic plans, its financial statements, and its key policies and practices.

**10. Management Succession:**

The Board selects the senior management team, which is charged with the conduct of the Corporation's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

The Board plans for succession to the position of Chairman of the Board and Chief Executive Officer as well as certain other senior management positions. To assist the Board, the Chairman and CEO annually provides the Board with an assessment of senior managers and of their potential to succeed him or her. He or she also provides the Board with an assessment of persons considered potential successors to certain senior management positions

**11. Annual Performance Evaluation of the Board:**

The Board, and each committee, is required to conduct a self-evaluation of its performance at least annually.

**12. Posting on Corporation's Website**

These Corporate Governance Guidelines, the charter of the Audit Committee, the Charter of the Compensation Committee, and the Code of Business Conduct & Ethics shall be posted on the Corporation's website and shall also be available in print to any shareholder requesting it in writing. Such availability on the

Corporation's website and in print will be noted in the Corporation's annual report to Shareholders.