

TECUMSEH PRODUCTS COMPANY
Audit Committee

CHARTER

Adopted by the Board of Directors: August 26, 2008

Purpose

The purpose of the Committee shall be to assist the Board of Directors of Tecumseh Products Company (the “Company”) in its oversight of:

- management’s conduct of the Company’s financial reporting process;
- the integrity of the financial statements of the Company;
- the Company’s compliance with legal and regulatory requirements, including the requirements of the Sarbanes-Oxley Act of 2002;
- the independence and qualifications of the outside auditor; and
- the performance of the Company’s internal audit function and outside auditor (by reviewing the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof, the Company’s systems of internal accounting and financial controls, and the annual independent audit of the Company’s financial statements).

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or other experts for this purpose. The Company shall provide adequate resources to support the Committee’s activities, including compensation of the Company’s independent auditor and any counsel, other auditors and other advisors retained by the Committee. The Committee shall have the sole authority to retain, compensate, direct, oversee and terminate the Company’s independent auditor and any counsel, other auditors and other advisors hired to assist the Committee, who shall be accountable ultimately to the Committee. The Board and the Committee are in place to represent the Company’s shareholders; accordingly, the outside auditor is ultimately accountable to the Board and the Committee. The Committee may request any officer or employee of the Company or the Company’s outside counsel or outside auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Authority and Responsibility

The Committee's job is one of oversight, and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the outside auditor is responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management (including the internal audit staff), as well as the outside auditor, have more time, knowledge and more detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

The functions set forth below shall be the common recurring activities of the Committee in carrying out its oversight purpose. These functions are set forth as a guide with the understanding that the Committee may divert from this guide as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

The Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee and such delegation is not otherwise inconsistent with law and applicable rules and regulations of the SEC and the Nasdaq Stock Market.

Responsibilities Relating to Independent Registered Public Accounting Firms

1. The Committee, in its capacity as a committee of the Board, shall have the ultimate authority and responsibility for the selection, appointment, compensation, retention or termination, and oversight of any registered public accounting firm the Company engages for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services (referred to in this charter as the "outside auditor"). The responsibilities include resolution, as appropriate, of financial reporting disputes between management and the outside auditor, and ensuring the direct reporting relationship of the outside auditor to the Committee.
2. The Committee, as a whole or through the Committee Chair, shall have the sole authority to approve all audit engagement fees and terms, as well as the authority to pre-approve any audit-related and nonaudit services provided to the Company by the Company's outside auditor.
3. In connection with evaluating the outside auditor's independence, the Committee shall:

- review and evaluate the lead partner of the outside auditor team, and ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by law;
 - annually obtain from and review with the Company's outside auditor a formal statement from the outside auditor delineating all relationships, financial interests, investments, arrangements or non-audit consulting services being performed which could impair or give the appearance of impairing the auditor's independence. In assessing auditor independence, the Committee will rely primarily on sound business judgment and the guidelines established for auditor independence by Rule 2-01 of the SEC's Regulation S-X (which may be amended from time to time) and other generally accepted standards or pronouncements which may govern or define standards of auditor independence;
 - actively engage in a dialogue with the outside auditor with respect to any such disclosed relationships and services, and their impact on the outside auditor's independence and objectivity; and
 - recommend that the Board take appropriate action in response to the outside auditor's report to satisfy itself of the auditor's independence.
4. The Committee shall obtain and review at least annually a formal written report from the outside auditor delineating the firm's internal quality-control procedures and any material issues raised within the preceding five years by the firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the firm to address any findings in any of the foregoing reviews.
 5. The Committee shall set policies for the hiring of employees or former employees of the Company's outside auditor.

Responsibilities Relating to Financial Reporting Practices and Audit Procedures

6. The Committee shall review the Company's financial reporting practices, including its critical accounting policies and practices, significant changes in such policies or practices or in their application, and the key accounting decisions affecting the Company's financial statements, including alternatives to, and the rationale for, the decisions made.
7. The Committee shall meet with the outside auditor prior to the audit to review the proposed audit plan, budget, scope and approach, including coordination of the audit effort with internal audit.

8. The Committee shall discuss with management and the outside auditor, as appropriate, any audit problems or difficulties, including any restrictions on the scope of the outside auditor's activities or on access to requested information, and any significant disagreements with management, and management's response. Among the items the Committee may want to review with the outside auditor are:
- any accounting adjustments that were noted or proposed by the outside auditor but were "passed" (as immaterial or otherwise);
 - any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and
 - any "management" or "internal control" letter issued, or proposed to be issued, by the outside auditor to the Company.

Responsibilities Relating to Financial Statements and Other Public Reports

9. The Committee shall discuss with management and the outside auditor the annual audited financial statements and quarterly financial statements, including disclosures made in management's discussion and analysis, as well as matters required to be reviewed under applicable legal, regulatory or Nasdaq requirements. In connection therewith:
- The Committee shall review with management and the outside auditor the audited financial statements to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K) and review and consider with the outside auditor the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61, as amended.
 - As a whole, or through the Committee Chair, the Committee shall review with the outside auditor the Company's interim financial results to be included in the Company's quarterly reports to be filed with the SEC and the matters required to be discussed by SAS No. 100, as amended. This review will occur prior to the Company's filing of the Form 10-Q.
 - The Committee shall discuss with management, the internal audit staff and the outside auditor the quality and adequacy of the Company's internal control over financial reporting and disclosure controls and procedures, any special steps adopted in light of material weaknesses, and the adequacy of disclosures about changes in internal control over financial reporting.

- The Committee shall discuss with management, the internal audit staff and the outside auditor management’s assessment of the Company’s internal control over financial reporting and the outside auditor’s attestation regarding the Company’s internal control over financial reporting prior to the filing of the Company’s Form 10-K.
 - The Committee shall review any disclosures made to the Committee by the Company’s CEO and CFO during their certification process for the Form 10-K and Form 10-Q regarding the effectiveness of the Company’s disclosure controls and procedures and any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal control over financial reporting.
10. The Committee shall inquire of the CEO and the CFO regarding the “quality of earnings” of the Company from a subjective as well as an objective standpoint.
 11. The Committee shall review and discuss with management and the outside auditor any material financial or non-financial arrangements that do not appear on the financial statements of the Company.
 12. The Committee shall discuss with management and the outside auditor, as appropriate, earnings press releases and financial information and earnings guidance provided to analysts and to rating agencies, if any.
 13. The Committee shall prepare and publish the required annual Committee report in the Company’s proxy statement.

Responsibilities Relating to Internal Audit Function

14. The Committee, subject to any action that may be taken by the full Board, shall have the ultimate authority and responsibility for the selection, compensation, retention or termination, and oversight of the internal audit staff. These responsibilities include resolution, as appropriate, of disputes regarding the design or operation of internal control over financial reporting between management and the internal audit staff and ensuring the direct reporting relationship of the internal audit function to the Committee.
15. The Committee shall review and approve decisions made by the Company’s internal corporate audit staff with respect to the following related matters:
 - purpose, authority and organizational reporting lines;

- annual internal audit plan, budget and staffing;
 - concurrence in the appointment, compensation and rotation of the corporate internal audit staff;
 - review and concurrence in the appointment and replacement of the senior internal auditing executive;
 - ensure there are no unjustified restrictions, or limitations, on the internal audit function; and
 - audit of the application of the Code of Ethics for Financial Managers.
16. To the extent that internal audit is outsourced to a professional services firm, the Committee shall annually review that firm's overall statement of qualifications, as well as the quality and integrity of the staff itself.
17. The Committee shall review the significant reports to management prepared by the internal auditing department and management's responses.
18. The Committee shall review, with the CEO and the CFO, or such others as the Committee deems appropriate, the Company's internal system of audit and financial controls and the results of internal audits.

Responsibilities Relating to Ethical Matters and Conflicts of Interest

19. The Committee shall:
- review the process for communicating the Code of Conduct for All Directors, Officers, and Employees to Company personnel, and for monitoring compliance therewith;
 - recommend to the Board that it grant waivers under the Code of Conduct for All Directors, Officers, and Employees, when appropriate.
20. The Committee shall review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Company. This should include regular reviews of the compliance processes in general, effectiveness of the system for monitoring compliance with laws and regulations, the findings of any examinations by regulatory agencies, any auditor observations, the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance, and the Company's risk management process in particular. In connection with these reviews, the Committee will meet, as deemed appropriate, with the General Counsel and other Company officers or employees.

21. The Committee shall conduct as appropriate, and on an ongoing basis, a review of all related person transactions required to be disclosed in the Company's public filings for potential conflict of interest situations. All such transactions must be approved by the Committee or another independent body of the Board.
22. The Committee shall review with management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal audit staff or the outside auditor.

Responsibilities Relating to Complaints

23. The Committee shall establish procedures for:
 - the receipt, retention and treatment of complaints received by the Company, regarding accounting, internal accounting controls or auditing matters; and
 - confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other Responsibilities

24. The Committee shall:
 - inquire of management and the outside auditor about significant risks or exposures facing the Company;
 - assess the Company's risk assessment and risk management policies, including the Company's major financial risk exposures and steps taken by management to monitor and mitigate such exposures; and periodically review compliance with such steps; and
 - review, at least biannually, a risk assessment that addresses financial, operational, and compliance risks for presentation by the Committee to the full Board.
25. The Committee shall discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.
26. The Committee shall, as a whole or through the Committee Chair, discuss with management and the outside auditor any correspondence with regulators or

governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

Membership

The membership of the Committee will be comprised of at least three directors, designated by and serving at the pleasure of the Board.

All members of the Committee shall satisfy the independence requirements of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission ("SEC") thereunder, as well as the independence and experience requirements of the Nasdaq Stock Market or such other exchange as the Corporation may be listed on from time to time, and the Corporation's Corporate Governance Guidelines. All members shall have sufficient financial experience and be financially literate (including being able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, cash flow statement, and statement of other comprehensive income), to enable them to discharge their responsibilities.

At least one member shall be an audit committee financial expert as defined by the SEC and as designated by the Board. and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

Committee Meetings and Procedures

A. The Committee shall meet as often as it determines necessary, but not less than quarterly. Meetings of the Committee may be held telephonically. The Committee Chair may call special meetings of the Committee, as circumstances require. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private audit and executive sessions. Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials. The Committee will perform other activities related to this charter as requested by the Board. The Committee will keep minutes of its meetings. The minutes will be circulated among the members of the Committee and the Board.

B. The Committee shall meet separately at least quarterly with management, with the internal audit staff and also with the Company's outside auditor.

C. The Committee shall report its activities, issues, and recommendations to the Board after each Committee meeting and shall conduct and present to the Board an annual performance evaluation of the Committee.

D. The Committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

E. A majority of the members of the Committee will constitute a quorum for the transaction of business. Action of the Committee must be authorized by the affirmative votes of a majority of the members present at a meeting at which a quorum is present.

Committee Chair; Procedures

The Board of Directors may designate one of the Committee members as Chair of the Committee, and if it does not, the Committee will select one of its members to serve as Chair. A Chair designated by the Board of Directors will serve at the pleasure of the Board, and a Chair selected by the Committee will serve at the pleasure of the Committee. The Chair will preside at all Committee meetings at which he or she is present. The Committee may fix its own rules of procedure so long as they do not conflict with the Corporation's articles of incorporation, the resolutions establishing the Committee, or state law.

Records and Reports

The Committee will keep a record of its proceedings and report them to the Board of Directors at such times as the Board may specify.