

TECUMSEH PRODUCTS COMPANY CORPORATE GOVERNANCE GUIDELINES

These Corporate Governance Guidelines (the “Guidelines”) adopted by the Board of Directors are subject to future refinement or changes as the Board may find necessary or advisable for Tecumseh Products Company (the “Company”).

GENERAL PHILOSOPHY AND FUNCTIONS

1. **Board Philosophy.** The business of the Company is conducted by its employees and officers, under the direction of the Chief Executive Officer and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board of Directors is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. To fulfill its responsibilities and to discharge its duties, the Board of Directors follows the procedures and standards set forth in these guidelines.
2. **Care, Candor and Avoidance of Conflicts.** The Company’s directors recognize their obligation individually and collectively as the Board to pay careful attention and be properly informed. This requires regular attendance at board meetings and preparation for board meetings, including the advance review of circulated materials. The directors also recognize that candor and the avoidance of conflicts in fact and in perception are hallmarks of the accountability owed to the shareholders. Directors have a personal obligation to disclose a potential conflict of interest to the Chairman of the Board (the “Chairman”) prior to any Board decision related to the matter and, if the Chairman in consultation with legal counsel determines a conflict exists or the perception of a conflict is likely to be significant, to recuse themselves from any discussion or vote related to the matter.
3. **Integrity and Conduct.** Each director is expected to act with integrity and to adhere to the policies in the Company’s Code of Conduct for all Directors, Officers, and Employees. Any waiver of the requirements of the Code of Conduct for all Directors, Officers, and Employees for any director must be approved by the Board and promptly disclosed on the Company’s website.
4. **Confidentiality.** Pursuant to their fiduciary duties of loyalty and care, directors are required to protect and hold confidential all non-public information obtained due to their directorship position absent the express or implied permission of the Board of Directors to disclose such information. Accordingly, (i) no director shall use Confidential Information for his or her own personal benefit or to benefit persons or entities outside the Company; and (ii) no director shall disclose Confidential Information outside the Company, either during or after his or her service as a director of the

Company, except with authorization of the Board of Directors or as may be otherwise required by law.

"Confidential Information" is all non-public information entrusted to or obtained by a director by reason of his or her position as a director of the Company. It includes minutes, reports and materials of the Board and its committees. It also includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed, such as:

- non-public information about the Company's financial condition, prospects or plans, its marketing and sales programs and research and development information, as well as information relating to mergers and acquisitions, stock splits and divestitures;
- non-public information concerning possible transactions with other companies or information about the Company's customers, suppliers or joint venture partners, which the Company is under an obligation to maintain as confidential; and
- non-public information about discussions and deliberations relating to business issues and decisions, between and among employees, officers and directors.

5. Board Functions. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- selecting, evaluating, and compensating the Chief Executive Officer and overseeing Chief Executive Officer succession planning;
- providing counsel and oversight on the selection, evaluation, development, and compensation of senior management;
- reviewing, monitoring, and, where appropriate, approving fundamental financial and business strategies and major corporate actions;
- assessing major risks facing the Company--and reviewing options for their mitigation;
- ensuring processes are in place for maintaining the integrity of the Company--the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stakeholders; and

- performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

BOARD COMPOSITION AND SELECTION

6. **Board Size.** The Board believes five to ten members is an appropriate size based on the Company's present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable.
7. **Selection of Board Members.** All Board members are elected annually by the Company's shareholders, except for Board action to fill vacancies. The Governance and Nominating Committee is responsible for recommending to the Board director candidates for nomination and election. The Governance and Nominating Committee annually reviews with the Board the applicable skills and characteristics required of Board nominees in the context of current Board composition and Company circumstances. In making its recommendations to the Board, the Governance and Nominating Committee considers, among other things, the qualifications of individual director candidates in light of the Board membership criteria described below.

The Governance and Nominating Committee will consider candidates recommended by shareholders. Shareholders wishing to suggest director candidates should submit their suggestions in writing to the attention of the Corporate Secretary of the Company, providing the candidate's name and qualifications for service as a Board member, a document signed by the candidate indicating the candidate's willingness to serve if elected, and evidence of the shareholder's ownership of Company shares. Recommendations received before December 31 will be considered for the following year's annual meeting. The Governance and Nominating Committee will evaluate any candidates recommended by shareholders in the same manner that it evaluates candidates recommended by others.

Invitations to serve as a nominee are extended by the Board itself via the Chairman, the Lead Director if the Chairman is not an independent director, and the Chairman of the Governance and Nominating Committee.

8. **Board Membership Criteria.** The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills, and experience for Board members with the objective of having a Board with diverse backgrounds and experience. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of disciplines relevant to the success of a publicly traded company, understanding of the Company's business, and the individual's educational and professional background and personal accomplishment. In determining whether to recommend a director for reelection, the Governance and Nominating Committee also considers the

director's past attendance at meetings and participation in and contributions to the activities of the Board.

9. Board Composition-Majority of Independent Directors. The Board intends that a substantial majority of its directors will be independent.

A. The Board shall not consider a director to be independent (subject to the interpretative materials of the Nasdaq Stock Market) if he or she:

- is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company, or is a family member of an individual who is, or at any time during the past three years was, an executive officer of the Company or any parent or subsidiary of the Company.
- has accepted, or has a family member who has accepted, any compensation from the Company or any parent or subsidiary of the Company of more than \$100,000 annually during the current or any of the past three fiscal years, other than director compensation or payments under a tax-qualified retirement plan or other non-discretionary compensation for prior services rendered.
 - The following payments will not be considered disqualifying payments for the above independence standard: (i) compensation for Board or Board committee service; (ii) reimbursement of reasonable expenses associated with Board or Board committee service; (iii) payments arising solely from investments in the Company's securities; (iv) compensation paid to a family member who is a non-executive employee of the Company or a parent or subsidiary of the Company; (v) benefits under a tax-qualified retirement plan or non-discretionary compensation; or (vi) loans permitted under Section 13(k) of the Securities Exchange Act of 1934, as amended.
- is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization that is considered a significant supplier or customer of the Company (including charitable organizations) to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed the greater of five percent (5%) of the recipient's consolidated gross revenues for that year or \$200,000.

➤ Payments (i) arising solely from investments in the Company's securities, or (ii) under non-discretionary charitable contribution matching programs, will not be considered in determining disqualifying payments for the above independence standard.

- is, or has a family member who is, an executive officer of another entity where, at any time during the past three years, any of the Company's executive officers served on that entity's compensation committee.
- is, or has a family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

For purposes of these independence determinations, "family member" includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, whether by blood, marriage or adoption, or someone who resides in the home of the director.

B. In addition, a director shall not be deemed "independent" if he or she has had any of the following business or charitable relationships:

- is an advisor or consultant who, or is a partner, controlling shareholder, or executive officer of an entity which, provides accounting, consulting, legal, investment banking or financial advisory services to the Company or a member of the Company's senior management (e.g., a Section 16 officer).
- serves as, or has a family member who serves as, the Chief Executive Officer or Chairman of a not-for-profit entity that receives significant contributions from the Company or from a member of the Company's senior management (revenue of the greater of 2% of the Company's consolidated gross revenues of \$1 million is considered significant).

10. Term Limits. The Board does not believe it should limit the number of terms for which an individual may serve as a director.
11. Director Who Changes Employment Status. The Company's Bylaws provide that any director who ceases to have the same employment he or she had when elected must submit a resignation from the Board within 60 days and that the Governance and Nominating Committee (excluding that director if he or she is a member of the committee) will decide whether or not to accept it. If the

Governance and Nominating Committee does not accept the resignation within 60 days after it is submitted, the resignation is deemed rejected.

12. Selection of Chief Executive Officer, Chairman and Lead Director. The Board selects the Company's Chief Executive Officer and Chairman of the Board in the manner it determines to be in the best interests of the Company's shareholders. The Board does not have a policy as to whether the Chairman should be an independent director, a non-management director or a member of management. When the Chairman is a member of Company management or is not otherwise independent, the Board will designate an independent director to serve as the Lead Director. The independent Chairman or Lead Director will perform the following functions:

- convening, establishing an agenda for, and moderating executive sessions of independent and non-management directors;
- with the Chief Executive Officer, developing the agendas for meetings of the Board, identifying the Board's information needs associated with agenda items, and identifying the need for and scope of related presentations;
- communicating to the Chief Executive Officer (together with the chair of the appropriate committee), the results of the Board's evaluation of Chief Executive Officer performance;
- developing with the Governance and Nominating Committee procedures governing the Board's work;
- developing with the Governance and Nominating Committee criteria for director candidates and discussing with the committee the Board's compositional needs;
- communicating to prospective Board members (together with the chair of the governance committee) any invitation to join the Board;
- identifying and recommending the retention of consultants and advisors who directly report to the Board, as appropriate;
- coordinating the work and meetings of committees, and acting as liaison between directors, committee chairs, the Chief Executive and other senior members of management;
- serving as an information resource for directors;

- providing shareholders with an additional point of communication, as requested and directed by the Board; and
 - performing such other duties as may be necessary for the Board to fulfill its responsibilities or as may be requested by the Board as a whole, by the non-management directors, by the independent directors, or by the Chief Executive Officer.
13. **Service on Other Boards and Audit Committees.** Directors are asked to advise the Chairman of the Governance and Nominating Committee in advance of accepting an invitation to serve on another board of directors or similar body of a for-profit company or government entity. Without specific approval from the Board, no director may serve on more than five public company boards (including the Company's Board), and no member of the Audit Committee may serve on more than three public company audit committees (including the Company's Audit Committee). In addition, a director who also serves as Chief Executive Officer or in an equivalent position of a public company generally should not serve on more than two public company boards, including the Company's Board, in addition to his or her employer's board. In calculating service on a public company board or audit committee, service on a board or audit committee of a parent and its substantially owned subsidiary counts as service on a single board or audit committee. Any Audit Committee member's service on more than three public company audit committees will be subject to the Board's determination that the member is able to serve effectively on the Company's Audit Committee, and the disclosure of that determination in the Company's annual proxy statement. The Governance and Nominating Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to Company shareholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies.

BOARD MEETINGS; ACCESS TO SENIOR MANAGEMENT AND INDEPENDENT ADVISORS

14. **Board Meetings-Frequency.** The Board will generally have at least six regularly scheduled meetings per year and hold additional special meetings as necessary. Each director is expected to attend both scheduled and special meetings of the Board and of committees on which he or she serves, except if unusual circumstances make attendance impractical.
15. **Board Meetings-Agenda.** The Chairman, along with the Lead Director if the Chairman is not an independent director, will set the agenda for each Board meeting, taking into account suggestions from the other members of the Board. The agenda will be distributed in advance to each director.

16. **Advance Distribution of Materials.** All information relevant to matters to be discussed at an upcoming Board meeting should be distributed in writing or electronically to all members in advance whenever feasible and appropriate. Each director is expected to review this information before the meeting to facilitate the efficient use of meeting time. The Board recognizes that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters before meetings may not be appropriate.
17. **Access to Employees.** The Board should have access to Company employees in order to ensure that directors can ask all questions and obtain all information necessary to fulfill their duties. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered.
18. **Access to Independent Advisors.** The Board and its committees have the right at any time to retain independent outside auditors and financial, legal, or other advisors, and the Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties. If the Chairman is not an independent director, the Lead Director shall assist the Board in identifying and recommending the retention of such advisors.
19. **Executive Sessions of Independent and Non-Management Directors.** The independent and non-management directors of the Company will meet regularly in executive session, i.e., with no management present, at least four times each year, and will also have the opportunity to meet at every meeting of the Board or as otherwise determined by such directors. In addition, at least two times per year the independent directors shall meet in executive session without members of management or non-independent directors present. Executive sessions will be called and chaired by the Lead Director if there is a Lead Director or by the Chairman if he or she is an independent director. Executive session discussions may include such topics as the independent and non-management directors determine.

COMMUNICATIONS WITH SHAREHOLDERS AND OTHERS/ANNUAL MEETINGS

20. **Leadership re Communications.** The Board has delegated to the Chief Executive Officer authority for speaking for the Company with shareholders, investors, employees, customers, suppliers, the press and others in most circumstances. The Chairman and, in certain circumstances, the Lead Director if the Chairman is not an independent director, has authority to speak for the Board. If comments from the Board are appropriate, they should, in

most circumstances, come from the Chairman. Directors are expected to take special care in all communications concerning the Company, in light of confidentiality requirements and laws prohibiting insider trading, tipping and avoidance of selective disclosure.

Any inquiries directed to the Lead Director or members of the Board of Directors should be sent to the Board of Directors using the contact information below. The Lead Director or the Chairman, if he or she is an independent director, will determine how to respond to such inquiries.

21. Shareholder Communications to the Board. Shareholders may send communications to the Board of Directors by mailing them to:

Board of Directors
c/o General Counsel & Secretary
Tecumseh Products Company
1136 Oak Valley Drive
Ann Arbor, MI 48108

Shareholders may also email communications to the Board by using the email address provided on the Company's website.

The Board has asked the General Counsel & Secretary to review communications and, after consulting with the Chairman and the Lead Director if the Chairman is not an independent director, to determine the appropriate person to receive the communication. The General Counsel & Secretary reviews communications to ensure that inappropriate matters such as marketing materials and non-substantive matters are removed. The General Counsel & Secretary reports periodically to the Board about communications that he or she has determined are non-substantive.

Concerns about questionable accounting or auditing matters or possible violations of the Company's Code of Conduct or Code of Ethics for Financial Managers should be reported using the procedures described in the Ethics Reporting Policy available on the Company's web site at www.tecumseh.com.

22. Attendance at Annual Meeting. Each director is expected to attend the Company's annual meeting of shareholders.

PERFORMANCE EVALUATION; SUCCESSION PLANNING

23. Annual Evaluation of Board and Committee Performance. The Governance and Nominating Committee annually facilitates the performance self-assessment of the Board and its committees. This evaluation process culminates in a Board discussion after the financial statements for each fiscal year have been completed and at the same time as the Governance and

Nominating Committee presents its review of Board membership needs. This discussion addresses the Board and its committees contributions as a whole (rather than criticizing any particular directors), and may include a discussion of specific areas where the contribution of the Board and/or its committees could be improved. As a part of this review, the General Counsel & Secretary reports to the Board and its committees on their compliance with these Guidelines and their committee charters.

24. Succession Planning. As part of the annual officer evaluation process, the Board, and in particular the Governance and Nominating Committee, discuss and develop plans relating to Chief Executive Officer succession, including plans for interim succession for the Chief Executive Officer in the event of an unexpected occurrence. The Chief Executive Officer is involved in these discussions.

COMPENSATION

25. Board Compensation Philosophy. The Company believes in establishing a conservative, but market competitive, non-employee director compensation program. Compensation should consist partly of guaranteed elements and partly of elements providing an opportunity to earn additional compensation based on the Company's performance.

COMMITTEES

26. Number and Types of Committees. The Board has four standing committees: the Audit Committee, the Governance and Nominating Committee, the Compensation Committee, and the Pension and Investment Committee. The Board may add new committees or remove existing committees as it deems advisable (subject to applicable state law and regulations of the Securities and Exchange Commission and rules of the Nasdaq Stock Market). Each committee performs the duties assigned to it in its charter, in the Board resolution establishing the committee and as otherwise may be determined by the Board.

The duties of the Audit Committee, the Governance and Nominating Committee and the Compensation Committee are described in their charters, which can be viewed on the Company's web site.

The Pension and Investment Committee is responsible for the control and management of all pension and retirement plans the Company sponsors.

27. Composition of Committees; Committee Chairs. The Audit Committee, Governance and Nominating Committee and Compensation Committee consist solely of independent directors. The Board is responsible for the appointment of committee members and committee chairs.

28. Committee Meetings and Agendas. The chair of each committee, working in cooperation with the appropriate members of management, is responsible for setting the agendas for committee meetings. The chair and committee members determine the frequency and length of committee meetings consistent with the Board resolutions establishing each committee.

MISCELLANEOUS

29. Director Orientation and Continuing Education. The Governance and Nominating Committee is responsible for new-director orientation programs and for director continuing education programs to assist directors in maintaining skills necessary or appropriate for the performance of their responsibilities.
30. Insurance and Indemnification. The Company purchases reasonable directors' and officers' liability insurance, as determined by the Board after consulting with management, for the benefit of its directors and management. In addition, directors and management are entitled to indemnification to the fullest extent permitted by Michigan law and the Company's Articles of Incorporation.
31. Review of Governance Guidelines. The practices memorialized in these guidelines have developed over a period of years. The Board expects to review these guidelines from time to time as appropriate.

Revised as of: August 26, 2008