

FAIRCHILD CORP  
Form DEF 14A  
January 27, 2006  
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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Act of 1934.**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |                                     |                                       |                          |  |
|-------------------------------------|---------------------------------------|--------------------------|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement           | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))</b> |
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## The Fairchild Corporation

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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- 2) Aggregate number of securities to which transaction applies:
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- 3) Filing Party:
- 4) Date Filed:

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**THE FAIRCHILD CORPORATION**

**1750 Tysons Boulevard**

**Suite 1400**

**McLean, VA 22102**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**Date:** Wednesday, March 8, 2006

**Time:** 10:00 a.m.

**Place:** Ritz-Carlton

1700 Tysons Boulevard

McLean, VA 22102

**Matters to be voted on:**

1. Election of five directors.
2. Any other matters properly brought before the shareholders at the meeting.

By Order of the Board of Directors

Donald E. Miller

Executive Vice President & Secretary

January 27, 2006

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**PROXY STATEMENT**

Your vote at the annual meeting is important to us. Please vote your shares of common stock by completing the enclosed proxy card and returning it to us in the enclosed envelope. This proxy statement has information about the annual meeting and was prepared by the Company's management for the board of directors. This proxy statement was first mailed to shareholders on or about January 27, 2006.

**GENERAL INFORMATION ABOUT VOTING**

***Who can vote?***

Only shareholders of record holding Class A common stock or Class B common stock as of the close of business on January 13, 2006, will be entitled to receive notice of the annual meeting and to vote at the meeting.

On January 13, 2006, there were 22,604,761 shares of Class A common stock and 2,621,412 shares of Class B common stock outstanding and eligible to vote. Shares of common stock owned by the Company or any subsidiary are not entitled to vote, and are not included in the number of outstanding shares. Class A shares are entitled to one vote per share; Class B shares are entitled to 10 votes per share.

***How do I vote by proxy?***

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the annual meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope. The proxyholders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card, but do not vote on a proposal, the proxyholders will vote for you on that proposal. Unless you instruct otherwise, the proxyholders will vote **FOR** each of the five director nominees and **FOR** each of the other proposals to be considered at the meeting.

***How do participants in our savings plan vote these shares?***

If you are a participant in our savings plan, the proxy card also will serve as a voting instruction for the trustee of the plan, Mercer HR Services, to vote all shares of Class A common stock which are held by the trustee for your benefit. The shares represented by your proxy will be voted as you direct. The trustee will hold your voting directions in strict confidence. If you do not vote your proxy, shares held by the trustee for your benefit will be voted by the trustee in the same proportion as the shares properly voted by other participants in the savings plan.

***What if other matters come up at the annual meeting?***

The matters described in this proxy statement are the only matters we know will be voted on at the annual meeting. If other matters are properly presented at the meeting, the proxyholders will vote your shares as they see fit.

***May I change my vote after I return my proxy card?***

Yes. At any time before the vote on a proposal, you may change your vote either by giving the Company's secretary a written notice revoking your proxy card or by signing, dating, and returning to us a new proxy card. We will honor the proxy card with the latest date.

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***May I vote in person at the annual meeting rather than by completing the proxy card?***

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you may attend the annual meeting and vote your shares in person.

***What do I do if my shares are held in street name ?***

If your shares are held in the name of your broker, a bank, or other nominee, that party should give you instructions for voting your shares.

***How are votes counted?***

We will hold the annual meeting if holders of a majority of the shares of Class A common stock and Class B common stock entitled to vote either sign and return their proxy cards or attend the meeting. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote on any of the proposals listed in the proxy card.

If your shares are held in the name of a nominee, and you do not tell the nominee how to vote your shares (so-called broker nonvotes ), the nominee can vote them as it sees fit only on matters that the New York Stock Exchange determines to be routine, and not on any other proposal. Broker nonvotes will be counted as present to determine if a quorum exists, but will not be counted as present and entitled to vote on any nonroutine proposal.

***Who pays for this proxy solicitation?***

We do. In addition to sending you these materials, some of our employees may contact you by telephone, by mail, or in person. None of these employees will receive any extra compensation for doing this. The Company will also reimburse brokerage houses and others forwarding proxy materials to beneficial owners of stock. The Company has not included the costs of solicitation in this Proxy Statement since such costs are not expected to exceed the amount normally expended for a solicitation for an election of directors in the absence of a contest.



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An entire board of directors, consisting of five members, will be elected at the annual meeting. The directors elected will hold office until their successors are elected, which should occur at the next annual meeting. We recommend a vote FOR the nominees presented below.

**Vote Required.** The five nominees receiving the highest number of votes will be elected. Votes withheld for a nominee will not be counted.

**Nominations.** At the annual meeting, we will nominate the persons named in this proxy statement as directors. Although we do not know of any reason why one of these nominees might not be able to serve, the board of directors will propose a substitute nominee if any nominee is not available for election.

**DIRECTORS STANDING FOR ELECTION**

All of the nominees are currently directors of the Company. Each has agreed to be named in this proxy statement and to serve as a director if elected. All nominees have been designated as Continuing Directors as defined in the Company's Certificate of Incorporation.

<i>Name</i>	<i>Age</i>	<i>Position</i>
Robert E. Edwards	57	Director
Steven L. Gerard	60	Director
Daniel Lebard	66	Director
Eric I. Steiner	44	President, Chief Operating Officer and Director
Jeffrey J. Steiner	68	Chairman of the Board and Chief Executive Officer

**Robert E. Edwards.** Director since 1998. Executive Vice President of Fairchild Fasteners: March 1998 to January 2001. Chief Operating Officer of Fairchild Fasteners U.S. Operations: January 2000 to January 2001. Chief Executive Officer of Fairchild Fasteners Direct: March 1998 to December 1999. President and Chief Executive Officer of Edwards and Lock Management Corporation (predecessor of Fairchild Fasteners Direct): 1983 to 1998. Pursuant to the merger agreement by which the Company acquired Fairchild Fasteners Direct, Mr. Edwards is to be nominated for election as a director every year as long as he continues to own at least 541,258 shares of Class A common stock.

**Steven L. Gerard.** Director since 1999. Chairman and Chief Executive Officer of CBIZ, Inc. (provider of integrated business services and products): October 2000 to present. Chairman and Chief Executive Officer of Great Point Capital, Inc. (financial and operating consultants): 1997 to October 2000. Chairman and Chief Executive Officer of Triangle Wire & Cable, Inc. and its successor, Ocean View Capital, Inc., a manufacturer of insulated wire and cable: September 1991 to August 1997. Director of

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Lennar Corporation, Timco Aviation Services, Inc. and Joy Global, Inc.

**Daniel Lebard.** Director since 1996. Chairman of Supervisory Board of Daniel Lebard Management Development SA, a consulting firm in Paris, France, which performs management services: 1982 to Present. Chief Executive Officer of ISPG and Executive Chairman of Albright & Wilson plc (manufacturer of added value phosphate products): 1999.

**Dr. Eric I. Steiner.** Director since 1988. President of the Company: September 1998 to Present. Chief Operating Officer of the Company: November 1996 to Present. Executive Vice President of the Company: November 1996 to September 1998. Senior Vice President, Operations of the Company: May 1992 to November 1996. Dr. Steiner is the son of Jeffrey J. Steiner.

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**Jeffrey J. Steiner.** Director since 1985. Chairman of the Board and Chief Executive Officer of the Company: December 1985 to Present. President of the Company: July 1991 to September 1998. Director of Global Sources Ltd.

**Legal Proceedings Involving Jeffrey Steiner:** Over the past several years, we have disclosed certain legal proceedings in France involving Mr. Jeffrey Steiner, Chairman and Chief Executive Officer of the Company. All of the charges against Mr. Steiner, which resulted from these proceedings, were dismissed except for one, relating to the unjustified use in 1990 of corporate funds of Elf-Acquitaine, a French oil company. Mr. Steiner was given a suspended sentence and ordered to pay a fine of 500,000 Euros by the French Court. This decision has resulted in no penal record in France. The Company and Mr. Steiner's respective rights and obligations with respect to each other as a result of his defense in these proceedings were resolved in connection with the Derivative Settlement referred to below.

**Derivative Shareholder Actions:** Two actions, styled *Noto v. Steiner, et al.*, and *Barbonel v. Steiner, et al.*, were commenced on November 18, 2004, and November 23, 2004, respectively, in the Court of Chancery of the State of Delaware in and for Newcastle County, Delaware. The plaintiffs alleged that each is or was a shareholder of The Fairchild Corporation and purported to bring actions derivatively on behalf of the Company, claiming, among other things, that Fairchild executive officers received excessive pay and prerequisites, and that the Company's directors approved such excessive pay and prerequisites in violation of their fiduciary duties to the Company. The complaints named as defendants all of the Company's directors, its Chairman and Chief Executive Officer, its President and Chief Operating Officer, its then Chief Financial Officer, and its General Counsel. On October 24, 2005, a copy of a Notice of Hearing and Proposed Supplemental Settlement of The Fairchild Corporation Stockholder Derivative Litigation (the **Derivative Settlement**) was mailed to all shareholders and was filed with the SEC on a Form 8-K report. On November 23, 2005, the Court of Chancery approved the Derivative Settlement, which approval became final on December 23, 2005. The Derivative Settlement is further discussed below under Corporate Governance Matters.

**Director Independence:** Except for Eric Steiner and Jeffrey Steiner, all director nominees are independent as defined in the listing standards of the New York Stock Exchange, applicable Securities and Exchange Commission Rules, and the Company's Corporate Governance Guidelines.

**Two New Independent Directors to Be Appointed:** Pursuant to the Derivative Settlement, the Company has agreed to nominate and appoint two new independent directors as soon as practicable. Nominees for such independent directors have not been determined as of the date of this Proxy Statement. The Board of Directors will appoint such new independent directors as soon as practicable. Pursuant to the Derivative Settlement, Jeffrey Steiner and Eric Steiner (on behalf of themselves and their affiliates) agreed that they will not take actions as stockholders to remove any such independent directors prior to the Company's 2007 annual meeting of stockholders.

## **MEETINGS OF THE BOARD OF DIRECTORS**

During the 2005 Fiscal Year, the Board held five meetings and acted five times by unanimous written consent. No incumbent director attended less than seventy-five percent (75%) of the aggregate number of meetings of the Board and committees on which he served. On September 28, 2005, Harold Harris, who had been a member of the Board since 1985, died.

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**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has six standing committees. The following chart describes the function and membership of each standing committee and the number of times it met during the 2005 Fiscal Year:

**Audit Committee**

**(Held 7 meetings)**

Function

- Responsible for the appointment, compensation and oversight of the Company's outside auditors and resolution of disagreements, if any, between outside auditors and management.
- Receives and responds to complaints (which may be submitted confidentially or anonymously) regarding accounting, internal account control or auditing matters.
- Examines and considers (and, where appropriate, pre-approves) matters relating to the internal and external audits of the Company's accounts and its financial affairs.
- Selects the Company's independent auditors.
- Reviews the Company's auditing, financial reporting and internal control functions.

Members

Steven Gerard

The following members of the committee are not running for reelection as directors:

Herbert Richey (Chairman)

John Podkowsky

Mortimer Caplin

The Board will elect new members to the Audit Committee following the Annual Meeting.

The Audit Committee has been established in accordance with Section 3(a)(5)(A) of the Exchange Act which (among other things) requires companies to establish a committee of board members for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company.

**Financial Expert:** The Board of Directors has determined that Steven Gerard, a member of the Audit Committee, is a financial expert as defined in Securities and Exchange Commission Rules. Such determination was based, in part, on the following qualifications:

- Mr. Gerard has served since October 2000 as Chief Executive Officer of CBIZ, Inc. (provider of integrated business services) and served as Chairman and CEO of Great Point Capital, Inc. (financial and operating consultants) from 1997 to

October 2000.

- He served for 18 years as a financial analyst/banker.
- He serves as a member of the Audit Committee of several other major companies (Lennar Corporation and Timco Aviation Services, Inc.).

**Committee Independence:** The Board of Directors has determined that all members of the Audit Committee are independent as defined in the listing standards of the New York Stock Exchange, applicable Securities and Exchange Commission Rules, and the Company's Corporate Governance Guidelines. No Audit Committee member currently sits on more than two other public companies' audit committees.

**Committee Charter:** The Board has adopted a written charter for the Audit Committee, which sets forth in more detail the Committee's functions and responsibilities. The charter was adopted to and restated as of January 13, 2005. A copy of the charter is attached as Appendix B. The charter is also posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). A copy may be obtained upon request from the Company's Corporate Secretary.

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**Compensation and Stock Option Committee**

**(Held 1 meeting and acted 1 time by written consent)**

*Function*

- Initial responsibility for all compensation actions affecting the Company's officers, including base salaries, bonus awards, stock option awards and the terms and conditions of their employment.

Administers the Company's stock option plan.

- 

*Members*

Daniel Lebard (Chairman)

Steven Gerard

Robert Edwards (elected on 12/23/2005)

The following member of the committee is not running for reelection as a director:

Herbert Richey

**Committee Independence:** The Board of Directors has determined that all members of the Compensation and Stock Option Committee are independent as defined in the listing standards of the New York Stock Exchange, and the Company's Corporate Governance Guidelines.

**Committee Charter:** The Board has adopted a written charter for the Compensation Committee which sets forth in more detail the Committee's functions and responsibilities. The charter is posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). A copy may also be obtained upon request from the Company's Corporate Secretary.

**Executive Committee**

**(Acted 1 time by written consent)**

*Function*

- May consider pertinent matters and exercise all powers of the Board, which by law it may exercise when the Board is not in session. Pursuant to the Derivative Settlement: (i) the Executive Committee shall consist of four members, three of whom shall not be officers of the Company, and (ii) the vote of three fourths of the members is required to approve any action by the Committee.

*Members*

Jeffrey Steiner (Chairman)

Steven Gerard

Eric Steiner resigned from the committee in December 2005.

The following members of the committee are not running for reelection as directors:

Mortimer Caplin

Herbert Richey

Following the Annual Meeting, the Board will either dissolve the executive committee or appoint additional directors to this committee so that it consists of not less than three independent directors and one management director.

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**Corporate Ethics and Compliance Committee**

**(Held 1 meeting)**

*Function*

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- Oversees the Company's ethics programs.

*Members*

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The following members of the committee are not running for reelection as directors:

Mortimer Caplin (Chairman)

Herbert Richey

Following the Annual Meeting, the Board will appoint new directors to this committee so that it consists of not less than two independent directors.

**Governance and Nominating Committee**

**(Held 1 meeting)**

*Function*

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- Responsible for identifying individuals qualified to become Board members and recommending them to the full Board for consideration. This includes all potential candidates, whether initially recommended by management, other Board members, or shareholders of the Company. Considers and recommends to the Board candidates for election to the Board of Directors by the shareholders.
- Makes recommendations to the Board regarding corporate governance matters and updates to the Corporate Governance Guidelines.

*Members*

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Steven Gerard

Daniel Lebard

The following member of the committee is not running for reelection as a director:

Herbert Richey

**Committee Independence:** The Board of Directors has determined that all members of the Governance and Nominating Committee are independent as defined in the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.



**Committee Charter:** The Board has adopted a written charter for the Governance and Nominating Committee, which sets forth in more detail the Committee's functions and responsibilities. The charter is posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). A copy may also be obtained upon request from the Company's Corporate Secretary.

### **Oversight Committee**

Pursuant to the terms of the Derivative Settlement, the Company established an Oversight Committee effective December 23, 2005. The members of the Oversight Committee are Steven Gerard, Robert Edwards and Daniel Lebard. The Committee is required to review and give prior approval for all transactions, compensation or other payments involving the Company and any executive officer or director of the Company. Regular compensation decisions within the authority of the Compensation Committee are excluded from matters that must be approved by the Oversight

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Committee. Pursuant to the Company's bylaws, the members of the Oversight Committee (i) shall always consist of non-management directors; and (ii) any member of the Oversight Committee who is or believes himself to be conflicted with respect to any particular issue under consideration by the Oversight Committee shall excuse himself from consideration of the issue. Changes to the Oversight Committee bylaw can only be made pursuant to (i) a vote by a majority of the voting power of the outstanding Fairchild shares *and* a majority of the voting power of the outstanding shares held by Fairchild stockholders who are unaffiliated with Jeffrey Steiner, Eric Steiner or their respective associates; or (ii) pursuant to a vote by <sup>3</sup>/<sub>4</sub> of the entire Board.

The Board's preliminary agendas for its meetings will be reviewed and approved in advance by the Chairman of the Oversight Committee, who may add additional matters for Board information or action.

**DIRECTORS COMPENSATION**

Board members who are not salaried employees of the Company receive separate compensation for Board service. That compensation includes:

**Annual Retainer:** \$20,000

**Attendance Fees:** \$2,500 for each Board meeting.

\$2,500 for each Audit Committee meeting.

\$1,000 per meeting for all other Board Committee meetings.

Expenses related to attendance.

**Stock Options:** Under the 1996 Non-Employee Directors Stock Option Plan (the 1996 NED Plan) each non-employee director is issued stock options for 30,000 shares at the time he or she is first elected as a director. Thereafter, each director is issued stock options for 1,000 shares on an annual basis (immediately after each Annual Meeting). The 1996 NED Plan expires in September 2006.

**Chairman of Audit Committee:** \$10,000 a year.

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**REPORT OF THE AUDIT COMMITTEE**

*The following report does not constitute solicitation material and is not considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless we state otherwise.*

In accordance with a written charter adopted by the Company's Board of Directors, the Audit Committee of the Company's Board of Directors (the Committee) assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the Company's financial reporting processes. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon.

In this context, the Committee has met and held discussions with management and the independent auditors. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Committee discussed the consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, including the quality and acceptability of the Company's financial reporting processes and controls.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets regularly with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls and the overall quality of the Company's accounting principles.

In addition, the Committee has discussed with the independent auditors the auditors' independence from the Company and its management, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1 (Independent Discussions with Audit Committees).

In performing all of these functions, the Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management and independent auditors, which, in their report, express an opinion on the conformity of the Company's annual financial statements to accounting principles generally accepted in the United States.

In reliance on the reviews and discussions noted above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on SEC Form 10-K for the last fiscal year (ending on September 30, 2005) for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board of Directors:

Herbert S. Richey (Chairman) (\*)

Mortimer M. Caplin (\*)

Steven L. Gerard

John W. Podkowsky (\*)

\* Herbert S. Richey, Mortimer M. Caplin and John W. Podkowsky were directors in FY 2005. They are not running for reelection.

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### **REPORT OF THE COMPENSATION AND STOCK OPTION COMMITTEE**

*The following report does not constitute solicitation material and is not considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless we state otherwise.*

The Compensation and Stock Option Committee is composed of at least three independent Directors. It has initial responsibility for all compensation actions affecting the Company's executive officers, including base salaries, bonus awards, stock option awards and the terms and conditions of their employment.

#### **Compensation Philosophy**

The Committee's goals are to:

- Provide compensation competitive with other similar companies.
- Encourage executives to increase shareholder value.
- Directly relate compensation to Company performance and/or the objective value of individual service.

#### **Components of Executive Officer Compensation**

*Cash Compensation (Base Salary and Annual Incentive Bonus)* The Company manages the total cash compensation to provide median levels of cash compensation at average levels of corporate, business unit, or individual performance. Cash compensation consists of two components: (i) a base salary that is at least competitive with that paid by companies facing similar challenges, and (ii) an annual incentive opportunity that is variable and is reflective of the financial performance of the Company and/or the individual performance of the executive officer. When high levels of performance are achieved, the level of cash compensation may well exceed the median of the market. Conversely, when the Company, business unit, or the individual falls short of realizable goals, the level of cash compensation may be below the market median. The objective of this mix is to deliver total annual cash compensation competitive with compensation offered at other companies facing similar challenges for similar positions.

*Mix Between Salary and Annual Incentive Pay* The mix between salary and annual incentive pay is related to an executive's job grade. Executives at higher grade levels in the Company may have a greater percentage of their total cash compensation contingent on the accomplishment of assigned business objectives, i.e. the higher the executive grade level, the greater the proportion of annual compensation that may be at risk. The award and size of the performance bonus are based upon: (i) the executive officer's performance against goals determined by the Company's Chief Executive Officer; and/or (ii) the performance of the executive officer's unit within the Company against that unit's goals; or (iii) the performance of the Company against Company goals. Goals vary from year to year and from unit to unit and, with regard to individual goals of executive officers, usually include both quantitative and qualitative factors.

The Committee approved salary and annual incentive pay for the Company's named executive officers as set forth under the Summary Compensation Table of this Proxy Statement.

*Stock Option Grants* Stock options for 70,000 shares were awarded to James Fox in connection with his employment by the Company. No other stock options were granted during the 2005 Fiscal Year.

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*Total Compensation Program* The Committee believes that the total compensation program for executives of the Company (cash compensation, bonuses and stock option grants) is on a level with the compensation programs provided by other companies facing similar challenges. The Committee believes that any amounts paid under the annual incentive plan will be appropriately related to corporate and individual performance.

Pursuant to the Derivative Settlement, after taking into account the compensation policies of comparable companies facing comparable challenges, the Board shall adopt policies requiring that regular and bonus compensation (in any form) be directly related to the Company's performance and/or the objective value of the officer's services.

## **Compensation of CEO**

Jeffrey Steiner has served as Chairman of the Board and Chief Executive Officer of the Company since 1985, and as President from July 1991 through September 1998. In fixing Mr. Steiner's salary and target bonus levels, as well as determining the size of stock option awards, if any, the Committee and the Board typically review the strategic direction and financial performance of the Company, including enterprise value, revenue and profit levels. In addition, the Committee reviews Mr. Steiner's performance as Chairman of the Board and Chief Executive Officer, his importance to the Company and his success in implementing its strategic goals both through his entrepreneurial actions and investment banking acumen.

*Base Compensation* Mr. Steiner's aggregate base compensation for the 2005 Fiscal Year was at the rate of \$2,500,000 per year, consisting of (i) \$1,700,000 pursuant to his employment agreement with the Company, (ii) \$400,000 per year pursuant to his employment agreement with Banner Aerospace, plus (iii) \$400,000 for services in Switzerland with respect to the Company's European operations. Pursuant to the Derivative Settlement, this compensation was reduced to \$1,325,000 per year, effective as of January 12, 2006. Such reduction in compensation shall remain in place until such time as the Compensation Committee and Mr. Steiner agree on the terms of a new employment agreement.

*Stock Option Grants* No stock options were granted to Mr. Steiner during the 2005 Fiscal Year.

*Incentive Compensation for 2005 Fiscal Year* The Committee determined that Mr. Steiner should receive no incentive compensation for the 2005 Fiscal Year.

## **Advice of Consultants**

To aid it in making its compensation determinations, the Compensation and Stock Option Committee has engaged the services of Hewitt Associates, LLC, as its independent consultant.

Respectfully submitted by the members of the Compensation and Stock Option Committee of the Board of Directors, as of December 6, 2005:

Daniel Lebard, Chairman

Steven Gerard

Herbert S. Richey \*

\* Herbert S. Richey was a director in FY 2005. He is not running for reelection.



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**INFORMATION AS TO EXECUTIVE OFFICERS**

Set forth below is certain information about each current executive officer of the Company who is not a director of the Company. Related party transactions between the Company and certain officers (or their immediate family members or affiliates) are set forth in this proxy statement under the heading *Certain Transactions*.

**Klaus Esser**, 53, has served as the Managing Director of Polo Express since 1980. Fairchild acquired Polo Express in November, 2003.

**James G. Fox**, 49, has served as Chief Financial Officer since October 2005, and as Senior Vice President, Finance, since August 2005. From 2000 to 2005, Mr. Fox was employed as Vice President, Finance, of the Energy Management Division of Invensys PLC, a London-based group of five controls and power companies. From 1998 to 2002, he was CFO of APV, Ltd. (a subsidiary of Invensys PC), which manufactures automated equipment for food processing plants and other industries.

**Bradley T. Lough**, 40, has served as Treasurer of the Company since February 2004 and as Vice President of the Company since May 2002. He served as Vice President and Chief Financial Officer of Banner Aerospace from December 1999 through April 2003. In addition, he served as Treasurer of Banner Aerospace from August 1993 through April 2003, Secretary of Banner Aerospace from May 1998 through April 2003 and Assistant Secretary of Banner Aerospace from February 1994 through April 1998.

**Michael L. McDonald**, 41, has served as Vice President of the Company since May 2002 and as Controller of the Company since July 2000. He served as Assistant Controller from 1997 to July 2000. Mr. McDonald has been employed by the Company since 1989.

**Donald E. Miller**, 58, has served as Executive Vice President of the Company since September 1998, as General Counsel since January 1991 and as Corporate Secretary since January 1995. He served as Senior Vice President of the Company from January 1991 through September 1998.

**Warren D. Persavich**, 53, has served as President of the Company's Aerospace Division since April 1999, and as Senior Vice President and Chief Operating Officer of Banner Aerospace, Inc. from May 1998 through May 2003. Prior to that, he served as Senior Vice President and Chief Financial Officer of Banner Aerospace from June 1990 through May 1998, and as Vice President of Banner Aerospace from March 1990 through June 1990.

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**EMPLOYMENT AGREEMENTS AND CHANGE OF CONTROL ARRANGEMENTS**

The following summarizes employment agreements and change of control agreements as in effect currently.

• ***Employment Agreement between the Company and Jeffrey Steiner:***

Term of the Agreement: Pursuant to the Derivative Settlement, the term under this employment agreement is thirty (30) months, extended annually by an additional 12 months unless either party gives timely notice not to extend the agreement.

Minimum Base Salary Under the Agreement: As determined by the Board of Directors. However, see description immediately below regarding current base salary.

Current Base Salary: Pursuant to the terms of the Derivative Settlement, effective as of January 12, 2006, Jeffrey Steiner's aggregate base-pay compensation under all his employment agreements was reduced to \$1,325,000 per year. Such reduction shall remain in place until such time as the Compensation Committee and Jeffrey Steiner agree on the terms of a new employment agreement. Prior to January 12, 2006, Jeffrey Steiner's aggregate base salary under all his employment agreements was \$2,500,000 per annum.

Payments in Event of Death: Estate to receive an amount equal to one year's base salary, plus bonuses for the fiscal year in which death occurred.

Payments in Event of Termination Due to Disability: Fifty percent of base salary for two years, plus bonuses for the fiscal year in which disability occurred.

Change in Control Payments In connection with the sale of Fairchild Fasteners to Alcoa Inc., our Board of Directors determined that Jeffrey Steiner was entitled to a change of control payment in the amount of \$6,280,000. Fifty percent (50%) of such payment was made to Jeffrey Steiner during January to June 2003. The remaining 50% (\$3,140,000) will be paid upon Jeffrey Steiner's termination of employment with Fairchild. No other change of control payments are provided for in Jeffrey Steiner's employment agreement.

Split-Dollar Life Insurance Pursuant to the Derivative Settlement, the Company and Jeffrey Steiner executed an agreement confirming that the Company's obligations under Jeffrey Steiner's split-dollar life insurance policy are irrevocably terminated and released.

• ***Employment Agreement between Banner Aerospace (a Company Subsidiary) and Jeffrey Steiner:***

Term of the Agreement: Pursuant to the Derivative Settlement, the term under this employment agreement is thirty (30) months, extended annually by an additional 12 months unless either party gives timely notice not to extend the agreement.

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Minimum Base Salary Under the Agreement:	Not less than \$250,000 per year. However, see description immediately below regarding current base salary.
Current Base Salary:	Pursuant to the terms of the Derivative Settlement, effective as of January 12, 2006, Jeffrey Steiner's aggregate base-pay compensation under all his employment agreements was reduced to \$1,325,000 per year. Such reduction shall remain in place until such time as the Compensation Committee and Jeffrey Steiner agree on the terms of a new employment agreement. Prior to January 12, 2006, Jeffrey Steiner's aggregate base salary under all his employment agreements was \$2,500,000 per annum.
Payments in Event of Death:	Estate to receive an amount equal to one year's base salary, plus bonuses for the fiscal year in which death occurred.
Payments in Event of Termination Due to Disability:	Fifty percent of base salary for two years, plus bonuses for the fiscal year in which disability occurred.

• ***Service Agreement between Fairchild Switzerland, Inc. (Company Subsidiary) and Jeffrey Steiner:***

Term of the Agreement:	Year to year.
Minimum Base Salary Under the Agreement:	Greater of \$400,000 or 680,000 Swiss Francs per year, but not more than \$400,000. However, see description immediately below regarding current base salary.
Current Base Salary:	Pursuant to the terms of the Derivative Settlement, effective as of January 12, 2006, Jeffrey Steiner's aggregate base-pay compensation under all his employment agreements was reduced to \$1,325,000 per year. Such reduction shall remain in place until such time as the Compensation Committee and Jeffrey Steiner agree on the terms of a new employment agreement. Prior to January 12, 2006, Jeffrey Steiner's aggregate base salary under all his employment agreements was \$2,500,000 per annum.

• ***Employment Agreement between the Company and Eric Steiner:***

Term of the Agreement:	Pursuant to the Derivative Settlement, the term under this employment agreement is two years, expiring January 12, 2008.
Minimum Base Salary Under the Agreement:	\$540,000. However, see description immediately below regarding current base salary.

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Current Base Salary: Pursuant to the terms of the Derivative Settlement, effective as of January 12, 2006, Eric Steiner's base-pay was reduced to \$535,500 per year. Such reduction shall remain in place until such time as the Compensation Committee and Eric Steiner agree on the terms of a new employment agreement. Prior to January 12, 2006, Eric Steiner's base salary was \$725,000 per annum.

Payments in Event of Death: Same as the Company's CEO.

Payments in Event of Termination Due to Disability: Same as the Company's CEO.

• ***Letter Agreement between the Company and Donald Miller***

Payments in the event of Termination Without Cause: Two (2) times then current annual base salary, plus 1 times current annual base salary in lieu of bonus.

Payments in the event of a change in control :  
 In connection with the sale of Fairchild Fasteners to Alcoa Inc., our Board of Directors determined that Mr. Miller was entitled to a change of control payment in the amount of \$1,125,000. Fifty percent (50%) of such payment was made to Mr. Miller in December 2002. The remaining 50% was paid in four equal and consecutive quarterly installments, with the first installment made on March 3, 2003 and the last installment made on March 3, 2004.  
 In connection with such change of control award, the letter agreement between the Company and Mr. Miller was amended, pursuant to which Mr. Miller relinquished any future change of control payments under such letter agreement.

• ***Employment Agreement between PoloExpress and Klaus Esser***

Term of the Agreement: Three years ending on December 31, 2008. Either party may elect to terminate the contract as of 12/31/08 by giving nine (9) months prior written notice. If the contract is not terminated as of 12/31/2008, it continues in place until either party gives twelve (12) months prior written notice of termination.

Base Salary and Bonuses: Base pay compensation to Mr. Esser is 240,000 Euros per year. In addition, if PoloExpress has an annual EBITDA of more than 6 million Euros, Mr. Esser is entitled to a bonus for such year equal to 5% of the total EBITDA. The bonus for each year is paid in installments of 35,000 Euros per month. The actual bonus amount is determined at the end of each year, after EBITDA is confirmed. If the aggregate monthly installments paid by the Company to Mr. Esser are less than the bonus amount due for such year, a payment for such amount is made at year end by the Company to Mr. Esser.

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Non-Compete Payments:

Following termination of employment, Mr. Esser shall not compete for a period of 24 months, provided that PoloExpress continues to compensate Mr. Esser during such period at the rate of fifty percent (50%) of his average compensation. The average compensation is based on the last three years of employment, and includes base pay and bonuses. Within twenty eight (28) days of the termination of the agreement, PoloExpress may elect not to enforce the two-year non-compete covenant, in which case Mr. Esser shall not compete for a period of one year (as specified in Paragraph 75a of the German Commercial Code) and PoloExpress will compensate Mr. Esser at the rate of 14,000 Euros per month during such one year period.

**Table of Contents****PENSION AND RETIREMENT BENEFITS**

*Fairchild Retirement Plan.* The following table illustrates the amount of estimated annual fixed retirement benefits payable under the Fairchild Retirement Plan to an employee retiring in 2005, at age 65, at various salary levels (average of highest five consecutive years out of last ten years of service) and years of service. The Fairchild Retirement Plan defines salary as total compensation, subject to the Internal Revenue Service's limit on the amount of compensation that may be used to compute benefits under qualified pension plans. This limit is equal to \$210,000 for 2005.

<u>Annual Salary</u>	<u>10 Years of Service</u>	<u>20 Years of Service</u>	<u>30 Years of Service</u>	<u>40 Years of Service</u>
\$ 25,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 7,313
50,000	4,052	8,104	12,156	14,808
100,000	10,052	20,104	30,156	36,433
150,000	16,052	32,104	48,156	58,058
200,000	21,332	42,664	63,996	77,088
250,000	21,332	42,664	63,996	77,088

For purposes of determining benefits under the Fairchild Retirement Plan, the following executive officers have years of credit and average salaries as follows:

<u>Officer</u>	<u>Average Salary</u>	<u>Years of Credit</u>
Jeffrey Steiner	\$197,000	15 years
Donald Miller	197,000	14 years
Eric Steiner	197,000	14 years

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*Supplemental Executive Retirement Plans.* We have two supplemental executive retirement plans for key executives which provide additional retirement benefits based on final average earnings and years of service, as follows:

	<b>Unfunded SERP</b>	<b>Funded SERP</b>
<b>Retirement Benefits</b>	Provides a maximum retirement benefit (in the aggregate for both Supplemental Executive Retirement Plans) equal to the difference between (i) sixty percent (60%) of the participant's highest base salary for five consecutive years of the last ten years of employment, and (ii) the aggregate of other pension benefits, profit sharing benefits, and primary Social Security payments to which the participant is entitled.	An annual retirement benefit determined by multiplying the participant's years of credited service times a fixed amount. The amount varies by participant.
<b>Funding</b>	This is an unfunded obligation of the Company, not subject to ERISA regulations. The Company makes discretionary contributions to a Rabbi Trust to help meet its obligations under this plan, but the assets under such trust are subject to the claims of the Company's creditors.	This benefit is a part of the Retirement Plan for Employees of the Fairchild Corporation. It is a funded obligation of the Company. Such funding contributions are not assets available to the creditors of the Company.
<b>Pre-Retirement Distributions</b>	Subject to the approval of the Compensation Committee, the plan permits participants who have reached retirement age, to elect to receive retirement advances.	At the participant's request upon attainment of Normal Retirement Age as defined in the Plan.
<b>Participants</b>	Executive Officers. All persons named in the Summary Compensation Table are eligible for participation in this plan except Mr. Klaus Esser.	Same as the unfunded plan.
<b>Special Years of Service Accreditation</b>	Pursuant to a letter agreement with Mr. Miller, for purposes of determining years of service with the Company under the Supplemental Executive Retirement Plans, Mr. Miller will be credited with two years of service for each of the first ten years he is employed by the Company.	None.

The Company has frozen the SERP benefits at December 31, 2004 payable by the Company to all executive officers. Pursuant to the Derivative Settlement, no new SERP plan shall be created for any existing senior officer of the Company, without the prior approval of two-thirds of the Compensation Committee. As to SERP plans for individuals who are not executive officers, the Company intends to amend such SERP plans in order to be in compliance with tax laws.

Klaus Esser does not participate in the above described retirement plans. Under his employment agreement, Mr. Esser is entitled to receive such retirement benefits as provided under German law.

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## EXECUTIVE COMPENSATION

Table: Summary Compensation

Name and Principal Position	Annual Compensation				Long-Term Compensation Awards	
	Fiscal Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities	
					Underlying Options (#)	All Other Compensation \$(2)
Jeffrey Steiner, Chairman & CEO(5)	FY 2005	2,500,005				6,317(4)
	FY 2004	2,500,005				2,937(4)
	TP 2003	625,001				669(4)
	FY 2003	2,500,005	5,256,400	3,140,000	145,518	30,783(4)
Klaus Esser Managing Director Polo Express GmbH	FY 2005	254,516	585,386			
	FY 2004	204,030	497,732			
	TP 2003 FY 2003					
Anthony Churchill, Managing Director Hein Gericke Deutschland GmbH(1)	FY 2005	361,580				
Donald Miller, Executive VP, General Counsel & Secretary	FY 2005	375,250				6,250
	FY 2004	422,311		112,500		2,937
	TP 2003	93,750		112,500		669
	FY 2003	375,003	1,399,837	900,000	13,333	5,930
Eric Steiner, President & COO	FY 2005	725,005(3)				6,308
	FY 2004	725,005		543,400		2,937
	TP 2003	181,251		543,400		669
	FY 2003	725,005	2,299,675	4,347,200	26,400	5,930

FY 2005 = Fiscal Year for October 1, 2004 to September 30, 2005.

FY 2004 = Fiscal Year for October 1, 2003 to September 30, 2004.



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TP 2004 = Transition Period for July 1, 2003 to September 30, 2003

FY 2003 = Fiscal Year for July 1, 2002 to June 30, 2003

- (1) Mr. Churchill became employed by the Company in October 2004, and was not employed in any prior period. His employment was terminated by the Company on November 7, 2005.
- (2) For FY 2005, includes imputed interest on loans to officers, as follows:

J. Steiner	\$ 1,067
D. Miller	\$ 1,000
E. Steiner	\$ 1,058

New loans to executive officers are no longer permitted as of July 30, 2002.

- (3) Includes \$11,154 which was earned in FY 2005, but which payment has been deferred.

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- (4) Does not include advances, before retirement of earned benefits under the Company's Unfunded SERP (Supplemental Executive Retirement Plan). See disclosure under Certain Transactions. Advances under the Unfunded SERP for Jeffrey Steiner are as follows:

FY 2005	\$ 477,222
FY 2004	1,990,028
TP 2004	350,000
FY 2003	1,662,383

- (5) Table does not include a remaining \$3,140,000 change in control payment due to Mr. Jeffrey Steiner upon termination of employment

**Table: Options Granted**

No stock options were granted to the named executive officers during the 2005 Fiscal Year.

**Table: Option Exercises and Year-End Value**

<i>Name</i>	<i>Shares Acquired on Exercise (#)</i>	<i>Value Realized (\$)</i>	<i>Number of Securities Underlying Unexercised Options at September 30, 2005</i>		<i>Value of Unexercised In-the-Money Options at September 30, 2005</i>	
			<i>Exercisable (#)</i>	<i>Unexercisable (#)</i>	<i>Exercisable (\$)</i>	<i>Unexercisable (\$)</i>
Jeffrey Steiner	0	0	359,139	36,379		
Anthony Churchill						
Klaus Esser						
Donald Miller	0	0	26,668	3,333		
Eric Steiner	0	0	62,688	6,600		

**Table of Contents****STOCK PERFORMANCE GRAPH**

*The following stock performance graph does not constitute solicitation material and is not considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, unless we state otherwise.*

**COMPARISON TO****S&P 600 SMALLCAP INDEX****AND S&P SMALLCAP 600 APPAREL, ACCESSORIES & LUXURY GOODS INDEX**

The following graph compares the performance of the Company's Class A Stock with that of the S&P 600 Smallcap Index and the S&P 600 Apparel, Accessories & Luxury Goods Index (consisting of the following companies: Ashworth Inc., Fossil Inc., Haggar Corp. Kellwood Co., Oshkosh B Gosh Inc., Oxford Indus. Inc., Phillips Van Heusen Corp., Quiksilver Inc. and Russell Corp.) The graph plots the growth in value of an initial \$100 investment over the indicated sixty-three month period with all dividends reinvested.

	<b>Cumulative Total Return</b>						
	6/00	6/01	6/02	6/03	9/03	9/04	9/05
THE FAIRCHILD CORPORATION	100.00	143.79	64.62	82.67	101.54	81.64	47.59
S & P SMALLCAP 600	100.00	111.12	111.42	107.43	115.04	143.31	173.71
S&P SMALLCAP 600 APPAREL, ACCESSORIES & LUXURY GOODS	100.00	115.85	146.59	159.82	167.32	240.75	220.26

**Table of Contents****STOCK OWNERSHIP**

The following table shows the number of shares beneficially owned (as of January 20, 2006) by:

- each director;
- each executive officer named in the Summary Compensation Table;
- the directors and executive officers as a group; and
- each person who we know beneficially owns more than 5% of the common stock.

<u>Name</u>	<u>Number of Shares of Class A Stock(1)</u>	<u>Percentage of Class</u>	<u>Number of Shares of Class B Stock(1)</u>	<u>Percentage of Class</u>
<b>Directors:</b>				
Mortimer M. Caplin(2)(3)	126,364	*		
Robert E. Edwards(2)	998,695	4.42%		
Steven L. Gerard(2)	26,742	*		
Daniel Lebard(2)	49,356	*		
John Podkowsky(2)	16,000	*		
Herbert S. Richey(2)	24,666	*		
Eric Steiner(2)(3)(6)	6,010,565	23.8%	2,548,996	97.24%
Jeffrey J. Steiner(2)(3)(4)	432,683	1.87%	30,000	1.14%
<b>Other Named Executive Officers:</b>				
Anthony Churchill				
Klaus Esser				
Donald E. Miller(2)(3)	116,744	*		
<b>All Directors and Executive Officers as a Group:</b>				
(15 persons including the foregoing)(2)	7,831,517	30.23%	2,578,996	98.38%
<b>Other 5% Beneficial Owners:(5)</b>				
Dimensional Fund Advisors, Inc.	1,907,127	8.44%		
Gabelli Funds, LLC	4,286,675	18.96%		
Natalia Hercot(2)(3)(6)	5,826,189	23.13%	2,548,996	97.24%
The Steiner Group LLC(6)	5,727,684	22.78%	2,533,996	96.67%

\*Represents less than one percent.

**Footnotes to Stock Ownership Chart:**

(1)

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The Class A Stock Column includes shares of Class B Stock, which are immediately convertible into Class A Stock on a share-for-share basis. Options that are exercisable immediately or within sixty days after January 20, 2006, appear in the Class A Stock column. Excludes Deferred Compensation Units ( DCUs ) to be paid out on February 28, 2010 in the form of one share of Class A Common Stock for each DCU as follows: E. Steiner, 42,826 shares; J. Steiner, 134,831 shares; Directors and Executive officers as a group, 177,657 shares.

(2) Includes exercisable stock options to purchase Class A Stock as follows: M. Caplin, 6,000 shares; R. Edwards, 1,000 shares; D. Lebard, 34,000 shares; D. Miller, 26,668 shares; H. Richey, 6,000 shares; S. Gerard, 7,942 shares; N. Hercot, 31,668 shares; E. Steiner, 62,688 shares; J. Steiner, 359,139 shares; J. Podkowsky, 16,000; Directors and Executive Officers as a group, 543,881 shares.

(3) Includes shares beneficially owned, as follows:

D. Miller 300 shares of Class A Stock owned by Mr. Miller as custodian for his child; Mr. Miller disclaims any beneficial interest therein.

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E. Steiner 80,000 shares of Class A Stock held in The Steiner Children's Trust; 19,923 Class A shares held in 401K Savings Plan. In addition, Eric Steiner reports beneficial ownership of the Class A and Class B shares held by The Steiner Group LLC (see Footnote 6).

M. Caplin 120,364 shares of Class A Stock held in The Mortimer and Ruth Caplin Revocable Trust, which also hold the 6,000 exercisable stock options attributable to M. Caplin in Footnote 2.

N. Hercot 10,000 shares of Class A Stock held by her husband. In addition Natalia Hercot reports beneficial ownership of the Class A and Class B shares held by The Steiner Group LLC (see Footnote 6).

J. Steiner 38,500 shares of Class A Stock owned by Mr. Steiner as custodian for his children; 30,000 shares of Class B Stock (convertible on a one-to-one basis to Class A Stock) owned by Mr. Steiner as custodian for his children; 2,400 shares of Class A Stock owned by the Jeffrey Steiner Family Foundation; and 2,644 shares of Class A Stock held in his 401k Savings Plan. Mr. Steiner disclaims beneficial ownership of shares owned by the Jeffrey Steiner Family Foundation, and shares owned by him as custodian for his children.

(4) Mr. Jeffrey Steiner, c/o The Fairchild Corporation, 1750 Tysons Boulevard, Suite 1400, McLean, VA 22102.

(5) Based on the following information:

Dimensional Fund Advisors Inc., 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401. Information as of December 31, 2004 contained in a Schedule 13G/A filed on February 6, 2005 with the SEC by Dimensional Fund Advisors, Inc.

Gabelli Funds, LLC, One Corporate Center, Rye, NY 10580-1434. Information contained in a Schedule 13D/A-24, filed on February 7, 2005 with the SEC by Gabelli Funds, Inc.

Natalia Hercot, c/o The Fairchild Corporation, 1750 Tysons Boulevard, Suite 1400, McLean, VA 22102. Information contained in a Schedule 13D/A-24 filed on January 5, 2004 with the SEC by The Steiner Group LLC (See Footnote 6).

The Steiner Group LLC, c/o Withers Bergman LLP, 430 Park Avenue, 10<sup>th</sup> Floor, New York, NY 10022. Information contained in a Schedule 13D/A-24 filed on January 5, 2004 with the SEC by The Steiner Group LLC.

(6) *Controlling Interest held by LLC:* The Steiner Group LLC (a Delaware limited liability company) (the LLC) holds 3,193,688 shares of Class A Stock and 2,533,996 shares of Class B Stock. It holds a controlling interest in the Company.

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*Change of Control:* Prior to December 31, 2003, Mr. Jeffrey Steiner was the sole manager of the LLC, and therefore reported beneficial ownership of the shares held by the LLC. On December 31, 2003, Jeffrey Steiner resigned as the sole manager of the LLC, and Eric Steiner and Natalia Hercot become the sole co-managers of the LLC. In this capacity, Mr. Eric Steiner and Ms. Natalia Hercot have the ability to vote and to direct the disposition of the Fairchild shares held by the LLC. Therefore, as of December 31, 2003, Eric Steiner and Natalia Hercot report beneficial ownership of the shares held by the LLC.

*Membership Interest Held in the LLC:* The membership interests in the LLC are held as follows: (i) 20% is held by Bayswater Ventures L.P., a partnership owned by four different trusts, of which Jeffrey Steiner is a beneficiary; and (ii) the remaining 80% membership interest in the LLC is held by The J.S. Family Trust, a trust created for the benefit of the issue of Jeffrey Steiner. The members of the LLC do not have the right to vote or to direct the disposition of the Fairchild shares held by the LLC.

**Table of Contents****SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's directors and officers to file reports (on Forms 3, 4 and 5) with the Securities and Exchange Commission, disclosing their ownership, and changes in their ownership, of stock in the Company. Copies of these reports must also be furnished to the Company. Based solely on a review of these copies, the Company believes that during the 2005 Fiscal Year all reports were filed on a timely basis, except as follows: On November 16, 2005, Eric Steiner filed Form 4 reporting the sale of 10,000 shares of Fairchild's Class A Common Stock on April 12, 2000.

**CERTAIN TRANSACTIONS**

- The Company provided a surety for Mr. Steiner and paid his expenses in connection with legal proceedings in France, totaling approximately \$5.645 million, and Mr. Steiner undertook to repay such amounts to the Company if it were ultimately determined that he was not entitled to indemnification under Delaware law (the *Undertaking*). Pursuant to the Derivative Settlement, the Company and Mr. Steiner have agreed to mutually resolve Mr. Steiner's claims for indemnity and his obligations to the Company under the Undertaking, by paying the Company \$3,766,333, of which \$833,333 may be drawn from Mr. Steiner's Company SERP account, and \$2,930,000 will be paid by him via the Company's D&O liability insurance carrier, in satisfaction of its obligations to indemnify and insure Mr. Steiner.
- Prior to July 30, 2002, the Company extended loans to purchase the Company's Class A common stock to certain members of the Company's senior management and Board of Directors, for the purpose of encouraging ownership of Company stock, and to provide additional incentive to promote the Company's success. The loans are non-interest bearing, have maturity dates ranging from 1 month to 3 1/4 years, and become due and payable immediately upon the termination of employment for senior management, or a director's affiliation with the Company.

The following table shows the amounts outstanding under such loans from executive officers and directors as follows: (i) largest amounts due at any time since the close of the last fiscal year, (ii) balance due as of fiscal year end (September 30, 2005), and (iii) balance due as of a current date (December 15, 2005):

<u>Name</u>	<i>Largest Balance Due at Any Time During Prior Fiscal Year</i>	<i>Balance As of Fiscal Year End (September 30, 2005)</i>	<i>Balance Due as of December 15, 2005</i>
M. Caplin	\$ 105,970	\$ 0	\$ 0
S. Gerard	99,377	65,877	0
D. Lebard	105,897	0	0
H. Richey	105,963	0	0
E. Steiner	105,897	0	0
J. Steiner	105,897	0	0
D. Miller	105,897	0	0
W. Persavich	0	0	0
N. Hercot *	105,897	0	0

(\* Natalia Hercot is the daughter of J. Steiner)



In accordance with the Sarbanes-Oxley Act, no new loans will be made to executive officers or directors.

- Eric Steiner (son of Jeffrey Steiner) is an executive officer of the Company. His compensation is set forth in the compensation table of the proxy statement.

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- Natalia Hercot (daughter of Jeffrey Steiner) is a Vice President of the Company, for which she was compensated \$48,000 in the 2005 Fiscal Year. Pursuant to the Derivative Settlement, Natalia Hercot's salary for 2006 shall not exceed \$10,000 per year.
- Subject to the approval of the Compensation Committee, the Company's Unfunded SERP (Supplemental Executive Retirement Plan) permits participants who have reached retirement age, to elect to receive retirement advances. During the 2005 Fiscal Year, Mr. Jeffrey Steiner (who is 68) elected to receive advances under the Unfunded SERP (representing a partial distribution of his vested benefits) in the aggregate amount of \$477,222. Such advances were made between October 1 and December 31, 2004.
- During the 2005 Fiscal Year, Phillip Hercot, son-in-law of Jeffrey Steiner, subleased a room in Fairchild's Paris office and paid arm's length rent to the Company.
- During the 2005 Fiscal Year, the Company paid \$36,000 for security protection of the Steiner family property located in France.
- During the 2005 Fiscal Year, the Company reimbursed \$189,000 (in the aggregate) to Mr. J. Steiner, representing a portion of out-of-pocket costs he incurred personally in connection with the entertainment of third parties, which benefit the Company.
- We paid for the maintenance and upkeep of an apartment located in Paris, France and used by us from time to time for business related travel. The owner of the apartment was a company controlled by the Steiner Family. The apartment was sold in 2004 and thereafter no longer used by the Company. We believe our cost for the apartment was significantly less than the cost of similar accommodations for our business related travel. The total amounts paid for apartment expenses were approximately \$11,000 in fiscal 2005.
- On September 30, 2005, we owed remaining amounts for change of control payments of \$3,140,000 to Mr. J. Steiner. The amount owed to Mr. J. Steiner is payable to him upon his termination of employment with us.
- Mr. Klaus Esser's brother is an employee of Polo Express. His current salary is approximately \$94,000 per year.
- In December 2004, we entered into an agreement to acquire real estate in New York City, and placed a \$250,000 deposit in connection with the acquisition. Our obligation to purchase the property was contingent upon our ability to acquire adjacent properties by a certain date, which date passed without our ability to do so. Accordingly, we had the right to terminate the purchase agreement and intended to do so. Mr. J. Steiner wanted to acquire the property irrespective of the acquisition of adjacent properties. We assigned to Mr. J. Steiner our right to acquire the property and he paid to us the deposit. The independent members of our Board of Directors considered the transaction, and approved the assignment to Mr. J. Steiner.
- We provide to Mr. J. Steiner automobiles for business use. In 2005, we charged Mr. J. Steiner \$15,000 to cover personal use and the cost of these vehicles that exceeded our reimbursement policy.
- In December 2004, Mr. J. Steiner reimbursed us \$421,000 for personal expenses that we paid on his behalf, which were outstanding as of September 30, 2004. At no time during 2004 and 2005, did amounts due to us from Mr. J. Steiner exceed the amount of the after-tax salary on deferrals we owed to him.
- From time-to-time Mr. E. Steiner, Mr. J. Steiner, and related family members used the Company's corporate aircraft for personal purposes. The Company is reimbursed based solely upon the

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incremental cost of the personal usage. Mr. E. Steiner reimbursed the Company \$4,275 for his personal usage of corporate aircraft in fiscal 2004. Mr. J. Steiner reimbursed the Company \$2,374 and \$11,122 for his and related family members personal usage of corporate aircraft in fiscal 2005 and 2004, respectively.

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**RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS**

**Principal Accountants**

On December 9, 2004, upon the recommendation of the Audit Committee, the Company appointed KPMG LLP to serve as its independent auditors for the fiscal year ended on September 30, 2005. On December 7, 2005, upon the recommendation of the Audit Committee, the Company again appointed KPMG to serve as its independent auditors for the current fiscal year, which ends on September 30, 2006. Representatives of KPMG will be available at the annual meeting to make a statement, if they so desire, and to respond to appropriate questions.

**Audit Fees**

**2005 Audit Fees:** The aggregate fees billed by KPMG LLP, for professional services rendered for the integrated audit of the Company's annual financial statements, reviews of consolidated financial statements included in the Company's Form 10-Q and services in connection with statutory audits and regulatory filings for the fiscal year ended September 30, 2005 were \$3,147,000. More than 50% of the Fiscal 2005 audit work was performed by full-time employees of KPMG.

**2004 Audit Fees:** The aggregate fees billed by KPMG LLP, for professional services rendered for the audit of the Company's annual financial statements, reviews of consolidated financial statements included in the Company's Form 10-Q and services in connection with statutory audits and regulatory filings for the fiscal year ended September 30, 2004 (and for the 2004 Transition Period) were approximately \$1,596,000. More than 50% of the Fiscal 2004 audit work was performed by full-time employees of KPMG.

**Audit Related Fees**

**2005 Audit Related Fees:** The aggregate fees billed by KPMG for the fiscal year ended September 30, 2005, for assurance and related services by such accountant that were reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the caption "Audit Fees" above, were \$5,000. The nature of the services comprising the fees disclosed under this category was related to an audit of the Company's benefit plans.

**2004 Audit Related Fees:** The aggregate fees billed by KPMG for the fiscal year ended September 30, 2004 (or for the 2004 Transition Period), for assurance and related services by such accountant that were reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the caption "Audit Fees" above, were \$64,080. The nature of the services comprising the fees disclosed under this category was due diligence assistance related to acquisitions and an audit of the Company's benefit plans.

**Tax Fees:**

**2005 Tax Fees:** The aggregate fees billed by KPMG for the fiscal year ended September 30, 2005, for tax return preparation and review services were \$17,100. The nature of the services comprising the fees disclosed under this category was preparation of the tax returns for the Company's subsidiaries in the United Kingdom.

**2004 Tax Fees:** The aggregate fees billed by KPMG for the fiscal year ended September 30, 2004 (or for the 2004 Transition Period), for tax return preparation and review services were \$26,010. The nature of the services comprising the fees disclosed under this category was preparation of the tax returns for the Company's subsidiaries in Belgium, France and the United Kingdom.

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**Policy Regarding Non-Audit Services by Outside Auditors**

The Audit Committee has appointed its Chairman to overview and pre-approve all non-audit services provided by the Company's outside auditors, with the main objective being the assurance of the Company's outside auditors' unimpaired independence. All outside non-audit services which are less than \$5,000 must be approved in advance by the Chairman of the Audit Committee and then ratified by the Audit Committee. Any outside non-audit services in excess of \$5,000 must first be approved by the full Audit Committee. Except for the tax related services disclosed above, KPMG did not conduct any non-audit service for the Company during the 2005 Fiscal Year, and is not expected to provide any non-audit service during the 2006 Fiscal Year other than nominal tax related services.

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**CORPORATE GOVERNANCE MATTERS**

**NYSE Opt-Out Provisions for Controlled Companies**

The New York Stock Exchange allows controlled companies (i.e., companies whose voting control is held by a single person) to opt out of the following requirements:

- (a) Maintaining a board consisting of a majority of independent directors;
- (b) Maintaining a Nominating/Corporate Governance Committee composed solely of independent directors; and
- (c) Maintaining a Compensation Committee composed solely of independent directors.

Because of the ownership interest held by The Steiner Group, LLC, the Company qualifies as a controlled company. However, the Board of Directors of The Fairchild Corporation has elected not to opt out of these requirements.

**Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines which, among other things, address requirements to be met by the Company's Board members in order to be deemed independent. The full text of the Corporate Governance Guidelines can be found on the Company's website ([www.fairchild.com](http://www.fairchild.com)). You may also request a copy from the Company's Corporate Secretary. The portion of the Corporate Governance Guidelines addressing director independence is attached as Appendix A to this Proxy Statement.

**Director Independence**

Pursuant to the Corporate Governance Guidelines, the Board undertook its annual review of director independence in December 2005. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates. As provided in the Corporate Governance Guidelines, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management under the standards set forth in the Corporate Governance Guidelines, with the exception of Eric Steiner and Jeffrey Steiner, each of whom is considered an inside director because of his employment as an executive of the Company.

**Executive Sessions of the Independent Directors; Presiding Director**

The independent directors of the Company (i.e., all directors other than Eric Steiner and Jeffrey Steiner) meet in executive session, without management present, at least once a year. In the 2005 Fiscal Year, the independent directors met in executive session four times. Mr. Gerard acted as the Presiding Director at each of such executive sessions.

**Business Conduct Policies and Code of Ethics**

The Board of Directors has adopted a Code of Business Conduct and Ethics, applicable to all employees, officers and directors of the corporation. The code is posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). You may also request a copy from the Company's Corporate Secretary.



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The Board has also adopted a Code of Ethics for Senior Financial Officers (including the Chief Executive Officer, the Chief Financial Officer, the Principal Accounting Officer or Controller, and all persons performing similar functions on behalf of the Company). The code is posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). You may also request a copy from the Company's Corporate Secretary. The officers subject to this code were surveyed for 2005 and will be surveyed annually for compliance. Only the Board of Directors can amend or grant waivers from the provisions of the code, and any such amendments or waivers will be promptly posted on the Company's website.

## **Procedures For Submitting Shareholder Proposals**

If you want to include a shareholder proposal in the proxy statement for next year's annual meeting, it must be delivered to the Company before September 29, 2006[A1].

If you want to submit a shareholder proposal for next year's annual meeting but you do not require that such proposal be included in the Company's proxy materials, you must notify the Company of such proposal before December 12, 2006[A2]. If such notice is not received by December 12, 2006[A3], the proposal shall be considered untimely and shall not be presented at the 2007 annual meeting.

All shareholder proposals must conform to the requirements set forth in Regulation 14A under the Securities Exchange Act of 1934, and should be submitted to the Company's headquarters, 1750 Tysons Boulevard, Suite 1400, McLean, VA 22102, Attention: Secretary.

## **Procedures For Submitting Recommendations For Director Nominations**

The Company's Governance and Nominating Committee will select, or recommend to the Board, the director nominees for the next year's annual meeting of shareholders. As part of its director selection process, the Committee considers recommendations from many sources, including management, other board members and the Chairman. The Committee will also consider nominees suggested by stockholders of the Company. Stockholders wishing to recommend a candidate for director may do so by sending the candidate's name, biographical information and qualifications to the Chairman of the Governance and Nominating Committee c/o the Corporate Secretary, The Fairchild Corporation, 1750 Tysons Blvd., Suite 1400, McLean VA 22102.

In identifying candidates for membership on the Board of Directors, the Committee will take into account all factors it considers appropriate, which may include (a) ensuring that the Board of Directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise, including expertise that could qualify a director as a financial expert, as that term is defined by the rules of the SEC, local or community ties; (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially; and (c) appreciation of contemporary norms of governance, and current regulatory environment. The Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors.

## **Contacting our Board**

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Stockholders and other interested parties wishing to communicate with the Board of Directors, the Presiding Director for the Independent Directors, or any other members of the Board may do so by sending a written communication to the Board of Directors c/o the Corporate Secretary, The Fairchild Corporation, 1750 Tysons Blvd., Suite 1400, McLean, VA 22102.

The Corporate Secretary will forward all communications to the Board or designated members of the Board, unless the Secretary determines (in consultation with the Company's legal department) that

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the shareholder communication relates to Company products and services, is a solicitation, or otherwise relates to improper or irrelevant matters.

## **Director Attendance at Annual Meetings**

The Company's policy is that it expects all members of the Board of Directors to attend the Company's Annual Meeting of Stockholders. All of the Company's directors attended last year's Annual Meeting of Stockholders.

## **Actions Adopted Pursuant to the Derivative Settlement**

Pursuant to the terms of the Derivative Settlement, the Company has adopted the following actions:

**Oversight Committee** The Board adopted a Bylaw creating an Oversight Committee, initially consisting of Steve Gerard, Robert Edwards and Daniel Lebard. The Oversight Committee is required to review and give prior approval for all transactions, compensation or other payments (*e.g.*, consulting, non-compete or other fees) involving the Company or any third party resulting in benefits to any executive officer or director of the Company, or their respective associates and affiliates on matters relating to the Company's businesses, excluding regular compensation decisions within the authority of the Compensation Committee of the Board (*e.g.*, annual salary, bonus, incentive and performance-based payments, retirement benefits, deferred compensation, SERP's, severance and/or change-in-control agreements, and perquisites). The Oversight Committee (i) shall always consist of non-management directors; and (ii) any member of the Oversight Committee who is or believes himself to be conflicted with respect to any particular issue under consideration by the Oversight Committee shall recuse himself from consideration of the issue.

The Oversight Committee has been authorized and directed by the Board to complete by February 6, 2006 a general review of the Company's business expense practices, considering the Company's size, profitability and business prospects, and to report shortly thereafter its findings and conclusions to the Board.

The Board's preliminary agendas for its meetings will be reviewed and approved in advance by the Chairman of the Oversight Committee, who may add additional matters for Board information or action.

Changes to the Bylaw establishing and giving authority to the Oversight Committee can only be made pursuant to (i) a vote by a majority of the voting power of the outstanding Fairchild shares *and* a majority of the voting power of the outstanding shares held by Fairchild stockholders who are unaffiliated with Jeffrey Steiner, Eric Steiner, or their respective associates; or (ii) pursuant to a vote by three-fourths of the entire Board.

**Executive Committee** The Company's Bylaws were amended to provide that the Executive Committee shall consist of four members of the Board of Directors, at least three of whom shall not be officers of the Company. The Executive Committee may act

only by the affirmative vote of at least three-fourths of its members.

**Officer and Director Indemnification** The Company's Bylaws were amended to provide that, excluding any determinations made by the Company's stockholders or independent counsel in accordance with Delaware law, the Board, acting through independent members with no conflicts of interest, shall have the exclusive authority to approve on behalf of the Company all determinations regarding any demand for advancement or indemnification by any employee, officer or director of the Company.

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**Compensation Committee** The Compensation Committee engaged Hewitt Associates LLC to serve as an independent consultant to review the compensation of the Company's senior executives and, where appropriate, recommend to the Compensation Committee changes to such senior executives' compensation based on comparable arrangements for similarly situated senior executives in comparable companies in similar circumstances and facing comparable challenges.

**Compensation Policies** After taking into account the compensation policies of comparable companies in similar circumstances, the Board of Directors shall adopt policies requiring that regular and bonus compensation be directly related to the Company's performance and/or the objective value of such individual's services provided to the Company. Once adopted, such policies may not be amended, altered or repealed except pursuant to a vote of two-thirds of the entire Board.

**Company Policies** The Company adopted the following policies:

- A Company policy that the Company will not lease any aircraft or helicopters from entities or persons affiliated with Mr. Jeffrey Steiner.
- A Company policy with respect to restrictions on business expense reimbursement practices (including certain restrictions on the use of Company credit cards). The Oversight Committee shall review on a quarterly basis all of the business expense reimbursements made to the Company's executive officers and directors and shall have the authority to allocate between business and personal expense requests for expense reimbursements as the Oversight Committee deems reasonably appropriate. The policy on business expense and reimbursement policies and practices may not be amended, altered or repealed except pursuant to a vote by three-fourths of the members of the Oversight Committee.
- A Company policy that restricts the practice of Company employees using company funds or assets for personal purposes.
- A Company policy limiting non-compete and consulting payments by Fairchild or third parties to only those Company employees with critical specialized knowledge of a subsidiary's operations or customers and, specifically, not to senior executives who are primarily responsible for investments and strategy. Such policy may not be amended, altered or repealed except pursuant to a vote of two-thirds of the entire Board.
- A Company Policy with respect to conducting executive sessions of outside directors at every meeting and quarterly meetings between senior management and the Company's outside directors.
- A Company Policy with respect to the amount of Company funds that may be invested by Jeffrey Steiner without prior approval by the Executive Committee.

Copies of the above policies are posted on the Company's website ([www.fairchild.com](http://www.fairchild.com)). Copies may also be obtained upon request from the Company's Corporate Secretary.

**Lapse Of Restrictions upon Going Private** In accordance with the Derivative Settlement, the foregoing resolutions relating to the creation and functions of the Oversight Committee and the Company policies with respect to outside directors, non-compete and consulting payments and the investment of funds by Jeffrey Steiner, shall cease to apply upon the consummation of a going-private

transaction of the Company or similar transaction which results in the elimination of the public stockholders' equity interests in the Company.

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**ANNUAL REPORT**

The Company's Annual Report to Shareholders for the fiscal year ended September 30, 2005, was mailed to shareholders with or prior to mailing of this proxy statement. The Company will provide free of charge to any shareholder as of the record date who so requests in writing, a copy of the Company's annual report on Form 10-K for fiscal 2005 (including the financial statements and financial statement schedules, and any other Exhibits filed with the Form 10-K).

**COPIES OF DOCUMENTS**

The Company undertakes to provide, without charge, to each person to whom this Proxy Statement is delivered, upon written or oral request of such person and by first class mail or other equally prompt means within one business day of receipt of such request, a copy of any of the following Company documents so requested: (i) Annual Report for fiscal year ended September 30, 2005, (ii) Audit Committee Charter; (iii) Compensation Committee Charter; (iv) Governance and Nominating Committee Charter; (v) Corporate Governance Guidelines; (vi) Code of Business Conduct and Ethics; (vii) Code of Ethics of Senior Financial Officers; (viii) Company Policies adopted Pursuant to the Derivative Settlement. Request for copies of such documents should be directed to Donald E. Miller, Executive Vice President & Secretary, The Fairchild Corporation, 1750 Tysons Boulevard, Suite 1400, McLean, VA 22102; Telephone: 703-478-5800.

By Order of the Board of Directors

Donald E. Miller

Executive Vice President & Secretary

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**Appendix A**

**Independence of Directors**

**(Excerpt from the Company's 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 Audit Committee Directors 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



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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.)*

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- 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.)*

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**Appendix B**

**Charter of the Audit Committee**

**Amended and Restated Effective as of January 31, 2005**

**1. General (Structure, Process and Membership Requirements).**

- (a) **Membership.** The Fairchild Corporation (the *Corporation*) shall have an audit committee (the *Audit Committee*) comprised of at least three members ( *Members* ) of the Corporation's Board of Directors. Because of the Audit Committee's demanding role and responsibilities, and the time commitment attendant to committee membership, each prospective Audit Committee Member should evaluate carefully the existing demands on his or her time before accepting this important assignment.

Members of the Audit Committee shall meet the following criteria:

- (i) *Independence of Audit Committee Members:* Each Member must be independent, as such term may be defined (from time to time) by the SEC or any national securities exchange on which the Corporation's securities are listed.
- (ii) *No Business Relationship Between Audit Committee Members 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 Member (or any organization in which such Member 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 Member'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 Member, 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.
- (iii) *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.)
- (iv) *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.)
- (v)

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*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

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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.)

- (vi) *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.)
- (vii) *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.)
- (viii) *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.)
- (ix) *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(2)(b) of the NYSE Listed Company Manual.)
- (x) *Transitional Rule:* Each of the standards in NYSE Rule 303A(2)(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(2)(b) of the NYSE Listed Company Manual.)
- (xi) *Financial Literacy:* Each Member must be financially literate (as interpreted by the Corporation's Board of Directors in its business judgment).
- (xii) *Accounting or Related Financial Management Expertise:* At least one Member of the Audit Committee must have accounting or related financial management expertise (as interpreted by the Corporation's Board of Directors in its business judgment). The Board may presume that a person who meets the test of financial expert under the SEC's rule, meets the test of financial management expertise.

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(xiii) *No Cross Compensation Links:* If any executive officer of the Corporation is a member of the audit committee of another organization, then no executive officer of such other organization may serve as a Member of the Corporation's Audit Committee.

(xiv) *No Compensatory Fees:* In order to be deemed independent, an Audit Committee Member (or relative or affiliate, as defined below) must not accept, directly or indirectly, any consulting, advisory or other compensatory fees from the Corporation or a subsidiary and may not be an affiliated person of the Corporation or any of its subsidiaries.

The term affiliated person shall be as defined (from time to time) by the SEC or any national securities exchange on which the Corporation's securities are listed. See for example definition of affiliated person in Rule 10A-3(e)(1) of the Exchange Act.

For purposes of this paragraph, a relative of a Member means a spouse, a minor child or stepchild, a child or stepchild sharing a home with the Member.

For purposes of this paragraph, an affiliate of a Member means an entity in which such Member is an officer (as defined below) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation. An officer for purposes of the preceding sentence means a (i) partner, (ii) member or officer occupying a similar position (such as a managing director), (iii) executive officer, or (iv) other similar position (except limited partners, non-managing members, or other non-active roles).

(Cross Reference: Rule 10A-3(b)(1) and Rule 10A-3(e)(8) of the Exchange Act.)

(xv) *Multiple Audit Committee Memberships:* If an Audit Committee Member simultaneously serves on the audit committees of more than three public companies, then the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Corporation's audit committee and disclose such determination in the Corporation's annual proxy statement.

(b) **Purpose.** The purpose of the Audit Committee shall be:

(1) To assist Board oversight of (1) the integrity of the Corporation's financial statements, (2) the Corporation's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of the Corporation's internal audit function; and (5) the performance of the Corporation's outside auditors; and

(2) To prepare an Audit Committee Report as required by the SEC to be included in the Corporation's annual proxy statement.

(c) **Appointment and Term.** The Chairman and each other Member of the Audit Committee shall be appointed by the Corporation's Board of Directors to serve a term of one year or until their successors have been duly appointed and assume office.

(d) **Committee Meetings.** The Audit Committee shall hold at least four regular meetings each year, and such additional meetings as the Chairman or a majority of the Members of the Audit Committee may deem necessary

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or advisable. The Audit Committee may require the presence and participation of any officer or employee of the Corporation, the Corporation's internal auditors, or the Corporation's outside auditors at any meeting of the Audit Committee.

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- (e) **Minutes.** The Audit Committee shall prepare and approve minutes of its meetings, and such minutes shall be submitted to the Corporation's Board of Directors for review and to the Corporation's Secretary for inclusion in the Corporation's minute books.
- (f) **Reports of Actions.** The Audit Committee shall promptly report all actions it has taken to the Corporation's Board of Directors for ratification. The Audit Committee shall review with the full Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's outside auditors, or the performance of the Corporation's internal audit function.

**2. Responsibilities of the Audit Committee (Scope of Audit Committee's Responsibilities and How It Carries Out These Responsibilities).**

- (a) **Internal Controls.** The Audit Committee shall review the actions taken by the Corporation's management to ensure that the Corporation adopts, maintains and adheres to a system of internal controls that provides reasonable assurances that (1) all transactions of the Corporation are properly authorized and are reflected in the books and records of the Corporation, (2) the risk of financial misconduct is minimized and any such misconduct is promptly detected and reported, (3) the Corporation is able to prepare and publish financial statements that are fairly presented, have been prepared in accordance with generally accepted accounting principles, and comply with all Securities and Exchange Commission ( SEC ), New York Stock Exchange ( NYSE ), and Financial Accounting Standards Board ( FASB ) requirements, and (4) the internal and external audits of the Corporation are adequate and comply with all SEC, NYSE, and FASB requirements. The Audit Committee shall review with the Corporation's Chief Financial Officer and outside auditors at least annually the adequacy and effectiveness of the Corporation's internal controls.
- (b) **Financial Statements.**
  - (i) **General Review:** The Audit Committee shall review the Corporation's published financial statements, including without limitation (1) any unusual or non-recurring items therein, (2) the accounting principles applied therein, (3) any changes in previously applied accounting principles, and (4) management's report accompanying the Corporation's annual financial statements included in the Corporation's Annual Report to Shareholders.
  - (ii) **Discussions with Management:** The Audit Committee shall meet to review and discuss the Corporation's annual audited financial statements and quarterly financial statements with management and the Corporation's outside auditors, including reviewing the Corporation's specific disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.
  - (iii) **Scope of Committee's Review:** While the fundamental responsibility for the Corporation's financial statements and disclosures rests with management and the outside auditors, the Audit Committee shall review: (A) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the outside auditors setting forth significant financial reporting issues and judgments made in



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connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and (D) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of pro forma, or adjusted non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

- (c) ***Internal Audit.*** The Audit Committee shall review (1) the Corporation's internal audit plans with management and the Corporation's outside auditors (which review shall be conducted at least annually), (2) management's appointment, replacement, reassignment or dismissal of the Corporation's internal auditors, (3) the progress and key findings of the Corporation's internal audits, (4) the compensation paid by the Corporation to its internal auditors for all services rendered (which review shall be conducted at least annually), (5) all reports, criticisms, problems, issues, recommendations or other matters submitted or raised by the Corporation's internal auditors, and management's responses, actions and follow-up with respect thereto, and (6) all disagreements between management and the Corporation's internal auditors. The function of the internal audit shall include, without limitation, to provide management and the Audit Committee with ongoing assessments of the Corporation's risk management processes and system of internal control.
- (d) ***Independent Outside Auditors.***
- (d-1) The Audit Committee shall annually review (1) management's recommendation with respect to the selection of the Corporation's outside auditors, and provide to the Corporation's Board of Directors the Committee's determination with respect to such selection, (2) the scope of the Corporation's annual examination and audit with the Corporation's outside auditors, (3) management's evaluation of the independence of the Corporation's outside auditors, (4) the letter from the Corporation's outside auditors with respect to their independence from the Corporation's management and their unrestricted access to the Audit Committee, (5) the report from the Corporation's outside auditors with respect to the services that they have provided to the Corporation and other related matters (including the percentage hours worked on the Corporation's audit engagement by persons other than the outside auditors' full time employees), (6) the compensation paid by the Corporation to its outside auditors for all services rendered, (7) all reports, criticisms, problems, issues, recommendations or other matters submitted or raised by the Corporation's outside auditors, and management's responses, actions and follow-up with respect thereto, and (8) all disagreements between management and the Corporation's outside auditors.
- (d-2) Annually, the Audit Committee shall obtain and review a report from the Corporation's outside auditors, describing: (1) the outside audit firm's internal quality control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review, of the outside audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the outside audit firm, and any steps taken to deal with any such issues; and (3) (to assess the auditor's independence) all relationships between the outside auditors and the Corporation.

After reviewing the report required above and the outside auditor's work throughout the year, the Audit Committee shall evaluate the auditor's qualifications, performance and independence. This evaluation shall include the review and evaluation of the lead partner of the outside auditor. In making its evaluation, the Audit Committee shall take into account the opinion's of management and the Corporation's internal auditors (or other

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personnel responsible for the internal audit function). In addition to assuring the regular rotation of the lead audit partner as required by law, the Audit Committee shall further consider whether, in order to assure continuing auditor independence, there should be a regular rotation of the audit firm itself. The audit committee shall present its conclusions with respect to the independent auditor to the full Board.

- (d-3) The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and the auditor shall report directly to the Audit Committee. (Cross Reference: Rule 10A-3(b)(2) of the Exchange Act.)
  
- (d-4) The outside auditors of the Corporation are ultimately accountable to the Board of Directors and the Audit Committee. The Audit Committee and the Board of Directors have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the outside auditors (or to nominate the outside auditors to be proposed for shareholder approval in any proxy statement).
  
- (d-5) The Audit Committee is responsible for:
  - (i) Obtaining annually from the Corporation's outside auditors a formal written statement to the Audit Committee delineating (A) all relationships between the auditors and the Corporation and its officers, directors, and substantial shareholders, and (B) all services furnished by the auditors to the Corporation and its officers, directors, and substantial shareholders, in each case during the audit and engagement period and bearing upon the auditors' independence for purposes of SEC and Independence Standards Board ( ISB ) requirements and rules;
  
  - (ii) Actively engaging in a dialogue with the outside auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditors;
  
  - (iii) Recommending that the Board of Directors take appropriate action in response to the outside auditors report to satisfy itself of the outside auditors' independence;
  
  - (iv) Reviewing copies of annual disclosure statements from the Corporation's officers, directors, ten percent (10%) or more shareholders, employees employed by us in an accounting or financial oversight role, and, if relevant, employees known formerly to have been partners, principals, shareholders, or professional employees of the Corporation's outside auditors or known to be close family relatives of such persons (or the relevant portions of such statements) regarding any relationships between the auditors and the Corporation or its officers, directors, ten percent (10%) or more shareholders, or such employees and any services furnished by the Corporation's outside auditors to the Corporation or its officers, directors, or ten percent (10%) or more shareholders bearing upon the auditors' independence from the Corporation for purposes of SEC and ISB requirements and rules; and
  
  - (v) Actively engaging in a dialogue with the Corporation's officers, directors, ten percent (10%) or more shareholders, employees employed by the Corporation in an accounting or financial oversight role, and, if relevant, employees formerly partners, principals, shareholders, or professional employees of the Corporation's outside auditors with respect to any relationships or services disclosed by them or the Corporation's outside auditors that may impact on the objectivity and independence of the Corporation's outside auditors.

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- (e) **Second Opinions.** The Audit Committee shall review decisions by management to obtain second opinions on significant accounting issues and any actions taken by management in reliance on such opinions.
- (f) **Meetings.** The Audit Committee shall meet at least annually with (1) appropriate officers and employees of the Corporation to discuss tax matters affecting the Corporation, and (2) in-house counsel to discuss legal matters affecting the Corporation. Periodically, the Audit Committee shall meet separately with management, with internal auditors (or other personnel responsible for the internal audit function) and with the outside auditors.
- (g) **Reporting of Questionable Accounting or Auditing Matters to the Audit Committee:** The Audit Committee shall establish procedures (to be reviewed at least once per year) for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. (Cross Reference: Rule 10A-3(b)(3) of the Exchange Act.)
- (h) **Hiring of Independent Counsel and Advisors to the Audit Committee:** The Audit Committee shall have the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties. (Cross Reference: Rule 10A-3(b)(4) of the Exchange Act.)
- (i) **Funding.** The Corporation shall provide appropriate funding for the Audit Committee to compensate the auditor and any other advisors engaged by the Audit Committee as well as for ordinary administrative expenses. (Cross Reference: Rule 10A-3(b)(5) of the Exchange Act.)
- (j) **Annual Self-Evaluation.** The Audit Committee shall, at least once a year, undertake a self-performance evaluation.
- (k) **Earnings Press Releases.** At least once per year, the Audit Committee shall discuss the Corporation's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee's responsibility to discuss earnings releases, as well as financial information and earnings guidance, may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Audit Committee need not discuss in advance each earnings release or each instance in which the Corporation may provide earnings guidance.
- (l) **Risk Assessment and Risk Management.** The Audit Committee shall, at least once a year, discuss the Corporation's policies with respect to risk assessment and risk management. While it is the job of the CEO and senior management to assess and manage the Corporation's exposure to risk, the Audit Committee shall discuss guidelines and policies to govern the process by which this is handled. The Audit Committee shall discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures. The audit committee is not required to be the sole body responsible for risk assessment and management, but the Committee shall discuss guidelines and policies to govern the process by which risk assessment and management is undertaken.

**3. Annual Consultation with Outside Auditors.**

- (a) **Annual Confirmation from Outside Auditors:** In order to ensure that the Audit Committee receives all the information necessary to carry out its responsibilities, the

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Audit Committee shall request, at least annually, confirmation from the Corporation's outside auditors that they have informed the Audit Committee as to (a) the initial selection of and changes in significant accounting policies and their application, (b) the process used in formulating sensitive accounting estimates, (c) adjustments proposed by the auditor but not recorded by the Corporation that could cause future financial statements to be materially misstated, (d) disagreements with management and whether or not satisfactorily resolved, (e) cases when management consulted with other accountants about auditing and accounting matters, (f) difficulties encountered in performing the annual audit, and (g) any other significant internal control or financial reporting matter.

- (b) ***Discussion Regarding Audit Problems:*** The Audit Committee shall review with the outside auditors any audit problems or difficulties and management's response. The Audit Committee must regularly review with the outside auditors any difficulties the auditors encountered in the course of the audit work, including any restrictions on the scope of the outside auditors' activities or on access to requested information, and any significant disagreements with management. Among the items the Audit Committee may want to review with the auditors are: any accounting adjustments that were noted or proposed by the auditors 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 audit firm to the Corporation. The review should also include discussion of the responsibilities, budget and staffing of the Corporation's internal audit.
- (c) ***Hiring Policies Regarding Employees of Outside Auditors:*** The Audit Committee shall set hiring policies for employees or former employees of the Corporation's outside auditors (taking into account the pressures that may exist for auditors consciously or subconsciously seeking a job with the company they audit).

4. ***Preparation of Annual Financial Statements.*** Each year, prior to releasing the Corporation's audited financial statements, the Audit Committee shall take the following actions:

- (a) The Audit Committee shall review and discuss the audited financial statements with management;
- (b) The Audit Committee shall discuss with the Corporation's outside auditors the matters required to be discussed by SAS 61, as may be modified or supplemented;
- (c) The Audit Committee shall receive and review the written disclosures and the letter from the Corporation's outside auditors required by ISB Standard No. 1, as may be modified or supplemented, and the reports and statements it is to obtain pursuant to Section 2(d) above, and shall discuss the auditors' independence with the auditors and the Corporation's officers, directors, ten percent (10%) or more shareholders, and relevant employees;
- (d) Based on the review and discussions referred to in sub-paragraphs (a) through (c) above, the Audit Committee shall determine (and shall report in the Corporation's Annual Proxy Statement) if it recommends to the Board of Directors that the financial statements be included in the Annual Report on Form 10-K. In connection therewith, the Audit Committee shall consider whether any non-audit services rendered by the Corporation's outside auditors to the Corporation during the audit or engagement period are consistent with the auditors' independence from the Corporation and shall report the fact of such consideration in the Corporation's Annual Proxy Statement;

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5. **Annual Compliance Measures.** At least once each year, the Audit Committee shall take the following actions:

- (a) Each Member of the Audit Committee shall provide such information as may be reasonably requested by the Corporation in order to enable the Board to review whether the Members of the Audit Committee are independent, as defined in NYSE listing standards and Section 1 hereof;
- (b) The Audit Committee shall review its own compliance with the policies and procedures of this Charter, including, without limitation, compliance with the following Sections:

Section 1(f) (report to the Board).

Section 2(a) (review with the Corporation's Chief Financial Officer and outside auditors the adequacy and effectiveness of the Corporation's internal controls);

Section 2(b) (review the Corporation's financial statements, including MD&A, and discussion with management and outside auditors);

Section 2(c) (review with the Corporation's management and outside auditors the Corporation's internal audit plans).

Section 2(d) (review the recommendation and selection of the Corporation's outside auditors; determine that the outside auditors are independent; review outside auditor's report).

Section 2(e) (review any decisions by the Corporation's management to obtain second opinions on significant accounting issues).

Section 2(f) (meet with the Corporation's officers and employees to discuss tax and legal matters, and meet periodically with management, internal auditors and outside auditors).

Section 2(g) (procedures for reporting questionable accounting or auditing matters).

Section 2(j) (self-evaluation).

Section 2(k) (policy regarding earnings releases).

Section 2(l) (risk assessment and risk management).

Section 3(a) (annual confirmation from outside auditors).

Section 3(b) (annual consultation with outside auditors).

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Section 3(c) (policy regarding hiring of outside auditor s employees).

(c) The Corporation shall provide to the NYSE written confirmation regarding:

- (i) The Board s annual determination regarding the independence of Members of the Audit Committee;
- (ii) The financial literacy of the Audit Committee Members;
- (iii) The determination that at least one Audit Committee Member has accounting or related financial management expertise; and
- (iv) The Audit Committee s annual review and reassessment of the adequacy of this Charter.

5. **Compliance with NYSE and SEC Requirements.** Sections 1(a), 1(b), 1(f), 2(b), 2(c), 2(d), 2(f), 2(g), 2(h), 2(i), 2(j), 2(k), 2(l), 3 and 5(b) of this Charter are intended to comply with Rules 303.01 and 303.02 and 303A of the NYSE Listed Company Manual and SEC Rule 10A-3 under the Exchange Act. In the event of any amendments to such Rules, the Board shall consider parallel amendments to this Charter.

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The Fairchild Corporation

This proxy is solicited on behalf of the Board of Directors of The Fairchild Corporation.

The undersigned hereby appoints Jeffrey J. Steiner, James G. Fox and Donald E. Miller as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated below, all the shares of Class A Common Stock, par value \$.10 per share, and Class B Common Stock, par value \$.10 per share, of The Fairchild Corporation held of record by the undersigned on January 13, 2006, at the Annual Meeting of Stockholders ( Annual Meeting ) to be held on Wednesday, March 8, 2006, at 10:00 a.m. (local time) and at any adjournments or postponements thereof. Except as noted below, if no direction is made, this proxy will be voted FOR all listed nominees and FOR approval of all proposals.

If the undersigned is a participant in the Savings Plan for Employees of The Fairchild Corporation ( Savings Plan ), then the undersigned hereby directs the trustee of the Savings Plan, HR Mercer Services, (the Trustee ) to vote or cause to be voted at the Annual Meeting and at any adjournments thereof, as directed by the undersigned, all shares of Class A Common Stock which are held by the Trustee in the undersigned s Savings Plan account and which the undersigned is entitled to vote at such meeting. If no direction is given by 10:00 a.m. (EST) March 1, 2006, the Trustee will vote the Savings Plan shares represented by this proxy in the same percentage as shares held by participants for which the Trustee has received timely voting instructions. The Trustee will hold the undersigned s voting directions in strict confidence.

Please Mark Inside Boxes so that Data Processing Equipment Will Record Your Votes.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY.

(Continued and to be marked, dated and signed on the reverse side)

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THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL LISTED NOMINEES, AND FOR APPROVAL OF ALL PROPOSALS, EXCEPT THAT, WITH RESPECT TO SAVINGS PLAN SHARES, IF NO DIRECTION IS MADE, THE TRUSTEE WILL VOTE THE SHARES REPRESENTED BY THIS PROXY IN THE SAME PROPORTION AS THE SHARES PROPERLY VOTED BY OTHER SAVINGS PLAN PARTICIPANTS.

1. ELECTION OF DIRECTORS

“ FOR “ WITHHELD FOR ALL

01 Robert E. Edwards, 02 Steven L. Gerard, 03 Daniel Lebard, 04 Eric I. Steiner, and 05 Jeffrey J. Steiner.

Withheld for the nominees you list below: (Write that nominee s name in the space provided below.)

2. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

Please sign exactly as name(s) appear hereon.

When signing as attorney, executor, administrator,  
trustee, guardian or corporate officer, please give full title as such.

Date

Signature(s)