

The Allied Defense Group, Inc. (ADG)
Ethics and Governance Charter
Adopted November 3, 2003 – Revised August 2005

1. Purpose

The primary function of the Ethics and Governance Committee (the “Committee”) is to assist the Board of Directors in evaluating the Corporation’s adherence to accepted standards of ethics and governance. It is also responsible to the Board for developing and recommending to the Board corporate governance guidelines, and generally advising the Board on corporate ethics and governance related matters.

2. Composition

The Committee will consist of a minimum of two outside directors, each of whom meets the independence and experience requirements of the American Stock Exchange, the Securities Exchange Act of 1934, and the rules and regulations of the Securities and Exchange Commission, who are not employed by the Corporation, and are free of any relationship that would interfere with their exercise of independent judgment as a Committee Member. The Committee Chairman and Committee assignments will be recommended to the Board of Directors by the Chairman of the Board. These individuals will then be appointed by the Board of Directors and serve at the pleasure of the Board.

3. Meetings

The Committee will meet as often as it determines is appropriate to carry out its responsibilities, but must meet once formally per year. The Chair of the Committee, in consultation with the other Committee members, will determine the frequency and length of the meetings and will set the agenda consistent with this Charter.

4. Duties and Responsibilities

The committee will:

- (a) Develop and recommend to the Board corporate governance guidelines that comply with all applicable legal and regulatory requirements. Such guidelines will be periodically updated as the Committee deems appropriate.
- (b) Monitor developments, trends and best practices in corporate ethics and governance, and take such actions in accordance therewith as it deems appropriate.

- (c) Obtain advice and assistance from such internal or external advisors as it deems appropriate in connection with the discharge of its duties. The Corporation shall provide for appropriate funding, as determined by the Committee and approved by the Chairman of the Board, for payment of compensation to any required external advisors.
- (d) Make recommendations to the Board regarding its evaluation of the Corporation's ethics and governance standing, and any issues brought to its attention that it feels warrants Board attention.
- (e) To the extent not otherwise inconsistent with its obligations and responsibilities, the Committee may form subcommittees and delegate authority hereunder as it deems appropriate.
- (f) Report to the Board at each Board meeting, even if a negative report.
- (g) Perform such other activities consistent with this Charter, the Corporation's By-Laws, governing law, the rules and regulations of the American Stock Exchange and such other requirements applicable to the Corporation as the Committee or the Board deem necessary or appropriate.
- (h) Annually review the charters of Allied's four Committees to ensure "best practices."
- (i) Adopt a Code of Ethical Conduct for the Company, its employees and its Directors; ensure Management encourages conducting business according to the highest standards of ethics and integrity;
- (j) Require the CEO of the corporation to report to the Committee annually on his ethics program and evaluation of same.
- (k) Require each Corporation officer and director to disclose annually, or upon significant change, significant affiliations with other companies (i.e. employment, consulting relationships, directorships, etc.).

5. Committee Charter

The Committee will periodically review this Charter and will recommend any changes to the Chairman and the Board as the Committee deems appropriate, including satisfying any applicable requirements of the American Stock Exchange and any other legal or regulatory requirements. A copy of this Charter will be made available on the Corporation's website at www.allieddefensegroup.com.