

K&F INDUSTRIES HOLDINGS, INC.
AUDIT COMMITTEE CHARTER

1. **Members.** The Board of Directors (the "**Board**") shall appoint an Audit Committee (the "**Audit Committee**") of at least three members, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Audit Committee. The members of the Audit Committee will consist (i) of at least one independent director at the time the Company lists on the New York Stock Exchange (the "**NYSE**"), (ii) of at least a majority of independent directors ninety days after such listing, and (iii) entirely of independent directors no later than one year after such listing. For purposes hereof, the term "independent director" shall mean a director who meets the NYSE standards of independence for directors and audit committee members, as determined by the Board. Each member of the Audit Committee must be financially literate, as determined by the Board. In addition, at least one member of the Committee must be an "audit committee financial expert", as determined by the Board in accordance with the rules of the Securities and Exchange Commission (the "**SEC**").

2. **Purposes, Duties, and Responsibilities.**

The purposes of the Committee shall be:

- to represent and assist the Board in discharging its oversight responsibility relating to: (i) the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements; (ii) the surveillance of administration and financial controls and the Company's compliance with legal and regulatory requirements; (iii) the outside auditor's qualifications and independence; and (iv) the performance of the Company's internal audit function and the Company's outside auditor;
- to prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement; and
- to take such other actions and perform such other duties as may be required under applicable law or the applicable rules of the SEC or the NYSE.

Among its specific duties and responsibilities, the Audit Committee shall:

- (i) be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the outside auditor. In this regard, the Audit Committee shall appoint and retain, compensate, evaluate and terminate (when appropriate), the outside auditor, which shall report directly to the Audit Committee.
- (ii) approve in advance all audit and permissible non-audit services to be provided by the outside auditor, and establish policies and procedures for pre-approval of audit and permissible non-audit services to be provided by the outside auditor, it being understood that by approving the audit engagement, the Audit Committee shall be deemed to have pre-approved all audit services within the scope of the engagement.

(iii) obtain and review, at least annually, a report by the outside auditor describing: (a) the outside auditor's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent auditors carried out by the outside auditor, and any steps taken to deal with any such issues.

(iv) consider, at least annually, the independence of the outside auditor, including whether the outside auditor's performance of permissible non-audit services is compatible with the auditor's independence, and obtain and review a report by the outside auditor describing any relationships between the outside auditor and the Company and any other relationships that may adversely affect the independence of the auditor.

(v) review and discuss with the outside auditor: (A) the scope of the audit, the results of the annual audit examination by the auditor, and any difficulties the auditor encountered in the course of its audit work, including any restrictions on the scope of the outside auditor's activities or on access to requested information, and any significant disagreements with management; and (B) any reports of the outside auditor with respect to interim periods or any other reports required by SEC or NYSE rules.

(vi) review and discuss with management and the outside auditor the annual audited and quarterly financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.

(vii) recommend to the Board based on the review and discussion described in paragraphs (iv) - (vi) above, whether the financial statements in the form reviewed should be included in the Annual Report on Form 10-K.

(viii) receive reports from the outside auditor and management regarding, and review and discuss, the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the outside auditor or management.

(ix) receive reports from management regarding, and review and discuss, the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.

(x) review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program.

(xi) review and approve all related party transactions (as defined in applicable legal standards).

(xii) review and discuss earnings press releases and corporate practices with respect to earnings press releases and financial information and earnings guidance provided to analysts and ratings agencies.

(xiii) review and discuss the Company's practices with respect to risk assessment and risk management.

(xiv) oversee the Company's compliance systems with respect to legal and regulatory requirements and review the Company's codes of conduct/ethics and programs to monitor compliance with such codes.

(xv) establish and oversee procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.

(xvi) establish policies for the hiring of employees and former employees of the outside auditor in accordance with applicable laws and regulations.

(xvii) annually evaluate the performance of the Audit Committee and assess the adequacy of the Audit Committee's charter.

3. **Outside Advisors.** The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Audit Committee in the performance of its functions and shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to any such advisors.

4. **Meetings.** The Audit Committee shall meet at least four times per year, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session, periodically, with each of management, the principal internal auditor of the Company and the outside auditor. The Audit Committee shall report regularly to the full Board with respect to its activities. The majority of the members of the Audit Committee shall constitute a quorum.