

WOODWARD GOVERNOR COMPANY

RELATED PERSON TRANSACTION POLICIES AND PROCEDURES

February 8, 2008

POLICY

It is the policy of the Board of Directors of Woodward Governor Company (the “*Company*”) that any Interested Transaction with a Related Person, as those terms are defined at the end of this Policy, shall be subject to approval or ratification in accordance with the procedures set forth below.

PROCEDURES

The Board of Directors has determined that the Audit Committee of the Board of Directors (the “*Committee*”) is best suited to review and approve Interested Transactions. The Audit Committee (the “*Committee*”) shall review the material facts of all Interested Transactions that require the Committee’s approval or ratification and either approve/ratify or disapprove of the entry into the Interested Transaction, subject to the exceptions described below. In determining whether to approve or ratify an Interested Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

In addition, in connection with any approval or ratification of an Interested Transaction involving an outside-director or nominee for director, the Committee should consider whether such transaction would compromise such director’s status as: (1) an independent director under The Nasdaq Stock Market’s independence standards, (2) an “outside director” under Section 162(m) of the Internal Revenue Code or a “non-employee director” under Rule 16b-3 under the Exchange Act, if such non-employee director serves on the Compensation Committee of the Board or (3) an independent director under Rule 10A-3 of the Exchange Act, if such non-employee director serves on the Audit Committee of the Board.

The Committee has reviewed the Interested Transactions described below in “Standing Pre-Approval for Certain Interested Transactions” and determined that each of the Interested Transactions described therein shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy. In addition, the Board of Directors has delegated to the Chair of the Committee the authority to pre-approve or ratify (as applicable) any Interested Transaction with a Related Person in which the aggregate amount involved is expected to be less than \$500,000, which such pre-approval or ratification shall be made after consulting with the Company’s Chief Executive Officer, Chief Financial Officer, or General Counsel, as deemed appropriate by the Chair of the Committee. In connection with each regularly scheduled meeting of the Committee, a summary of each new Interested Transaction deemed pre-approved under

“Standing Pre-Approval for Certain Interested Transactions” below and each new Interested Transaction pre-approved by the Chair in accordance with this paragraph shall be provided to the Committee.

No director shall participate in any discussion for approval of an Interested Transaction for which he or she is a Related Person, except that the director shall provide all material information concerning the Interested Transaction to the Committee.

If an Interested Transaction will be ongoing, the Committee may establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Person. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Person to see that they are in compliance with the Committee’s guidelines and that the Interested Transaction remains appropriate.

In the event an Interested Transaction is not pre-approved in accordance with the requirements of this Policy, then the Interested Transaction shall be considered by the Committee at the Committee’s next regularly scheduled meeting and, if the Committee determines it to be appropriate, ratified; provided that if no ratification occurs, management shall make all reasonable efforts to cancel or annul such transaction. Any such subsequent ratification by the Committee shall not be deemed to condone management’s failure to comply with the requirements of this Policy.

DEFINITIONS

“*Related Person*” shall have the meaning given to such term in Item 404(a) of Securities and Exchange Commission Regulation S-K (“*Item 404(a)*”).*

“*Interested Transaction*” means any transaction (within the meaning of Item 404(a)) involving the Company and any Related Person that would be required to be disclosed pursuant to Item 404(a) (including any material amendment or modification of an Interested Transaction).**

* Generally, “Related Persons” consist of any director or executive officer of the Company, any nominee for director, any holder of five percent or more of the Company’s common stock, or any immediate family member of any such persons. “Immediate family member” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any such person, and any person (other than a tenant or employee) sharing the household of such person. It may also include entities with which any of such persons have a relationship.

** The Company’s General Counsel, or other members of the Company’s management, shall refer to the Audit Committee, in accordance with this Policy, Interested Transactions or Potential Interested Transactions of which they become aware of during the normal operations of the Company or otherwise.

STANDING PRE-APPROVAL FOR CERTAIN INTERESTED TRANSACTIONS

The Committee has reviewed the types of Interested Transactions described below and determined that each of the following Interested Transactions shall be deemed to be pre-approved by the Committee.

Transactions Involving Competitive Bids. Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids.

Regulated Transactions. Any transaction with a Related Person involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

Employee Transactions. Any transaction with a Related Person that is also available to all employees generally.