



**DELTIC TIMBER CORPORATION
NOTICE OF ANNUAL MEETING**

*To The Stockholders of
Deltic Timber Corporation:*

The Annual Meeting of Stockholders of Deltic Timber Corporation (“Deltic” or “the Company”) will be held at the South Arkansas Arts Center, 110 East 5th Street, El Dorado, Arkansas, on Thursday, April 22, 2010, at 10:00 a.m., Central Daylight Savings Time, for the following purposes:

- Item 1: To elect three Class II directors to hold office for a three-year term;
- Item 2: To express approval or disapproval of the action of the Audit Committee of the Board of Directors in appointing KPMG LLP as the Company’s independent auditors for 2010; and

To transact such other business as may properly come before the meeting and any adjournment thereof.

Holders of record of Deltic Common Stock at the close of business on March 8, 2010, will be entitled to vote with respect to this solicitation. Stockholders are reminded that your shares of Deltic Common Stock cannot be voted unless you follow the telephonic or internet voting procedures set forth on the enclosed proxy card, or execute and return the enclosed proxy card, or make other arrangements to have your shares represented at the meeting.

A copy of the 2009 Annual Report to Stockholders and Annual Report on Form 10-K are enclosed.

By Order of the Board of Directors,

Phillip A. Pesek
Secretary

El Dorado, Arkansas
March 22, 2010

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE EITHER TELEPHONICALLY OR ON THE INTERNET AS INSTRUCTED ON THE ENCLOSED PROXY CARD OR YOU MAY COMPLETE, SIGN, DATE AND RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

Important notice regarding the availability of proxy materials for the Annual Meeting to be held on April 22, 2010. The Company’s Proxy Statement and Annual Report to security holders for the fiscal year ended December 31, 2009 is also available at <http://www.deltic.com>.

DELTIC TIMBER CORPORATION

**210 East Elm Street
El Dorado, Arkansas 71730**

PROXY STATEMENT

GENERAL

This Proxy Statement and the accompanying proxy card are being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Deltic Timber Corporation (“Deltic” or “the Company”) for the Annual Meeting of Stockholders to be held on April 22, 2010, in El Dorado, Arkansas. Only stockholders of record at the close of business on March 8, 2010, (the “Record Date”) are entitled to notice of, and to vote at, the meeting. There were 12,496,768 shares of Deltic Common Stock outstanding and entitled to vote on March 8, 2010. This amount does not include 317,111 shares of treasury stock. Each share of outstanding Deltic Common Stock is entitled to one vote on each matter properly brought before the meeting.

Commencing approximately on March 22, 2010, the Company will mail its Annual Report for the year ended December 31, 2009 and its Annual Report on Form 10-K for 2009 as filed with the Securities and Exchange Commission (“SEC”), together with this Proxy Statement and the enclosed proxy card to holders of Deltic Common Stock on the Record Date.

VOTING OF PROXIES

Your vote is important. Shares can be voted at the Annual Meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, you are urged to vote either telephonically or on the internet or to sign, date and return the accompanying proxy card.

When you vote by one of these three methods, stock represented by the proxy will be voted in accordance with your directions. You can specify your voting instructions by following the instructions for telephonic or internet voting on the enclosed proxy card or by marking the appropriate spaces on the proxy card and signing, dating and returning the proxy card. If you so elect when prompted in the telephonic or internet voting process, or if your proxy card is signed and returned without specific voting instructions, your shares of Deltic Common Stock will be voted as recommended by the Board of Directors: “FOR” the election of the three nominees for director named in the proxy card and “FOR” the ratification of the selection of KPMG LLP as the Company’s independent auditors for 2010. Abstentions marked on the proxy card are voted “against” the proposals and are counted in determination of a quorum.

You may change your voting instructions or revoke your proxy at any time before it is voted at the meeting by: (a) re-voting telephonically or on the internet at any time up to 1:00 a.m. CDT on April 22, 2010, the date of the meeting (only the latest telephonic or internet votes will be counted); (b) executing a later-dated proxy; (c) voting by ballot at the meeting; or, (d) filing a notice of revocation with the inspectors of election in care of the Secretary of the Company at the above address.

VOTES REQUIRED

The presence, in person or by proxy, of the holders of at least a majority of the shares of Deltic Common Stock outstanding on the Record Date is necessary to have a quorum for the Annual Meeting. Abstentions and broker “no-votes” are counted as present for purposes of determining a quorum. A broker “no-vote” occurs when

a nominee holding shares of Deltic Common Stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

The affirmative vote of a majority of the shares present in person or by proxy at the meeting is required for the passage of the Board of Directors' proposals (Items 1 and 2). Any shares voted with an abstention have the same effect as a vote against the abstained proposal(s). Broker "no-votes" have no effect on the outcome of the vote.

SOLICITATION OF PROXIES

Solicitation of proxies may be made by directors, officers, or employees of the Company through the mail, in person and by telecommunications. The cost of soliciting proxies will be borne by the Company. In accordance with the regulations of the SEC and the New York Stock Exchange ("NYSE"), the Company will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for their expenses incurred in sending proxies and proxy materials to the beneficial owners of Deltic Common Stock.

PROCEDURES FOR STOCKHOLDER NOMINATIONS AND PROPOSALS

Nominations. Under the Company's Amended and Restated Bylaws (the "Bylaws"), nominations for director may be made only by the Board of Directors (or a committee of the Board of Directors), or by a stockholder that meets the requirements set forth in the Bylaws. The Bylaws require that for stockholder nominations, a written notice be delivered to the Company's Secretary at the Company's principal executive offices, which are located at 210 East Elm Street, El Dorado, Arkansas 71730, not less than 90 days prior to the first anniversary of the most recent annual meeting of stockholders, which for the 2011 Annual Meeting of Shareholders, will be January 23, 2011. The written notice must be made by a stockholder of record at the time of giving the notice and who shall be entitled to vote for election of directors at the meeting for which the stockholder's nomination relates. The written notice shall set forth as to the candidate all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the *Securities Exchange Act of 1934*, including such candidate's written consent to be named in the Proxy Statement as a nominee and to serving as a director if elected. The notice shall also set forth as to the stockholder, the name and address as they appear on the Company's books of such stockholder; and the number of shares of the Company's Common Stock that are beneficially owned by the stockholder. The Board of Directors' Nominating and Corporate Governance Committee ("Committee") has been delegated the responsibility to oversee searches for, and to identify qualified individuals for membership on the Company's Board of Directors. The Committee will duly consider candidates for nomination that may be submitted by stockholders in compliance with the applicable provisions of the Bylaws, and will not apply different criteria to candidates submitted by a stockholder than it applies to other candidates. Generally, the Committee reviews a candidate's qualifications by considering criteria approved by the Board of Directors, a candidate's satisfaction of applicable "independence" measures (and enhanced independence, financial literacy and financial expertise standards for potential Audit Committee members), while also taking into consideration current challenges and needs of the Board of Directors regarding issues of judgment, age, skills, background and experience. In addition, although the Company does not have a specific diversity policy, it considers the diversity of the candidate with regard to viewpoint, professional experience, education and skills that are relevant to the Company's activities. Other specific criteria used by the Committee in reviewing a candidate's qualifications are that the candidate shall have the highest personal and professional ethics, integrity and values and have evidenced in their personal and professional affairs proper judgment, independence, business acumen and an understanding of the Company's or related industries.

Proposals. The Bylaws also provide that except for stockholder proposals submitted in a timely manner for annual stockholders' meetings, no business may be brought before any stockholders' meeting unless specified in

the notice of meeting or at the direction of the Board of Directors. The Bylaws further set forth procedures and requirements, including notice to the Company, for stockholders to submit business for proper consideration at annual meetings. Any stockholder who is a stockholder of record at the time of his/her notice, maintains his/her stock ownership so that he/she is entitled to vote at the annual stockholders' meeting and adheres to the Bylaws' procedures and requirements, shall be entitled to present business for consideration at such meeting. In order to present business for consideration at an annual stockholders' meeting, a stockholder must submit a notice which sets forth a description of the nature of the business to be considered, the stockholder's name and address as it appears in the records of the Company, the number of shares beneficially owned and any material interest of the stockholder in the business sought to be included. In order to be timely, the notice must be received by the Company's Secretary at the principal executive office of the Company not less than 90 days prior to the anniversary of the preceding annual meeting, which for the 2011 Annual Meeting of Shareholders, will be January 23, 2011. These requirements are separate and apart from and in addition to the SEC's requirements that a stockholder must comply with in order to have a stockholder proposal included in the Company's proxy materials.

A copy of the full text of the Company's Amended and Restated Bylaws may be obtained upon written request to the Company's Secretary at the address provided above.

STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING

Stockholder proposals intended to be presented at Deltic's 2011 Annual Meeting of Stockholders must be received by Deltic's Secretary no later than January 23, 2011. Such proposals must meet the requirements set forth in the Company's Bylaws, as well as, in order to be eligible for inclusion in the Company's 2011 proxy materials, applicable rules and regulations of the SEC.

STOCKHOLDER, EMPLOYEE, AND INTERESTED PARTY COMMUNICATION WITH DIRECTORS

As set forth in the Company's Corporate Governance Guidelines, it is the policy of the Board of Directors that stockholders, employees, and other interested parties be able to communicate directly with members of the Board of Directors, including non-management and independent directors. All communications should be directed to the Company's Secretary, at the Company's principal executive offices, 210 East Elm Street, El Dorado, Arkansas 71730, and should prominently indicate on the outside of the envelope that it is intended for a specified director or to the non-management or independent directors of the Company as a group. Each communication intended for a director and received by the Secretary which is related to the operation or governance of the Company, and is not otherwise commercial in nature, will be promptly forwarded to the specified party following its clearance through normal security procedures. Employees of the Company may also utilize this communication procedure. Alternatively, employees may, if they so desire, utilize the confidential and/or anonymous procedures to send written, electronic, or toll-free telephonic communications through a third party as established under the Company's "whistle-blower" policy. Communications under the whistle-blower policy are initially directed to the Chairman of the Board of Directors' Audit Committee.

THE COMPANY

The Company was incorporated in Delaware on September 4, 1996, in anticipation of the spin-off by Murphy Oil Corporation of its farm, timber and real estate business, then conducted by Deltic Farm & Timber Co. Inc., an Arkansas corporation ("Deltic Farm & Timber"). Effective December 17, 1996, Deltic Farm & Timber was merged with and into the Company, and effective December 31, 1996, Murphy Oil Corporation distributed all of the shares of the Company's Common Stock.

THE BOARD OF DIRECTORS

The responsibility and authority for managing the business of the Company rest with its Board of Directors, who are elected by the Company's stockholders. The Board has determined that it remains advantageous and a benefit for the Company and its stockholders that the positions of Chairman of the Board and President and Chief Executive Officer be bifurcated. As a result, the Chairman is responsible for running the Board and the Chief Executive Officer is responsible for running the Company. The position of the Company's Chairman of the Board is held by Robert C. Nolan, who is not an employee or executive of the Company. As Chairman, Mr. Nolan provides leadership to the Board and facilitates communication among the directors. He also works with the Chief Executive Officer in setting the Board agenda and regularly conducts executive sessions of the Board in which management does not participate. The Board of Directors sets strategic policy, approves business plans, and delegates authority to execute its policies and plans to the President and Chief Executive Officer. While the Board oversees the Company's risk management, management is responsible for the day-to-day risk management process. This division of responsibility is the most effective approach for addressing risk facing the Company and is fully supported by the Board.

During 2009, Deltic's Board of Directors held six meetings. Also during the year, the Board's Audit Committee, Executive Committee, Executive Compensation Committee and Nominating and Corporate Governance Committee, held nine, six, two and two meetings, respectively. All of the Company's directors attended at least 75 percent of Board of Directors and their respective committee meetings. It is the policy of the Board of Directors that directors attend stockholder, Board of Directors and committee meetings unless extenuating circumstances make such attendance impracticable. All of the Company's directors attended the Company's 2009 Annual Meeting of Stockholders.

COMMITTEES

To assist in fulfilling its responsibilities, Deltic's Board of Directors has established four principal committees: the Audit Committee; the Executive Committee; the Executive Compensation Committee and the Nominating and Corporate Governance Committee. These committees are briefly described as follows:

The **Audit Committee** (the "Committee") meets regularly with the Company's independent auditors and internal auditor to assist the Board of Directors in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and other public disclosures, and the Company's compliance with legal and regulatory requirements, as well as assessing the qualifications, performance and independence of the Company's independent auditors and the performance of the Company's internal audit function. The Committee is responsible for selecting the Company's independent auditors. The Committee also negotiates and approves all audit, audit-related and non-audit fees of the independent auditors. The Committee is chaired by Mr. Roach with its other members being Messrs. Coley, Pierson, and Lemmon. Each member of the Committee has been affirmatively determined by the Board of Directors to be "independent" under applicable criteria for Committee membership under Section 10A-3(b)(1) of the *Securities Exchange Act of 1934*, as amended, and Section 303A of the NYSE's Corporate Governance rules, and to meet financial literacy standards. In addition, the Board of Directors has designated Mr. Roach as the Committee's "financial expert" based upon his professional experience and attributes. A copy of the Committee's written charter can be accessed on the Company's website at www.deltic.com under the Corporate Governance part of the Investor Relations section. Please see pages 48 through 49 of this Proxy Statement for the Committee's 2009 report.

The **Executive Committee** (the "Committee") generally meets in the months that no meeting of the Board of Directors is scheduled and acts as surrogate for the Board of Directors by maintaining surveillance over operations and exercising the general powers of the Board of Directors when the Board of Directors is not in session. The Committee does not have the power, among other things, to: declare dividends; issue stock; amend the Bylaws; or, approve any merger or share exchange. The Committee is chaired by Mr. Nolan with its other

members being Messrs. Dillon, Murphy, and Roach. Except for Mr. Dillon, each member of the Committee has been affirmatively determined by the Board of Directors to be “independent” under applicable criteria established in Section 303A of the NYSE’s Corporate Governance rules.

The **Executive Compensation Committee** (the “Committee”) represents for some matters and otherwise acts to assist the Board of Directors, in other matters, in fulfilling its oversight responsibility for the Company, to oversee the Company’s equity-based and other compensation and benefits plans and policies. The Committee administers the Company’s annual incentive and stock incentive plans and is authorized under the stock incentive plans to make awards of incentive and non-qualified stock options, restricted stock, performance units and other types of awards permitted under the plans. The Committee also acts upon the recommendations of the Nominating and Corporate Governance Committee regarding equity-based compensation for the Company’s non-employee directors under the Company’s 2002 Stock Incentive Plan. Additionally, the Committee reviews the performance levels of Deltic’s executive officers and determines base salaries and short and long-term incentive awards for such executive officers, including the Company’s President and Chief Executive Officer. Further, the Committee reviews and reports to the Board of Directors on the Company’s succession planning. The Committee is chaired by Mr. Murphy, with its other members being Messrs. Nolan, *ex officio*, Pierson, Tudor, Lemmon and Rev. Keller. Each member has been affirmatively determined by the Board of Directors to be “independent” under applicable criteria established in Section 303A of the NYSE’s Corporate Governance rules. A written charter for the Committee can be accessed on the Company’s website at www.deltic.com under the Corporate Governance part of the Investor Relations section.

The duties of the Board of Directors’ **Nominating and Corporate Governance Committee** (the “Committee”) include: the identification of individuals qualified to become directors and recommendation to the Board of Directors of nominees for election at the next annual or special meeting of stockholders at which directors are to be elected, or to fill vacancies or newly created directorships that may occur between such meetings; recommendation of directors for appointment to the committees of the Board of Directors; oversight of the evaluation of the Board of Directors and each of its committees and members; establishment of the cash component of compensation of non-employee directors and recommendation to the Board’s Executive Compensation Committee of equity components of compensation of the non-employee directors of the Company; and, the review, suggestion of changes to and oversight of compliance with the Company’s Corporate Governance Guidelines and Code of Business Conduct and Ethics. More specific responsibilities of the Committee on governance related matters include: the evaluation of the appropriateness of continued membership on the Company’s Board of Directors upon a change in circumstance in and to professional roles and responsibilities of a director, or upon a director deciding to serve on another corporate or not-for-profit/tax exempt board or government or advisory group that would be expected to require a significant devotion of time by such director; the review of any requests for waivers from provisions of the Company’s Code of Business Conduct and Ethics; the review of situations that may involve a potential conflict of interest on the part of a director; and, the review of and authority to approve or disapprove all proposed related party transactions between the Company and its directors. The Committee is chaired by Rev. Keller with its other members being Messrs. Murphy, Nolan, *ex officio*, Roach and Coley. Each member has been affirmatively determined by the Board of Directors to be “independent” under applicable criteria established in Section 303A of the NYSE’s Corporate Governance rules. A written charter for the Committee can be accessed on the Company’s website at www.deltic.com under the Corporate Governance part of the Investor Relations section.

CORPORATE GOVERNANCE

Preceding sections of this Proxy Statement have referenced the determination of the Board of Directors regarding the “independence” of the Company’s directors, the Company’s Code of Business Conduct and Ethics and Corporate Governance Guidelines. This section provides additional information concerning these subjects.

Annually, or if the circumstances dictate a more frequent basis, the Board of Directors considers the independence of each director. To be considered independent, a director must be affirmatively determined by resolution to have no material relation with the Company other than as a director. In each case, broad consideration is given to all relevant facts and circumstances, not only as to the respective director, but also as to persons or organizations with which the director has an affiliation. Consistent with published commentary by the NYSE regarding determinations of independence, the Board of Directors has deemed that a primary consideration is independence from the Company’s management, so that the Board of Directors’ essential oversight role over the affairs of the Company is not compromised due to any such relationship. Ownership of even a significant amount of the Company’s stock, by itself, is not viewed as a bar to an independence determination, but rather, stock ownership by the Company’s directors is encouraged in order to align directors’ interests with those of all stockholders and to provide additional incentive for proper and effective stewardship.

Categorical standards adopted by the Board of Directors to assist in its determinations are: (a) A director will not be determined to be independent if, (i) within the preceding three years, the director was an employee of the Company or an immediate family member was employed by the Company or its subsidiaries as an executive officer, or (ii) the director is currently an employee or partner of the Company’s independent auditor, or an immediate family member is a current partner or an employee of the Company’s independent auditor who participated in the Company’s audit, assurance or tax compliance practice, or was within the last three years (but is no longer) the director or an immediate family member was a partner or employee of such firm and personally worked on the Company’s audit within that time, or (iii) any executive officer of the Company was a member of the compensation committee of the board of directors of a company that employed either the director or an immediate family member of the director as an executive officer; (b) A director will not be determined to be independent if the director or an immediate family member has received more than \$120,000 in direct compensation (not including director and committee fees) from the Company during any twelve month period within the last three years; (c) A director will not be determined to be independent under applicable standards for Audit Committee membership if the director or the director’s immediate family members and/or affiliates have received during the last three years any consulting, advisory or other compensatory fee from the Company and its subsidiaries other than director and committee fees, or if the director is an affiliated person of the Company owning 10 percent or more of the Company’s stock; and, (d) A director will not be determined to be independent if the director is an employee of, or whose immediate family members is a current executive officer of, another company that has made payments to or received payments from the Company for property or services in an amount that in any of the last three fiscal years exceeds the greater of \$1,000,000 or two percent of the other company’s consolidated gross revenues.

During its deliberations regarding director independence, in addition to the categories and factors identified above, and even though they did not approach the dollar threshold cited in category (d) above, the Board of Directors also reviewed the extent of all commercial relationships, including immaterial relationships, between the Company and its directors and their respective immediate family members and affiliates. Land management services provided by the Company on the same terms and conditions as for all land management clients were specifically reviewed and determined to be immaterial relationships.

Following its deliberations, the Board of Directors affirmatively determined that Messrs. Coley, Lemmon, Murphy, Nolan, Pierson, Roach, Tudor and Reverend Keller met applicable standards, and each was determined to be independent. In addition, specific consideration of the enhanced independence requirements for members of the Company’s Audit Committee was made and all members of the Audit Committee were determined to be independent and financially literate under applicable SEC and NYSE requirements. The Board of Directors also

discussed the professional experience and attributes of Mr. Roach and designated him as the Audit Committee's "financial expert". Further, the Board of Directors determined that Mr. Roach's service as chairman of the Audit Committee of another public company would not impair his ability to effectively serve on and chair the Company's Audit Committee.

All of Deltic's directors and employees, including its President and Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer are required to adhere to the provisions of the Company's Code of Business Conduct and Ethics (the "Code"). The Code addresses areas of professional conduct deemed to be essential in carrying out the Company's business in a legal and ethical manner. Specific areas included are employment practices, conflicts of interest, and protection of confidential information and prohibition of its use for personal gain, as well as strict adherence to all laws applicable to the conduct of Deltic's business. Under the Code, employees are required to report any conduct they believe to be an actual or apparent violation of the Code. Biannual certifications of compliance with the Code are required. No waivers to the provisions of the Code have been requested, but should any waivers to the provisions of the Code ever be allowed by the Board of Directors' Nominating and Corporate Governance Committee, such action will be promptly posted on the Company's website, www.deltic.com under the Corporate Governance part of the Investor Relations section, and disclosed in a current report on Form 8-K that will be filed with the SEC within four business days of such determination. The Code can be accessed on the Company's website at www.deltic.com under the Corporate Governance part of the Investor Relations section.

Deltic's Board of Directors has also adopted written Corporate Governance Guidelines (the "Guidelines") that along with the Bylaws of the Company, its policies and procedures, and the charters of the Board of Directors' committees provide the framework for the governance of the Company. The Guidelines provide generally, that the Company's business is conducted by its employees, managers and officers under the direction of the President and Chief Executive Officer and the oversight of the Board of Directors to enhance the value of the Company for its stockholders. The guidelines address several important subjects, including: composition of the Board of Directors and criteria for membership; director qualifications; bifurcation of the duties of Chairman and President and Chief Executive Officer; conflicts of interest and prohibition of loans; director responsibilities, including participation and preparation for meetings; director access to management and employees and authority to hire independent legal, financial or other advisors; director orientation and continuing education; evaluation of management performance and succession; stockholder, employee, and other interested party communication with directors; and, annual performance evaluations of the Board of Directors, each of the Board of Directors' committees and each individual director. The Guidelines also codify the Company's practice of conducting regular executive sessions of the independent members of the Board of Directors in lieu of regular meetings of non-management directors. Mr. Nolan, the non-employee Chairman of the Board of Directors, has been affirmatively determined to be independent, and presides at all such executive sessions of the Board of Directors. Should Mr. Nolan's independence status change, the Guidelines establish procedures for selection of an appropriate director to preside at such executive session meetings. The Guidelines can be accessed on the Company's website at www.deltic.com under the Corporate Governance part of the Investor Relations section.

ELECTION OF CLASS II DIRECTORS (ITEM 1 ON PROXY CARD)

The Board of Directors currently consists of nine members. Directors are divided into three Classes, as equal in number as possible. Directors hold office for staggered terms of three years (or less if they are filling a vacancy) and until their successors are elected and qualified. One of the three classes is elected each year to succeed the directors whose terms are expiring. The directors in Class I were elected at the 2009 Annual Meeting to serve for a term expiring at the Company's Annual Meeting in the year 2012. The directors in Class II were elected at the 2007 Annual Meeting to serve for a term expiring at the Company's Annual Meeting in the year 2010, and will stand for re-election for a three-year term at this year's meeting. The directors in Class III were elected at the 2008 Annual Meeting to serve for a term expiring at the Company's Annual Meeting in the year 2011.

The Board of Directors, acting through the Nominating and Corporate Governance Committee, is responsible for assembling a group of nominees each year that have the experience, qualifications, attributes and skills necessary and appropriate for serving as a Board member. Notwithstanding the staggered terms of office, the Board of Directors also undergoes an evaluation process each year to ensure that all members of the Board of Directors continue to meet the criteria for a Board member, as enumerated on p. 2. In addition, the Nominating and Corporate Governance Committee regularly reviews the composition of the entire Board of Directors in light of the Company's changing requirements and its assessment of the Board's performance. As a result of these reviews and evaluations, Deltic's Board of Directors (i) affirms that each member of the Board of Directors possesses the requisite experience, qualifications, attributes and skills necessary for membership on Deltic's Board of Directors; and (ii) proposes the following nominees for election as directors at the 2010 Annual meeting:

**NOMINEES FOR CLASS II DIRECTORS
With Terms Expiring at the Annual Meeting in the Year 2013:**

**Randolph C. Coley
R. Hunter Pierson, Jr.
J. Thurston Roach**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE ABOVE-NAMED NOMINEES AS DIRECTORS FOR A TERM OF THREE YEARS.

Information is provided below with respect to each nominee for election and for each director whose term expires in subsequent years. Should one or more of these nominees be unavailable to accept nomination or election as a director, the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the Board of Directors may recommend unless the Board of Directors reduces the number of directors. The Board of Directors knows of no reason why any of the nominees will be unavailable or unable to serve if elected.

**NOMINEES FOR ELECTION AS DIRECTORS
Class II—Terms Expire in 2013**

Randolph C. Coley, 63, has been a director since February 15, 2007. Mr. Coley is a retired partner of King & Spalding LLP, an *AmLaw 100* law firm, where his practice was concentrated in advising corporate clients in the areas of corporate law, corporate governance, and securities law. Mr. Coley was the head of the firm's corporate group from 1994 to 1996, and was managing partner of the firm's Houston office from 2001 to 2005. Mr. Coley was also Executive Managing Director and head of Investment Banking for Morgan Keegan & Company, Inc. from 1996 to 1998.

Other Boards:	Gastar Exploration Ltd.	January 2010 – Present	Audit, Nominating, Corporate Governance Committees
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Deltic Committees:	Audit Committee; Nominating and Corporate Governance Committee
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R. Hunter Pierson, Jr., 58, has been a director since December 16, 1999 and as a result, is intimately familiar with the Company's history and operations. Following ten years as a commercial lending officer at First National Bank of Commerce, which is now JP Morgan/Chase, Mr. Pierson has been engaged since 1981 in private investments, including timberlands, commercial real estate development, and securities.

Deltic Committees:	Audit Committee; Executive Compensation Committee
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J. Thurston Roach, 68, has been a director since December 18, 2000 and as a result, is intimately familiar with the Company's history and operations. Mr. Roach has been engaged since 2002 in private investments. Previously he served as President, Chief Executive Officer, and a director of HaloSource Corporation, (2000-2001), a leading clean water and antimicrobial technology company, and as Chief Financial Officer and Senior Vice President of Owens Corning (1998-2000), a market-leading innovator of glass fiber technology. From 1979 – 1998, Mr. Roach served in a variety of executive positions with Simpson Timber Company and its successor, including Senior Vice President and Chief Financial Officer, President, retiring as Vice-Chairman.

Other Boards: Pope Resources, DLP March 2003 – Present Audit (Chair from 2005), Human Resources Committees

Deltic Committees: Audit Committee (Chair & Financial Expert); Executive Committee; Nominating and Corporate Governance Committee

DIRECTORS WHOSE TERM OF OFFICE CONTINUE

Class I—Terms Expiring in 2012

Ray C. Dillon, 54, has been the Company's President and Chief Executive Officer and a director since July 1, 2003. Mr. Dillon has 30 years experience in the paper and forest products industry. Prior to his present position, Mr. Dillon served in various executive positions with Gaylord Container Corporation, a manufacturer and distributor of corrugated containers, containerboard, unbleached kraft paper, multiwall bags, grocery bags and sacks, and specialty chemicals, from 1994 through 2003, including Executive Vice President from 2000 through 2003, Vice President Primary Products from 1997 through 2000, and Vice President Mill Operations from 1994 through 1997.

Other Boards: U.S. Concrete May 2009 – Present Executive Compensation & Nominating & Governance Committees

Deltic Committees: Executive Committee

Robert C. Nolan, 68, has been the Company's non-employee Chairman of the Board of Directors since December 17, 1996 and as a result, is intimately familiar with the Company's history and operations. For the past 37 years, Mr. Nolan has been Managing Member of Munoco Company L.C., an Arkansas limited liability company, engaged in, among other activities, the exploration for and production of oil and gas and timberland management. Mr. Nolan has over 35 years experience in timberland management.

Other Boards: BancorpSouth, Inc. 2000 – Present Executive, Executive Compensation, and Nominating Committees

Deltic Committees: Serves as an *ex officio* member of all committees of the Board of Directors, except the Audit Committee, with full voting rights

Robert B. Tudor, III, 50, has been a director since February 15, 2007. Mr. Tudor has been the Chairman and Chief Executive Officer and a partner of Tudor, Pickering, Holt & Co., LLC since 2006. Tudor, Pickering, Holt & Co., LLC is an integrated energy investment and merchant banking boutique, providing high quality advice and services to institutional and corporate clients. Prior to the formation of Tudor, Pickering, Holt & Co., LLC, Mr. Tudor had a 20-year career with Goldman Sachs, where he worked in the New York, London and Houston offices, in varying capacities including head of the southwest region and head of the European industrial & natural resources group. Mr. Tudor also has a doctorate of jurisprudence from Tulane Law School.

Deltic Committees: Executive Compensation Committee

Class III—Terms Expire in 2011

Reverend Christoph Keller, III, 55, has been a director since December 17, 1996 and as a result, is intimately familiar with the Company’s history and operations. Rev. Keller has been an Episcopal priest since 1982, and is currently Theologian-in-Residence for St. Margaret’s Episcopal Church in Little Rock, Arkansas. Previously, Rev. Keller was Canon Missioner for the Diocese of Arkansas, in which position he oversaw mission development and operations for the northwest portion of Arkansas. He was founding pastor of St. Margaret’s Episcopal Church, serving from 1991 to 1998. In that role, he was in charge of all business operations of the church including budgeting, accounting and auditing. He is a member of the Board of Trustees of General Theological Seminary in New York City, and a past board member of the Episcopal Church Building Fund, also in New York City. Rev. Keller is also a board member of Keller Enterprises, L.L.C., a firm with farming operations and real estate and venture capital investments. Rev. Keller served as Manager of Keller Enterprises, L.L.C. from 1998 to 2008.

Deltic Committees: Nominating and Corporate Governance Committee (Chair); Executive Compensation Committee

David L. Lemmon, 67, has been a director since February 15, 2007. From November 1997 until his retirement in March 2006, Mr. Lemmon served as President and Chief Executive Officer of Colonial Pipeline an interstate common carrier of petroleum products, which delivers daily an average of 100 million gallons of gasolines, kerosenes, home heating oils, diesel fuels and national defense fuels to shipper terminals in 12 states and the District of Columbia. Prior to his tenure at Colonial Pipeline, Mr. Lemmon held various positions, including President, with Amoco Pipeline Co., which is now BP Amoco—Pipelines North America, another large interstate common carrier of petroleum products, for over thirty-two years.

Other Boards:	Kirby Corporation	April 2006 – Present	Audit Committee
	Teekay Offshore Partners	Dec. 2006 – Present	Audit, Conflicts (Chair) & Governance Committees
	Pacific Energy Partners	July 2002 – Dec. 2006	Audit (Chair), Conflicts, & Governance & Compensation Committees

Deltic Committees: Audit Committee; Executive Compensation Committee

R. Madison Murphy, 52, has been a director since December 17, 1996 and as a result, is intimately familiar with the Company’s history and operations. Mr. Murphy has been the Managing Member of Murphy Family Management, LLC since 1998, which is engaged in investments, farm, timber and real estate operations. Mr. Murphy has been the President of The Murphy Foundation since 1994 which is a substantial private foundation providing charitable support for a range of initiatives, predominantly in Arkansas with an emphasis on education scholarships and support. Mr. Murphy is also the owner of Presqu’ile Winery and Vineyards. Prior to these positions, Mr. Murphy held various executive level positions with Murphy Oil Corporation, a Fortune 100 company, including Chairman of the Board of Directors (1994-2004) and Chief Financial Officer (1992-1994).

Other Boards:	Murphy Oil Corporation	1993 – Present	Audit (Chair), Executive Committees
	BancorpSouth, Inc.	2000 – Present	Audit Committee

Deltic Committees: Executive Compensation Committee (Chair); Executive Committee; and Nominating and Corporate Governance Committee

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Messrs. Murphy, Nolan and Rev. Keller are first cousins and Mr. Pierson is the spouse of a first cousin of Messrs. Murphy, Nolan and Rev. Keller. These four directors, their spouses, and members of their extended families directly or indirectly own in the aggregate approximately 26 percent of the outstanding stock of the Company. The members of these extended families cover four generations and number in excess of a hundred individuals. There is no formal or informal agreement to act in concert or as a group regarding each family member's investment in the Company. No member of these extended families is employed by the Company. See also "Ownership of Directors and Officers" on page 13 of this Proxy Statement.

The Nominating and Corporate Governance Committee, pursuant to its charter, reviews all related party transactions and determines whether such transactions are appropriate for the Company to undertake. In addition, each January, every officer and director receives a questionnaire, which asks questions, among other things, relating to possible relationships, transactions and indebtedness that could lead to a reportable related party transaction. In 2009, no reportable transactions occurred.

The Company also manages timberland for third parties, which include certain directors or companies in which they hold a direct or indirect material interest. Such directors or companies pay fees to the Company related to the timberland management (on a per acre charge), silviculture (administrative fee) and/or timber sales (commission percentage). The fees paid are based upon the same rates charged to any other non-related third party. In 2009, no fees paid to the Company by the affected directors or their companies, on an individual basis, exceeded the threshold amount of \$120,000.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Under the securities laws and regulations promulgated thereunder, the Company's directors and executive officers are required to report their beneficial ownership (as defined in such laws and regulations) of the Company's Common Stock and any changes in that ownership to the SEC and NYSE. Specific due dates for the reports have been established and the Company is required to report in this Proxy Statement any failure to file by said due dates. Based solely upon a review of Form 4s filed during the year 2009, Form 5s filed with respect to such year and information provided in an annual Directors and Officers Questionnaire, each of the Company's directors and executive officers satisfied their filing requirements for 2009.

CERTAIN STOCK OWNERSHIP

The following tables sets forth information, by the categories listed, concerning beneficial ownership of Common Stock of the Company with respect to (i) each person or entity who has filed reports with the Company pursuant to applicable SEC rules disclosing ownership of as much as five percent of the Company's Common Stock, (ii) for each director (including those nominated for re-election), (iii) each of the named executives listed in the "Summary Compensation Table" on page 31 of this Proxy Statement, and (iv) directors and officers as a group.

OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Name and Address of Beneficial Owner	Amount and Nature of beneficial Ownership(1)	Percentage (2)
First Eagle Investment Management, LLC 1345 Avenue of the Americas New York, New York 10105	1,453,943(3)	11.68%
Advisory Research, Inc. 180 North Stetson Street, Suite 5500 Chicago, IL 60601	1,344,431(4)	10.80%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	1,072,643(5)	8.62%
Keeley Asset Management Corporation 401 South LaSalle Street Chicago, IL 60605	909,661(6)	7.31%
Blackrock Inc. 40 East 52nd Street New York, NY 10022	855,116(7)	6.87%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	770,646(8)	6.19%

- (1) Includes Common Stock for which the indicated owner has a sole or shared voting or investment power and is based on the indicated owner's 13G filing for the period ended December 31, 2009.
- (2) Percentage ownership is as of December 31, 2009 and based upon total outstanding shares of 12,450,671.
- (3) An investment adviser registered under the *Investment Advisers Act of 1940* holding sole voting and disposition power of the shares listed. Formerly known as Arnhold and S. Bleichroeder Advisors, LLC.
- (4) An investment adviser registered under the *Investment Advisers Act of 1940* holding sole voting and disposition power of the shares listed.
- (5) These securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Value Fund, Inc. which owns 708,600 shares, representing 5.6% of the shares outstanding, which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser registered under the *Investment Advisers Act of 1940* with power to direct investments and/or sole power to vote 340,443 shares. For purposes of the reporting requirements of the *Securities Exchange Act of 1934*, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (6) An investment adviser registered under the *Investment Advisers Act of 1940* holds sole dispositive power for all shares listed and sole voting power as to 882,416 of the shares listed.
- (7) A parent holding company in accordance with Rule 13d-1(b)(1)(ii)(G). On December 1, 2009 BlackRock completed its acquisition of Barclays Global Investors, which was previously listed.
- (8) An investment adviser registered under the *Investment Advisers Act of 1940* holds sole dispositive power for all shares listed and sole voting power as to 587,646 of the shares listed.

OWNERSHIP OF DIRECTORS AND OFFICERS(1)

	<u>Name</u>	<u>Personal, with full voting and investing power(2)</u>	<u>Personal, as beneficiary of trust(s)</u>	<u>Spouse and other household members(3)</u>	<u>Voting and investment power only, and not included in other columns(4)</u>	<u>Subject to options exercisable within 60 days</u>	<u>Total</u>	<u>Percent of outstanding (if greater than .9%)</u>
Directors	Randolph C. Coley	4,750	—	—	—	—	4,750	—
	Ray C. Dillon	70,160	100	—	—	34,144	104,404	—
	Rev. Christoph Keller, III	49,642	63,980	1,661	111,353(5)	6,000	232,636	1.9%
	David L. Lemmon	4,750	—	—	—	—	4,750	—
	R. Madison Murphy	54,176	135,240	26,618	541,828(6)	—	757,862	6.1%
	Robert C. Nolan	103,089	—	3,695	126,785(7)	6,000	239,569	1.9%
	R. Hunter Pierson, Jr.	35,502	—	107,453	241,961(8)	6,000	390,916	3.1%
	J. Thurston Roach	5,750	—	—	—	—	5,750	—
	Robert B. Tudor, III	4,750	—	—	—	—	4,750	—
Officers	Kenneth D. Mann	15,681	668	—	—	7,830	24,179	—
	Kent L. Streeter	19,868	—	—	—	6,961	26,829	—
	David V. Meghreblian	19,579	4,768	—	—	20,852	45,199	—
	Phillip A. Pesek	7,382	—	—	—	7,304	14,686	—
All	All directors, together with five named executives, as a group	395,079	204,756	139,427	1,021,927	95,091	1,856,280	14.9%

- (1) Share totals and percentage of outstanding are as of February 26, 2010 based on total outstanding shares of 12,496,768.
- (2) Included are shares of “time-based restricted stock,” and/or “performance-based restricted stock” awarded in February 2007, 2008, 2009 and 2010 pursuant to the Company’s 2002 Stock Incentive Plan. Such shares are subject to time and to time and performance vesting requirements, respectively, but the recipients are entitled to vote the shares represented by the awards upon their grant and receive dividends declared on the Common Stock of the Company. The amounts of these categories of stock for each individual are: Dillon 35,979 shares; Mann 12,387 shares; Streeter 10,770 shares; Meghreblian 8,707 shares; Pesek 7,382 shares; Messrs. Coley, Lemmon and Tudor 4,750 shares each; and Messrs. Keller, Nolan, Murphy, Pierson and Roach 3,750 shares each.
- (3) Includes shares directly owned and shares owned as beneficiary of trust(s).
- (4) Includes shares held as a trustee for others and shares owned by a corporation or other organization of which the named person or an immediate family member is an officer, director, partner or member, and has sole or shared investment power.
- (5) Includes shares for which Rev. Keller is trustee and/or co-trustee under a family trust. Beneficial ownership is expressly disclaimed.
- (6) Includes shares for which Mr. Murphy is co-trustee (161,431) for the benefit of others, and shares held by the Murphy Foundation (57,211) of which he is President. Beneficial ownership is expressly disclaimed. Also includes 380,397 shares held by a limited partnership of which Mr. Murphy shares voting and

investment power as a member of an LLC, which is the General Partner. Included in the 380,397 shares are 36,480 shares in which Mr. Murphy has beneficial interest as well as 422 shares in which Mr. Murphy's spouse has a beneficial interest that are listed in the "spouse and other household members" column and have been subtracted.

- (7) Includes shares for which Mr. Nolan is co-trustee for the benefit of others, shares held by the Nolan Foundation (6,915), and shares held by the Theodosia Murphy Nolan Trust B (15,670). Beneficial ownership is expressly disclaimed. Does not include 3,695 shares held by Mr. Nolan's spouse, which is reported in the "spouse and other household members" column.
- (8) Mr. Pierson's spouse shares investment authority by virtue of being an officer and director of a private company which serves as general partner to family limited partnerships. Beneficial interest is disclaimed.

EXECUTIVE COMPENSATION **Compensation Discussion and Analysis**

Overview of the Company's Compensation Program

The ultimate responsibility for structuring, implementing, and overseeing the compensation programs of Deltic Timber Corporation (the "Company") lies with its Board of Directors (the "Board"). The Executive Compensation Committee (the "Committee") of the Company's Board represents for some matters, and in other matters, acts to assist, the Board in fulfilling its compensation-related responsibilities. For additional information regarding the Committee, please refer to its description on page 5. Throughout the year ended December 31, 2009, the members of the Committee were: R. Madison Murphy, Chairman; Reverend Christoph Keller, III; Robert C. Nolan, *ex officio*; R. Hunter Pierson, Jr.; David L. Lemmon; and Robert B. Tudor, III. All Committee members are directors appointed by the Board, and affirmatively determined to meet the independence requirements established in Section 303A of the NYSE Corporate Governance rules. The Committee, in consideration of the Company's compensation philosophy and objectives, established the total compensation paid to the Company's employees in fiscal 2009 of whom five are its most highly compensated executives, including the Company's Chief Executive Officer and Chief Financial Officer. Throughout this Compensation Discussion and Analysis, these five most highly compensated executives, as listed in the Summary Compensation Table, are referred to as the "Named Executive Officers" or "NEO."

Compensation Philosophy and Objectives

The Company's basic compensation philosophy is that an effective executive compensation program must be fair and reasonable, but also competitive. It must also be structured with the objectives to (i) attract talented, competent, and resourceful executives capable of leading a resource-challenged company in meeting its fair, but aggressive performance targets, (ii) reward achievement of Company strategic objectives and goals, (iii) retain executive talent through the use of such compensation features as vesting requirements and competitive retirement and benefit programs that encourages and rewards tenure, and (iv) align the executive officers' financial interests with those of the stockholders for the ultimate objective of increasing stockholder value. To this end, the Committee annually reviews, among other factors, progress toward and/or attainment of strategic objectives established by the Board, the Company's periodic operational and financial performance, the competitiveness of the Company's compensation program and stockholder returns. Accordingly, the Committee specifically structures how the components of the total compensation, including base salary, various forms of incentive compensation, equity compensation, and other benefits are to be paid to each of the Named Executive Officers in furtherance of the Company's compensation philosophy and objectives.

Structuring Executive Compensation

Based on the foregoing considerations, the Committee ultimately exercises its collective business judgment, which necessarily entails both objective and subjective elements, in structuring the total compensation paid to the Named Executive Officers. In an effort to further objectify the structuring of the Company's executive compensation programs and in adherence with its philosophy that compensation be fair, reasonable and competitive, the Committee undertook a comprehensive review of the Company's compensation programs for all employees, to include the Named Executive Officers, in 2003. To assist its review, the Committee retained the services of a compensation consultant, the independent and nationally recognized firm of Mercer Human Resource Consulting ("Mercer"). Mercer was asked to survey various peer groups (discussed below) and recommend market-based, position-based levels in the following three areas of compensation, (i) salary, (ii) non-equity compensation targets, and (iii) equity-based compensation. Each year, Mercer provides the Company with an update of this data.

In addition to utilizing the data provided by Mercer, each year, the Committee takes into consideration the following factors in making any compensation decision. These are:

- Position, experience and responsibility of each Named Executive Officer;
- Performance of each Named Executive Officer;
- Competitiveness of the Company's compensation program as compared to the Mercer-provided data, as well as desired position within the compensation peer group; and
- Satisfaction of "total compensation" goal objectives through the use of a variety of multi-faceted benefit programs.

Position, Experience and Responsibility

In determining the level of benefit for each Named Executive Officer, the Committee takes into account the nature and responsibility of the respective positions. Therefore, the CEO, due to the nature of his experience, duties and responsibilities, receives a larger base salary and greater benefits than a Vice President reporting to him, who has a narrower scope of responsibilities. However, one Vice President may have a larger base salary and greater benefits than another officer if the Vice President has more duties, experience and responsibilities than the other officer. Therefore, the Committee reviews the experience, duties and responsibilities with regard to each Named Executive Officer to make this determination.

Performance

Compensation decisions, although largely objective under the Company's compensation philosophy, can be influenced by good or bad performance as it relates to the Company's approved budget. Therefore, the Committee looks to the CEO for his recommendation with regard to each Named Executive Officer, except for himself. The CEO's recommendations are, for the most part, subjective, but can influence the Named Executive Officer's base salary and equity awards. The Committee makes its own independent review of the CEO's performance.

Benchmarking

In setting compensation levels, it is important to make sure such compensation levels are competitive in the industry in which the Company competes. The Committee worked with Mercer to develop a compensation peer group for benchmarking the Company's compensation programs to those of other, similarly situated companies. In selecting the peer group companies, consideration was given to the Company's size and its product markets. Companies of relatively similar size and/or within the Company's same product markets were determined to best represent the Company's most direct competition for raw materials, products, human resources (including executive talent), and stockholder investment. Accordingly, the peer group developed by Mercer and the Committee consists of relevant cross sections from within three distinct subset groups, which are: (1) a group of large forest products peer companies; (2) a group of small forest products peer companies; and (3) a group of relevant multiple survey sources developed from Mercer's proprietary database. As recommended by Mercer, and selected by the Committee, the companies currently comprising the Committee's compensation peer group are listed as follows:

Buckeye Technologies, Inc.	Maxxam, Inc.	St. Joe Co.
Caraustar Industries, Inc.	MeadWestvaco Corp.	Schweitzer-Manduit Int'l, Inc.
Chesapeake Corp.	Neenah Paper	Temple-Inland, Inc.
Forestar Group Inc.	Plum Creek Timber, Inc.	Universal Forest Products
Glatfelter	Pope Resources	Verso Paper
International Paper Company	Potlatch Corp.	Wausau Paper Corp.
Louisiana-Pacific Corp.	Rayonier, Inc.	Weyerhaeuser Co.

After it was developed in 2003, the compensation peer group became the primary factor that the Committee has employed in structuring fair, reasonable, and competitive levels of total compensation for the Company's employees including its Named Executive Officers. This group represents the "market" from which the Committee benchmarks a fair value to be paid for human capital, including executive talent. Generally, as a matter of business judgment, the Committee seeks to maintain levels of total compensation for each of the Named Executive Officers that will be near the median of that provided to their peers by the companies within the compensation peer group. The median information is determined and reported annually by Mercer, which employs quantitative methods of statistical and actuarial data analysis of various forms of publicly reported market information as well as from its own internally generated data. Mercer also provides its own qualitative observations regarding compensation to the Committee.

Total Compensation Goal

As will be explained in more detail in the following section, the Committee takes into consideration the above factors when it creates a total compensation package for each Named Executive Officer to accomplish its compensation philosophy. The Committee annually reviews the data and information provided by Mercer during its February meeting when making compensation decisions regarding the Company's Named Executive Officers. The review entails, in part, the use of tally sheets, which show a historical summary of base salary, annual bonus, and equity awards for each Named Executive Officer. Such are useful, when reviewed against individual performance, in determining the extent and justification for awarding increases in the various components of total compensation and in setting incentives for the Company's Named Executive Officers.

The various allocations of base salary, performance-based non-equity incentive compensation, long-term equity-based compensation, and other forms of compensation paid to each of the Named Executive Officers represent the collective business judgment of the Committee made in the furtherance of the Company's operating

objectives. Accordingly, the allocated percentage of each compensation component, in relation to the total compensation paid, will vary with each of the Named Executive Officers and may vary from year to year. These differences may reflect a restructuring of a Named Executive Officer's total compensation in response to changes in the Company's operating objectives, or changes in the compensation peer group's practices, but may also merely reflect the individual's personal vesting and exercise of equity awards previously granted, or assumption of additional responsibilities. These allocations of compensation are reviewed annually due to the dynamics of the markets in which the Company operates and competes and in consideration of updated compensation consultant data and updated public reports from the Company's compensation peer group.

In summary, the executive compensation practices and trends of the Company's compensation peer group, as reported by Mercer, have a considerable bearing upon how the Committee structures total compensation packages designed to reward executive performance, retain executive talent, and align the executive officers' financial interests with those of the Company's stockholders.

Compensation Philosophy	Compensation Component	Rationale/Goal
<p>Retain the talent of executive officers through the use of such compensation features as vesting requirements and competitive retirement and benefit programs that encourages and rewards tenure</p>	<p>Time-Based Restricted Stock</p> <p>Defined Benefit Plan</p> <p>Defined Contribution Plan & Supplemental Retirement Plan</p>	<p>Turnover of talent at the executive level can be devastating and counterproductive to the achievement of the Company's short- and long-term strategic objectives and goals. Benefits and rewards should be put in place which puts a premium on longevity with the Company and prevents turnover due to "talent raiding" by other companies.</p> <p>Goal: Grant each designated manager, on an annual basis, a 4-year, cliff vesting, number of shares based upon the position and responsibilities of each manager.</p> <p>Goal: Grant each designated manager the opportunity to achieve a monthly benefit for life upon retirement, which monthly retirement is based upon compensation and years of service.</p> <p>Goal: Afford each executive the opportunity to supplement his retirement benefit by making certain contributions to a qualified and supplemental retirement plan, which contributions are matched up to 5% of salary and non-equity compensation.</p>
<p>Provide each executive with additional financial security and competitive benefits through the use of change-in-control agreements, severance agreements, perquisites and other personal benefits</p>	<p>Change-in-Control Agreements & Severance Agreements</p> <p>Perquisites</p>	<p>The use of change-in-control agreement, severance agreements, perquisites and other personal benefits should be competitive when compared to the Company's compensation peer group, but fair and reasonable.</p> <p>Goal: In the event of an unforeseen event (e.g. sale of the Company followed by a termination or reduction in benefits or responsibilities), each executive's financial future should be protected to a certain degree based upon the executive's position and responsibility. As a result, the Company should enter into agreements with each executive to secure such a financial future.</p> <p>Goal: Perquisites and other personal benefits should be limited and should be tailored to meet the needs of the individual executive due to his position and responsibility. Personal benefits also include all other general benefits provided to other employees in the Company.</p>

Base Salary

The primary purpose of the base salary component is to provide the recipient a steady stream of income consistent with the level of responsibility, qualifications and contribution over time. Base salary is determined and reviewed annually in February for each Named Executive Officer by the Committee which considers the following factors:

- The nature and responsibility of the position and salary norms for persons in comparable positions within the Company's compensation peer group;
- The expertise, performance and expected future contributions of the individual Named Executive Officer;
- The competitiveness of the market for the Named Executive Officer; and
- Recommendations of the CEO (except in the case of his own compensation).

For each Named Executive Officer, specific base salary data of other executives within the Company's peer group, and the resulting statistical median level, is provided by Mercer and reviewed by the Committee. The Committee may adjust the Named Executive Officer's base salary to (i) reflect changes in these aforementioned compensation peer group data, (ii) reward performance, and (iii) reflect increased responsibilities and/or promotions. Adjustments in base salary are usually made effective March 1 of each year unless circumstances may otherwise dictate (*e.g.* upon promotion).

During 2009, in the interest of reducing overall expenses, the base salaries for all Named Executive Officers were not increased, except as noted otherwise:

NEO	Salary 12/31/2008	Salary 3/1/2009	Percentage Change
Ray C. Dillon, CEO	\$ 515,000	\$ 515,000	0.00%
Kenneth D. Mann, CFO	\$ 248,000	\$ 265,000(1)	6.85%
Kent L. Streeter	\$ 248,750	\$ 248,750	0.00%
David V. Meghreblian	\$ 200,000	\$ 200,000	0.00%
Phillip A. Pesek	\$ 215,000	\$ 215,000	0.00%

- (1) Mr. Mann's salary was adjusted to bring him closer to the median of CFOs in the Company's compensation peer group.

Performance-Based Non-Equity Incentive Compensation

The primary purpose of performance-based non-equity incentive compensation is to motivate and reward performance and it takes the form of an annual cash payment, paid in arrears, to reward the achievement of specific Company-wide and/or business segment performance goals during the prior fiscal year. The Company-wide performance goal for the 2009 fiscal year was a financial measure based on GAAP net income, as set by the Committee in February 2009. In previous years, the Company used return on capital employed ("ROCE"). However, in 2007, the Committee concluded that the change to an audited GAAP financial figure would add an unquestionable component to the calculation of non-equity compensation. In setting the Company's net income target, the Committee utilized its collective business judgment in its review and establishment of Company objectives based on the Company's business plan for the year, along with its key underlying assumptions and

expectations, as well as then-existing (and anticipated) market conditions for the Company's products. The calculation of the compensation to be paid to the Named Executive Officers, under the Company's non-equity incentive plan, is dependent upon the actual net income figure achieved by the Company for the subject year. The greater the net income result, the greater the cash award paid to the Named Executive Officers and other participants in the annual incentive plan.

In structuring the non-equity compensation targets, the Committee determined the nature of the duties performed by Messrs. Dillon, Mann, and Pesek were pervasive to the Company's operations. Accordingly, their targets under the non-equity incentive compensation plan are linked exclusively to the Company's net income figure. By contrast, the duties of Messrs. Streeter and Meghreblian are more narrowly focused on the Company's operations and real estate segments, respectively, which in turn significantly impact the Company's overall performance. Accordingly, their targets reflect an equal weighting between the performance of their respective segments and the Company's overall performance as expressed in the net income calculation. Each business segment's operating performance is measured against the business segment's Board-approved financial budget, which budget is approved in December before the start of the fiscal year.

In February 2009, the Committee established the following performance target and pay-out percentages:

GAAP Net Income		Payout(2) (Percentage of award payout(1))
Less Than \$	8,000,000	0%
\$	8,000,000	50%
\$	10,000,000	100%
\$	12,000,000	200%

- (1) An "award payout" is defined for the CEO as 70% of his annualized salary and for all other officers as 50% of their annualized salary. "Annualized salary" is defined in footnote 5 to the Summary Compensation Table on p. 31. The award payout percentages were determined by the Committee to be consistent with the respective duties and responsibilities of each position.
- (2) For situations where net income falls between any of the three payout levels, the award payout percentage is interpolated.

For the year 2009, the Company's calculated net income of \$3.688 million did not exceed the threshold level of \$8.0 million. Therefore, except as noted otherwise herein, no non-equity compensation was paid for 2009. Mr. Streeter and Mr. Meghreblian, however, did receive non-equity compensation because certain operating metrics in their respective segments were met or exceeded. Their payout is calculated as follows:

NEO	Non-equity compensation formula	Actual non-equity compensation amount
Kent L. Streeter	$(50\% \text{ of salary} \times .6238 \text{ (Operations segment performance)}) \times (.5) +$ $(50\% \text{ of salary} \times .00 \text{ payout percentage}) \times (.5)$	\$ 38,793
David V. Meghreblian	$(50\% \text{ of salary} \times .12 \text{ (Real Estate segment performance)}) \times (.5) +$ $(50\% \text{ of salary} \times .00 \text{ payout percentage}) \times (.5)$	\$ 6,000

Long-Term Equity-Based Compensation

As a measure to retain employees and to align their interests, and directors' interests, with those of the stockholders, the Company has adopted stockholder-approved equity-based compensation plans. Equity-based compensation plans are similarly employed by the Company's compensation peer group for, presumably, the

same reason. The Company currently has no formal requirement for its employees, to include the Named Executive Officers, or for its directors to hold equity in the Company, but encourages it, as all grants of equity-based compensation from the Committee have entailed a time vesting requirement. The terms of the particular form of the grant dictate the rights conferred to the recipient and are issued as an incentive for the recipients, including the Named Executive Officers, to hold equity in the Company over time in anticipation of realizing maximum gain with regard to these awards. Because the equity awards conferred under these plans are generally non-assignable, the Company currently has no policies regarding hedging agreements for these awards, which can take the various forms as described in the Company's equity-based incentive plan described below.

The 2002 Stock Incentive Plan. The Deltic Timber Corporation 2002 Stock Incentive Plan (the "2002 SIP") was approved by the Company's stockholders at its annual stockholders meeting on April 25, 2002 as the successor plan to the 1996 Deltic Timber Corporation Stock Incentive Plan. The Company filed its registration statement for 1,800,000 common shares designated for the 2002 SIP with the Securities and Exchange Commission on June 7, 2002.

The Committee administers the 2002 SIP and has broad discretion in the granting of awards including, but not limited to, the number of shares and provisions regarding grant price, expiration date, exercisability, vesting, forfeiture, transfer restrictions and payment and the impact, if any, of termination of employment on the foregoing. Awards that may be granted to the Company's employees, including its Named Executive Officers, and its non-employee directors by the Committee include:

(1) Options. The Committee may grant incentive stock options ("ISOs") or non-qualified stock options, which are the contractual right to purchase a specified number of shares of the Company's common stock at a specified price (the exercise price) within a time period not to exceed ten years after the grant date. Originally, the Company granted a combination of both ISOs and non-qualified stock options, but has not issued any ISOs since 1999. Exercise of options, subject to the rules imposed by the Committee, may be paid in whole or in part in (i) cash, (ii) whole shares of common stock valued at the fair market value on the date of exercise, (iii) by a combination, or (iv) by such methods of payment or other consideration as shall be approved by the Committee.

(2) Performance Units. The Committee may grant performance units, subject to the terms of the plan, which may be payable in cash, stock (to include restricted stock), other securities, or other awards or other property, and which shall confer on the Participant a contractual right to redeem, in whole or in part, upon the achievement of such performance goals as the Committee shall establish for the respective performance period. The Committee determines the performance goals (discussed below) to be achieved, the length of the performance period, the amount of the performance units granted and the amount of any payment or transfer to be made pursuant to any performance unit. Thus far, the performance units that have been granted have been in the form of performance-based restricted stock.

(3) Restricted Stock and Restricted Stock Units. The Committee may grant restricted stock and restricted stock units, although, to date, only restricted stock has been issued. Shares of restricted stock will be subject to the conditions as the Committee may impose, which may include prohibitions against selling, transferring, pledging, assigning or other alienation or hypothecation until such time or until the satisfaction of such conditions or the occurrence of such events as shall be determined by the Committee either at or after the time of grant. Participants holding shares of restricted stock may exercise full voting rights with respect to those shares during the time such are restricted and, subject to forfeiture and transfer restrictions, be entitled to receive all dividends and other distributions paid with respect to those shares.

(4) Other Stock-Based Awards. The Committee may grant other stock-based awards including stock appreciation rights ("SARs"), rights to dividends, and dividend equivalents, but, to date, has not issued any such awards. An SAR represents the contractual right to receive, upon exercise, an amount equal to the excess, if any, of the fair market value of underlying shares over the pre-established exercise price. SARs may be granted to Participants at such times as shall be determined by the Committee and subject to the terms and conditions, not inconsistent with the plan, as the Committee may impose.

In 2009, under the provisions of the 2002 SIP, the Committee granted non-qualified stock options and shares of time-based and performance-based restricted stock to certain of the Company's employees, including the Named Executive Officers, and to the Company's non-employee directors. The 2009 awards to the Named Executive Officers are listed below as well as in the 2009 Grants of Plan-Based Awards Table, p. 34. The cumulative awards are shown in the Outstanding Equity Awards At Fiscal Year-End Table, p. 36, and the Director Compensation Table, p. 41. These awards vest with the passage of time as determined by the Committee at the time of grant. The details of these grants are described in the footnotes to those tables.

In order to determine the amount of each annual equity award, the Committee, in its February meeting, with the assistance of Mercer, determines a specific dollar amount for each officer or manager eligible for such awards. The specific dollar amount is based upon the median amount of equity-based compensation of the same compensation peer group, established by Mercer, as used in setting base salary. The dollar amount is calculated, taking into consideration the nature of the officer's position, his/her responsibilities and contributions to the Company and equivalent awards to officer's in similar positions within the Company's compensation peer group. Once a dollar amount is calculated, it is distributed equally between (i) time-based restricted stock, (ii) performance-based restricted stock, and (iii) non-qualified stock options. The Committee uses the following methodology to convert the dollar amounts to specific shares or options. With regard to time-based restricted stock, the dollar amount is divided by a share price that is chosen by the Committee, which closely approximates the trading value of the Company's stock before the February meeting. In 2009, the stock price chosen was \$42.00. With regard to performance-based restricted stock, the target shares are calculated by dividing the number of time-based restricted shares by 88%, which represents a 12% discount (discount of 3% per year of vesting) to take into account the nature of the risk of performance-based restricted shares. With regard to the stock options, the dollar amount is divided by the Black-Scholes value of the stock option, which in 2009 was \$15.49.

In 2009, the following equity awards were made to the Named Executive Officers:

NEO	Dollar Amount (Provided by Mercer)	Time-Based Restricted Stock	Performance-Based Restricted Stock (target amount)	Stock Options
Ray C. Dillon, CEO	\$ 675,000	5,357	6,088	14,526
Kenneth D. Mann, CFO	\$ 215,000	1,706	1,939	4,627
Kent L. Streeter	\$ 186,000	1,476	1,678	4,003
David V. Meghreblian	\$ 155,000	1,230	1,398	3,336
Phillip A. Pesek	\$ 163,000	1,294	1,470	3,508

Performance Goals—Performance-Based Restricted Stock Awards. The vesting of performance-based restricted stock awards is both time and performance-based. Although the restricted stock award includes the targeted amount of shares, the actual number of shares, if any, that vest for each of the Named Executive Officers will be determined at the end of a four-year period (the "Restricted Period"). The ultimate vesting of the performance stock is dependent upon the Company's performance, in terms of its Total Stockholder Returns, relative to the composite of Total Stockholder Returns for a select group of companies during two measurement periods. The measurement periods for each grant are: (1) the first market trading day in the year of grant through the end of the day of the Committee's February meeting that year; and (2) the first market trading day in the year of vesting through the end of the day of the Committee's February meeting that year. "Total Stockholder Returns" is defined as an investment's percentage change from the initial measuring period to the ultimate measuring period, factoring in dividends, capital gains and reinvestment of distributions.

The following companies were selected by the Committee for purposes of establishing the composite Total Stockholder Returns:

Bemis Company, Inc.	Kapstone Paper & Packaging	Rock-Tenn Co.
Bowater, Inc.	Louisiana-Pacific Corp.	Schweitzer-Manduit Int'l, Inc.
Buckeye Technologies, Inc	Maxxam, Inc.	Sealed Air Corp.
Caraustar Industries, Inc.	MeadWestvaco Corp.	Smurfit-Stone Container Corp.
CSS Industries, Inc.	Officemax, Inc.	Sonoco Products Co.
Clearwater Paper Corporation	Packaging Corp. of America	St. Joe Co.
Forestar Group Inc.	Plum Creek Timber, Inc.	Temple-Inland, Inc.
Glatfelter	Pope Resources	Verso Paper Corp.
Greif, Inc. -Class A	Potlatch Corp.	Wausau Paper Corp.
International Paper Company	Rayonier, Inc.	Weyerhaeuser Co.

The Committee, in its collective business judgment, selected these companies for measuring the Company's performance with regard to awards of the performance-based restricted stock as best representing the Company's most direct competition for investment from the stock market. The Committee believes that Total Stockholder Returns is a key factor for investors that choose to invest in the Company's market sectors. The reporting of the Total Stockholder Returns figure to the Committee is performed by the firm of Standard and Poor's.

For all performance-based restricted stock awards granted since 2004, the Committee has established the following vesting schedule for each award:

Company Total Stockholder Return vs. Composite Total Stockholder Return (stated as a percentage)	Number of vested shares (1)
< 80%	0
80%	50% of Target Shares
100%	Target Shares
130%	200% of Target Shares

(1) For situations where the Total Stockholder Return falls between any of the three payout levels, the award payout percentage is interpolated.

On February 16, 2009, the 2005 award of performance-based restricted stock vested. Because the Company's Total Stockholder Return versus the Composite Total Stockholder Return was greater than 130%, 200% of the target shares were awarded to all award participants who were still employees of the Company. As a result, the Named Executive Officers received the following share amounts.

NEO	Vested Shares
Ray C. Dillon, CEO	9,240
Kenneth D. Mann, CFO	1,128
Kent L. Streeter	4,044
David V. Meghreblian	2,990
Phillip A. Pesek	0(1)

(1) Mr. Pesek was not an employee of the Company in 2005 and therefore did not receive a 2005 award of performance-based restricted stock.

Employment Termination. With regard to the 2002 SIP, and unless otherwise determined by the Committee, if a Participant's employment terminates (i) at normal retirement time, (ii) for permanent and total disability, (iii) with Company approval and without being terminated for cause or (iv) by reason of death, any options granted that remain outstanding may be exercised by the Participant (or the Participant's beneficiary or legal representative) upon the earlier of the option's expiration date or within two years of the termination of employment. Also, and unless otherwise determined by the Committee, any time-based or performance-based restricted share awards then outstanding shall be prorated based on the number of months of actual participation within the relevant restricted period.

Amendments to the Plans. To prevent dilution or enlargement of the benefits intended, the Committee may in such manner as it deems equitable, make certain adjustments in the terms and conditions of the 2002 SIP in recognition of unusual or non-recurring events affecting the Company's shares. The Board may amend the plans or any provision thereof without the consent of the stockholders except in the case of any amendments that require stockholder approval in order to comply with applicable law or with the NYSE listing requirements. The Board may terminate the plan in whole or in part at any time provided that no such termination will impair the terms of the awards then outstanding under which the obligations of the Company have not been fully discharged.

Retirement Benefits and Retirement Savings Plan

The Company offers certain retirement benefits and a retirement savings plan to its employees, including the Named Executive Officers. Those retirement benefits and retirement savings plans are described as follows:

Retirement Benefits. All employees, including the Named Executive Officers, are eligible to participate in the Retirement Plan of Deltic Timber Corporation (the "Retirement Plan"), a qualified defined benefit retirement plan, upon achieving 1,000 hours of service during a 12 month period after beginning employment with the Company. All participants earn the right to receive a monthly benefit for life upon retirement at the normal retirement age of 65. The retirement benefit is defined by a calculation, which is illustrated below:

[1.6% x Average Monthly Compensation x years of benefit service] minus

[1.5% x Primary Monthly Social Security Benefit x years of benefit service (limited to 33 1/3 years)]

“Average Monthly Compensation” is calculated using the employee’s highest 36 consecutive months of total compensation (salary and bonus) out of his/her final 120 months of employment covered by the Retirement Plan. “Primary Monthly Social Security Benefit” is defined as the monthly amount of the estimated Social Security benefit available at the normal retirement age of 65.

If the participant retires between the ages of 55 and 61 and has 10 or more years of vesting service, the participant can begin receiving a reduced monthly benefit as defined by formula in the Retirement Plan. The Retirement Plan does not require participants to retire at the normal retirement age. For those participants that retire later, the benefit calculation will use the actual retirement date and in no event will such benefit be less than that accrued at the normal retirement date.

The entire cost of the Retirement Plan is paid by the Company (the “Sponsor”) and employees are neither required nor permitted to make contributions to the Retirement Plan. Five years of service is the vesting period for the Retirement Plan. The provisions of the Retirement Plan, and the investment of its assets, are overseen by the Company’s Pension Investment & Employee Benefits Committee, whose members are appointed by the Board. These members are currently the Named Executive Officers, Ray C. Dillon, Kenneth D. Mann, and Phillip A. Pesek, who deliver a report annually to the Executive Compensation Committee. SunTrust Institutional Investment Solutions, a subsidiary of SunTrust Bank of Nashville, Tennessee, serves as the Retirement Plan’s trustee and the Pension Investment & Employee Benefits Committee has retained the firm of Merrill-Lynch to assist it in investment management oversight. The independent employee benefits consulting firm of Bryan, Pendleton, Swats and McAllister of Jackson, Mississippi, serves as actuary for the Retirement Plan.

Retirement Savings Plan. The Company offers a qualified defined contribution savings plan [Internal Revenue Code Section 401(k)] to its employees, to include the Named Executive Officers, known as the Thrift Plan of Deltic Timber Corporation (the “Thrift Plan”), for which the Company will fully match the first 5% of tax-deferred base salary and non-equity compensation contributed by the employee. All contributions, to include the Company match, are fully vested upon contribution. No Company matching levels exist beyond the employee’s 5% contribution, but employees are otherwise able to contribute up to the limit prescribed by the Internal Revenue Code to the plan on a pre-tax basis. Thereafter, employees may also make contributions to a supplemental account on an after-tax basis.

The Thrift Plan provides various investment funds to which employee contributions, along with the Company’s match, may be directed by the employee for investment. With limited exceptions as provided by the Internal Revenue Code, the before-tax invested funds may not be withdrawn until the participant reaches age 59 1/2 . The provisions of the Thrift Plan, and the investment of its assets, are overseen by the Company’s Pension Investment & Employee Benefits Committee, described above. SunTrust Bank of Nashville, Tennessee serves as the trustee and administrator. The Thrift Plan began in 1983 and was amended to its current form, in conjunction with the Company’s stock becoming publicly traded, effective January 1, 1997.

Supplemental Executive Retirement Plan

In addition to the Retirement Plan and Thrift Plan listed above, which are provided to all employees, the Company provides a supplemental executive retirement plan (the “SERP”) to its Named Executive Officers. The current SERP was amended and restated effective January 1, 2005 for conformance with the requirements of Internal Revenue Code Section 409A and has the intended purpose of restoring Retirement Plan and Thrift Plan benefits that would otherwise be unavailable to the Named Executive Officers due to limitations imposed by the Internal Revenue Code. The SERP constitutes an unsecured promise of the Company to pay benefits to the Named Executive Officers, and their beneficiaries, in the future upon the occurrence of certain payment events. Currently, the SERP is unfunded for federal tax purposes and for purposes of Title I of the *Employee Retirement Income Security Act* (“ERISA”) of 1974. Though unfunded, the SERP account of each Named Executive Officer remains an unsecured contractual obligation of the Company. The amounts of those obligations are detailed in the 2009 Non-Qualified Deferred Compensation Table, p.40.

The provisions of the SERP, and the investment of its assets, are overseen by the Committee. Investment options available to the Named Executive Officers in their SERP accounts are the same that are available to all employees under the Thrift Plan. Accordingly, the earnings on these investments are not regarded as “preferential.”

Perquisites and Other Personal Benefits

Incidental to their employment by, and the nature of their duties to the Company, the Named Executive Officers receive other forms of compensation including perquisites and personal benefits. For the 2009 fiscal year, none of the Named Executive Officers reported receiving total perquisites and personal benefits that met the disclosure threshold of \$10,000. As to other types of compensation received in 2009 that do not fit within the definition of perquisites or personal benefits, such includes, among other things, a Company match on Thrift Plan contributions and the sale of up to one week accrued, but unused vacation time back to the Company each year. These other income items are detailed for each of the Named Executive Officers in the 2009 All Other Compensation Table, p.33.

Role of Executive Officers in Compensation Decisions

The Committee annually reviews each component of the total compensation paid to each Named Executive Officer during its February meeting. Such entails salary review as well as the establishment of performance targets related to the Company’s incentive compensation plans. At this meeting, the President and Chief Executive Officer presents his evaluation of the performance of the other Named Executive Officers and his compensation recommendations to the Committee. The Committee exercises its discretion in accepting or modifying these recommendations and independently makes the performance evaluation and compensation decisions with regard to the President and Chief Executive Officer. No other Named Executive Officer presents compensation recommendations to the Committee. The Committee members also variously interact with the Named Executive Officers through the Company’s internal reporting procedures and during Board meetings and Board committee meetings where their own personal performance evaluations of the Named Executive Officers can be made.

Agreements Between The Company and The Named Executive Officers

Change-In-Control Agreements

In the event of an unforeseen event (e.g. sale of the Company followed by termination, reduction in benefits or responsibilities), each executive’s financial future should be protected to a certain degree, based upon the executive’s position and responsibility. Therefore, the Company has change-in-control agreements in place with each of the Named Executive Officers, all of which, except for Mr. Pesek’s agreement, were amended on October 18, 2006 and were duly reported on Form 8-K filed with the SEC. The Committee approved the terms of these agreements, which are intended to conform with the provisions of Internal Revenue Code Section 409A. For purposes of these agreements, a change in control has the same definition as that provided in the Company’s 2002 Stock Incentive Plan. These agreements, each with a “double trigger” feature, will result in the transfer of benefits to the affected Named Executive Officer if a change in control of the Company occurs, and he is involuntarily dismissed within two years without cause or suffers (i) a reduction in salary and potential bonus and/or (ii) a meaningful diminution in job responsibility as a consequence of such a change in control. In such events, the benefits, and the terms for the benefits, to be transferred to the Named Executive Officers are as follows:

- (1) Two years base salary and target bonus for Mr. Dillon and one year base salary and target bonus for Messrs. Mann, Streeter, Pesek, and Meghreblian;

- (2) Two years of health and other such welfare benefits as do not constitute non-qualified deferred compensation under Internal Revenue Code Section 409A for Mr. Dillon and one year of health and other such welfare benefits as do not constitute non-qualified deferred compensation under Internal Revenue Code Section 409A for Messrs. Mann, Streeter, Pesek, and Meghreblian;
- (3) Accelerated vesting of all stock options and restricted stock;
- (4) A lump sum payment of \$20,000 to help defray the expenses of comprehensive outplacement services, such payment to be grossed up for all applicable federal and state taxes;
- (5) Should any of the actions listed in (1)-(4), attract excise tax, such is to be grossed up accordingly;
- (6) Any cash payments made as the result of a dismissal without cause will be paid in one lump sum payment on the 15th day of the month following the month in which dismissal occurs; and
- (7) Any cash payments made as the result of a reduction in salary and potential bonus and/or a meaningful diminution in job responsibility will be paid in one lump sum on the 15th day of the seventh month following the month the Named Executive Officer separates from service.

The specifics of potential payments under these agreements are listed in the 2009 Potential Payments Upon Termination or Change Of Control Table, p.43.

Involuntary Severance Agreements

The Company has an involuntary severance agreement in place with its President and Chief Executive Officer, Mr. Dillon, which was amended on October 18, 2006 and duly reported on Form 8-K filed with the SEC. The Committee approved the terms of this agreement, which upon an involuntary termination without cause, will result in the transfer of the following benefits:

- (1) Two years base salary and target bonus;
- (2) Two years health and welfare benefits;
- (3) Accelerated vesting of all stock options and restricted stock;
- (4) Comprehensive executive outplacement services;
- (5) Should any of the actions in (1)-(4), attract excise tax, such is to be grossed up accordingly; and
- (6) Any cash payments will be paid in one lump sum payment on the 15th day of the month following the month of involuntary termination.

The specifics of potential payments under this agreement are listed in the 2009 Potential Payments Upon Termination or Change Of Control Table, p.43.

No other terms, conditions, or agreements are applicable to these aforementioned change-in-control agreements or severance agreement.

Tax and Accounting Implications

Tax Deductibility of Executive Compensation

The Committee annually reviews and considers the deductibility of executive officer compensation under Section 162(m) of the Internal Revenue Code, which is discussed herein at page 47.

Non-Qualified Deferred Compensation

The tax rules applicable to non-qualified deferred compensation arrangements were impacted by the enactment of the American Jobs Creation Act on October 22, 2004, codified at Internal Revenue Code Section 409A. As of December 31, 2009, the company is in full compliance with Internal Revenue Code Section 409A.

Accounting for Equity-Based Compensation

The Company applies a fair value-based measurement method in accounting for equity-based compensation, recognizing the cost as the services are performed in accordance with the provisions of Financial Accounting Standards Board (FASB) 718, Compensation-Stock Compensation.

COMPENSATION COMMITTEE REPORT

The Executive Compensation Committee of the Board of Directors for Deltic Timber Corporation has reviewed and discussed the contents of this Compensation Discussion and Analysis, required by Item 402(b) of SEC Regulation S-K, with the Company's management and its executive officers and, based on such review and discussions, recommended to the Board that it be included in this Proxy Statement.

THE EXECUTIVE COMPENSATION COMMITTEE

R. Madison Murphy, Chairman
Christoph Keller, III
Robert C. Nolan, *ex officio*
R. Hunter Pierson, Jr.
David L. Lemmon
Robert B. Tudor, III

2009 SUMMARY COMPENSATION TABLE

The Summary Compensation Table shown below summarizes the total compensation earned by the Company's Chief Executive Officer, Chief Financial Officer, and its three other most highly compensated officers- the "Named Executive Officers" or "NEO"—for the year ended December 31, 2009. Messrs. Dillon, Mann, Streeter, Meghreblian and Pesek served in their individual capacities, as designated below, during the entire year.

As shown below, the Named Executive Officers each received base salary, equity awards, option awards, non-equity incentive plan compensation, and other forms of compensation during the year. The Company's method for determining the total compensation paid to these officers is discussed under the heading "Structuring Executive Compensation" starting at page 14.

Name and Principal Position (a)	Year (b)	Base Salary(1)	Bonus(2)	Stock Awards(3)	Option Awards(4)	Non-Equity Incentive Plan Compensation(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(6)	All Other Compensation(7)	Total
		(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)	(\$) (i)	(\$) (j)
Ray C. Dillon President & Chief Executive Officer	2009	\$515,000	\$	\$ 393,822	\$ 225,008	\$ 0	\$ 79,535	\$ 40,239	\$1,253,604
	2008	\$515,000	\$	\$ 392,621	\$ 180,667	\$ 0	\$ 84,458	\$ 49,326	\$1,222,072
	2007	\$515,000	\$	\$ 359,355	\$ 165,002	\$ 181,723	\$ 65,686	\$ 44,086	\$1,330,852
Kenneth D. Mann Vice President, Treasurer & Chief Financial Officer	2009	\$262,167	\$	\$ 125,424	\$ 71,672	\$ 0	\$ 79,568	\$ 21,009	\$ 559,840
	2008	\$240,000	\$	\$ 146,302	\$ 67,326	\$ 0	\$ 169,079	\$ 22,079	\$ 644,786
	2007	\$181,668	\$	\$ 137,932	\$ 63,336	\$ 54,085	\$ 46,895	\$ 16,149	\$ 500,065
Kent L. Streeter Vice President, Operations	2009	\$248,750	\$	\$ 108,529	\$ 62,006	\$ 38,793	\$ 24,455	\$ 21,810	\$ 504,343
	2008	\$247,542	\$	\$ 123,134	\$ 56,671	\$ 38,793	\$ 28,840	\$ 23,086	\$ 518,066
	2007	\$239,584	\$	\$ 119,803	\$ 55,007	\$ 64,789	\$ 19,423	\$ 17,012	\$ 515,618
David V. Meghreblian Vice President, Real Estate	2009	\$200,000	\$	\$ 90,429	\$ 51,675	\$ 6,000	\$ 36,025	\$ 16,411	\$ 400,540
	2008	\$198,000	\$	\$ 103,613	\$ 47,666	\$ 7,875	\$ 41,976	\$ 17,912	\$ 417,042
	2007	\$187,001	\$	\$ 93,669	\$ 42,999	\$ 40,331	\$ 17,362	\$ 18,699	\$ 400,061
Phillip A. Pesek Vice President, General Counsel & Secretary	2009	\$215,000	\$	\$ 95,109	\$ 54,339	\$ 0	\$ 10,225	\$ 17,219	\$ 391,892
	2008 (8)	\$215,000	\$	\$ 113,682	\$ 52,342	\$ 0	\$ 23,051	\$ 14,404	\$ 418,479

- (1) The amounts shown in column (c) are strictly base salary amounts included on IRS Form W-2 for the years shown. Except for Thrift Plan contributions, no amounts of salary were deferred.
- (2) None of the Named Executive Officers received payments that, for these disclosure purposes, the Company characterizes as "Bonus" for any of the reporting periods. The incentive cash award earned by each during 2009 is classified herein as "Non-Equity Incentive Plan Compensation" disclosed at column (g).
- (3) The amounts shown in column (e) reflect the full grant date fair value of the restricted stock awards (both time- and performance-based) under the Company's 2002 SIP for the years shown. During 2009, there were no re-pricings or modifications of Stock Awards and there were no forfeitures by any of the Named Executive Officers. In valuing the performance-based restricted stock, the target share amounts were utilized as the most probable outcome for these performance units. The maximum value for the 2009 performance-based restricted stock were: Mr. Dillon, \$418,976; Mr. Mann, \$133,442; Mr. Streeter, \$115,480; Mr. Meghreblian, \$96,210; and Mr. Pesek \$101,165. The maximum value for the 2008 performance-based restricted stock were: Mr. Dillon, \$417,638; Mr. Mann, \$155,651; Mr. Streeter, \$130,994; Mr. Meghreblian, \$110,240; and Mr. Pesek \$120,925. The maximum value for the 2007 performance-based restricted stock were: Mr. Dillon, \$382,308; Mr. Mann, \$146,732; Mr. Streeter, \$127,436; and Mr. Meghreblian, \$99,659.
- (4) The amounts shown in column (f) reflect the full grant date fair value of the option awards under the Company's 2002 SIP for the years shown, utilizing the Black-Scholes value of \$15.49 per share for 2009; \$18.34 for 2008; and \$19.06 for 2007. The exercise price of these option grants was determined by the closing price on the date of grant. During 2009, there were no re-pricings or modifications of Option Awards and there were no forfeitures by any of the Named Executive Officers.

- (5) The amounts reported in column (g) reflect performance-based cash incentive awards and fall outside the scope of the fair value-based measurement method. These amounts were earned during the year ended December 31, 2009, were reviewed by the Committee on February 18, 2010, and paid in full by the Company on February 26, 2010. No amounts payable under the performance-based cash incentive awards were deferred, either at the election of the Named Executive Officers, or per the Committee's direction. In calculating the non-equity incentive compensation payable from the formulas shown above, the Committee uses the Named Executive Officer's annualized monthly salary at year's end. The annualized amount differs from the amount reported in column (c) as the Committee conducts a salary review during its February meeting each year. In 2009, any increase received by a Named Executive Officers would be effective March 1, 2009. These annualized salary amounts used for the non-equity incentive compensation calculation were: Mr. Dillon, \$515,000; Mr. Mann, \$265,000; Mr. Streeter, \$248,750; Mr. Meghreblian, \$200,000; and Mr. Pesek \$215,000.
- (6) The amounts shown in column (h) reflect changes in the actuarial present values in the defined benefit pension plan for the Named Executive Officers and as calculated from December 31, 2008 to December 31, 2009. Calculations are based on SFAS 87 assumptions and are determined by the Company's actuary.
- (7) The amounts reflected in column (i) are detailed in the All Other Compensation Table, p. 33.
- (8) Mr. Pesek became a Named Executive Officer in 2008.

2009 ALL OTHER COMPENSATION TABLE

The All Other Compensation Table shown below is a supplement to the Summary Compensation Table and details the amounts shown therein at column (i).

Name (a)(1)	Year (b)	Vacation Sold Back To Company(2) (\$) (c)	Vacation Paid To Retirees (\$) (d)	Insurance Premiums (\$) (e)	Company Contributions to Retirement and 401(k) Plans (\$) (f)	Severance Payments / Accruals (\$) (g)	Change in Control Payments / Accruals (\$) (h)	Total (\$) (i)
Ray C. Dillon, CEO	2009	\$9,904	\$0	\$4,090	\$26,245	0	0	\$40,239
Kenneth D. Mann, CFO	2009	\$5,096	\$0	\$2,550	\$13,363	0	0	\$21,009
Kent L. Streeter	2009	\$4,784	\$0	\$2,410	\$14,616	0	0	\$21,810
David V. Meghreblian	2009	\$3,846	\$0	\$1,979	\$10,586	0	0	\$16,411
Phillip A. Pesek	2009	\$4,135	\$0	\$2,127	\$10,957	0	0	\$17,219

(1) The amounts shown in this table do not include any amounts for perquisites as such received by the Named Executive officers during the 2009 fiscal year did not meet the SEC's disclosure threshold of \$10,000.

(2) The amounts shown in column (c) reflect compensation paid to each Named Executive Officer for the sale of up to one week of accrued, but unused vacation back to the Company.

2009 GRANTS OF PLAN-BASED AWARDS TABLE

The Grants of Plan-Based Awards Table shown below details the non-equity incentive (cash) awards and the equity-based awards granted to the Named Executive Officers by the Committee on February 18, 2009. The equity-based awards were granted under the Company's 2002 Stock Incentive Plan. These grants include stock options, restricted stock awards, and performance units.

Name (a)	Grant (1) Date (b)	Estimated Future Payout Under Non-Equity Incentive Plan Awards			Estimated Future Payout Under Equity Incentive Plan Awards			All Other Stock Awards:		Exercise Price of Option Awards (\$/Sh)(6) (k)	Grant Date Fair Value of Stock and Option Awards (\$) (l)
		Threshold(2) (\$) (c)	Target(2) (\$) (d)	Maximum(2) (\$) (e)	Threshold(3) (\$) (f)	Target(3) (\$) (g)	Maximum(3) (\$) (h)	Number of Shares of Stock or Units(4) (#) (i)	Number of Securities Underlying Options(5) (#) (j)		
Ray C. Dillon CEO	02/18/2009	\$ 180,250	\$ 360,500	\$ 721,000	3,044	6,088	12,176	5,357	14,526	\$ 34.41	\$255,696(7) \$184,334(8) \$225,008(9)
	02/18/2009										
	02/18/2009										
Kenneth D. Mann CFO	02/18/2009	\$ 66,250	\$ 132,500	\$ 265,000	970	1,939	3,878	1,706	4,627	\$ 34.41	\$ 81,438(7) \$ 58,703(8) \$ 71,672(9)
	02/18/2009										
	02/18/2009										
Kent L. Streeter	02/18/2009	\$ 62,188	\$ 124,375	\$ 248,750	839	1,678	3,356	1,476	4,003	\$ 34.41	\$ 70,476(7) \$ 50,789(8) \$ 62,006(9)
	02/18/2009										
	02/18/2009										
David V. Meghreblian	02/18/2009	\$ 50,000	\$ 100,000	\$ 200,000	699	1,398	2,796	1,230	3,336	\$ 34.41	\$ 58,716(7) \$ 42,324(8) \$ 51,675(9)
	02/18/2009										
	02/18/2009										
Phillip A. Pesek	02/18/2009	\$ 53,750	\$ 107,500	\$ 215,000	735	1,470	2,940	1,294	3,508	\$ 34.41	\$ 61,740(7) \$ 44,527(8) \$ 54,339(9)
	02/18/2009										
	02/18/2009										

(1) The grant date in column (b) above reflects the fair value-based measurement method grant date, which was also the date upon which the Committee granted the awards.

(2) The amounts shown in columns (c), (d), and (e) reflect the threshold, target, and maximum amounts, respectively, payable under the Company's 2009 non-equity incentive plan. The specific calculations for the amounts actually paid to each of the Named Executive Officers are detailed in a table located under *Performance-Based Non-Equity Incentive Compensation*, p.20.

(3) The amounts shown in columns (f), (g), and (h) reflect the threshold, target, and maximum amounts, respectively, payable in performance restricted stock under the Company's 2002 Stock Incentive Plan ("2002 SIP"). Discussion of the calculation of these numbers can be found in the *Performance Goals* section of *Long-Term Equity-Based Compensation*, p.23. Should these awards vest at the end of their restricted performance period (in 2013), a 50% tax gross-up will be applied at that time.

(4) The amounts shown in column (i) reflect grants of time-based restricted shares that do not have a performance element for vesting. These shares vest four years after their grant date. When these awards vest at the end of their restricted period (in 2013), a 50% tax gross-up will be applied at that time.

(5) The amounts shown in column (j) reflect grants of non-qualified stock options that do not have a performance element for vesting. These time-based options vest at the rate of 25% per year upon each anniversary of their grant date. Accordingly, these grants will be fully vested in February 2013.

- (6) The exercise price of the option awards granted, shown in column (j), is determined by the Committee at the time of grant. For 2009, the exercise price is the NYSE closing price for the Company's stock on the date of grant, February 18, 2009.
- (7) Reflects the number of target shares reported in column (g) multiplied by \$42.00 per share, which represents the trading range of the Company's stock at the time of the grant.
- (8) Reflects the number shares reported in column (i) multiplied by the market's per share closing price, \$34.41, on the grant date.
- (9) Reflects the number of target shares reported in column (j) multiplied by the Black-Scholes value of \$15.49 per share.

2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The Outstanding Equity Awards At Fiscal Year-End Table shown below details the number of stock options, both vested and unvested, and their respective exercise prices and expiration dates held by each of the Named Executive Officers as of December 31, 2009. The table also shows the number of shares of restricted stock or performance units, and the respective vesting status, also held by each of the Named Executive Officers as of December 31, 2009. All awards shown below were granted under the provisions of the Company's 2002 Stock Incentive Plan.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Ray C. Dillon CEO		14,526(1)		34,410	02/18/2019	5,357(5)	\$ 247,386	6,088(9)	\$ 281,144
	2,463	7,388(2)		51,370	02/20/2018	3,578(6)	\$ 165,232	4,065(10)	\$ 187,722
	4,329	4,328(3)		53,010	02/14/2017	3,173(7)	\$ 146,529	3,606(11)	\$ 166,525
	6,557	2,185(4)		53,750	02/15/2016	2,533(8)	\$ 116,974	2,879(12)	\$ 132,952
	10,351			44,355	02/16/2015				
2,140			32,565	02/19/2014					
Kenneth D. Mann CFO		4,627(1)		34,410	02/18/2019	1,706(5)	\$ 78,783	1,939(9)	\$ 89,543
	918	3,753(2)		51,370	02/20/2018	1,333(6)	\$ 61,558	1,515(10)	\$ 69,963
	1,662	1,661(3)		53,010	02/14/2017	1,218(7)	\$ 56,247	1,384(11)	\$ 63,913
	811	270(4)		53,750	02/15/2016	313(8)	\$ 14,454	356(12)	\$ 16,440
	1,263			44,355	02/16/2015				
Kent L. Streeter		4,003(1)		34,410	02/18/2019	1,476(5)	\$ 68,162	1,678(9)	\$ 77,490
	773	2,318(2)		51,370	02/20/2018	1,122(6)	\$ 51,814	1,275(10)	\$ 58,880
	721	1,443(3)		53,010	02/14/2017	1,058(7)	\$ 48,858	1,202(11)	\$ 55,508
	920	920(4)		53,750	02/15/2016	1,067(8)	\$ 49,274	1,212(12)	\$ 55,970
	1,132			44,355	02/16/2015				
David V. Meghreblian		3,336(1)		34,410	02/18/2019	1,230(5)	\$ 56,801	1,398(9)	\$ 64,560
	650	1,949(2)		51,370	02/20/2018	944(6)	\$ 43,594	1,073(10)	\$ 49,551
	1,128	1,128(3)		53,010	02/14/2017	827(7)	\$ 38,191	940(11)	\$ 43,409
	2,157	719(4)		53,750	02/15/2016	833(8)	\$ 38,468	947(12)	\$ 43,732
	3,350			44,355	02/16/2015				
3,800			32,565	02/19/2014					
7,000			24,310	02/20/2013					
Phillip A. Pesek		3,508(1)		34,410	02/18/2019	1,294(5)	\$ 59,757	1,470(9)	\$ 67,885
	714	2,140(2)		51,370	02/20/2018	1,036(6)	\$ 47,842	1,177(10)	\$ 54,354
	5,000	5,000(14)		57,030	10/17/2017				

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- (1) Stock options granted on 2/18/09 vest at the rate of 25% per year with vesting dates of 2/20/10, 2/20/11, 2/20/12 and 2/20/13.
 - (2) Stock options granted on 2/20/08 vest at the rate of 25% per year with vesting dates of 2/20/09, 2/20/10, 2/20/11 and 2/20/12.
 - (3) Stock options granted on 2/14/07 vest at the rate of 25% per year with vesting dates of 2/14/08, 2/14/09, 2/14/10 and 2/14/11.
 - (4) Stock options granted on 2/15/06 vest at the rate of 25% per year with vesting dates of 2/15/07, 2/15/08, 2/15/09 and 2/15/10.
 - (5) Time vesting restricted stock shares granted on 2/18/09 that will vest four years after grant date in 2013.
 - (6) Time vesting restricted stock shares granted on 2/20/08 that will vest four years after grant date in 2012.
 - (7) Time vesting restricted stock shares granted on 2/14/07 that will vest four years after grant date in 2011.
 - (8) Time vesting restricted stock shares granted on 2/15/06 that will vest four years after grant date in 2010.
 - (9) Performance units granted on 2/18/09 with a restricted period through 2013. Vesting of target number of shares (shown) is contingent upon the Company's achievement of 100% of the total stockholder returns achieved by the composite of the companies listed on page 24 within the restricted period. Should these awards vest either at the threshold, target, or maximum levels at the end of the restricted period, a 50% tax gross-up will be applied.
 - (10) Performance units granted on 2/20/08 with a restricted period through 2012. Vesting of target number of shares (shown) is contingent upon the Company's achievement of 100% of the total stockholder returns achieved by the composite of the companies listed on page 24 within the restricted period. Should these awards vest either at the threshold, target, or maximum levels at the end of the restricted period, a 50% tax gross-up will be applied.
 - (11) Performance units granted on 2/14/07 with a restricted period through 2011. Vesting of target number of shares (shown) is contingent upon the Company's achievement of 100% of the total stockholder returns achieved by the composite of the companies listed on page 24 within the restricted period. Should these awards vest either at the threshold, target, or maximum levels at the end of the restricted period, a 50% tax gross-up will be applied.
 - (12) Performance units granted on 2/15/06 with a restricted period through 2010. Vesting of target number of shares (shown) is contingent upon the Company's achievement of 100% of the total stockholder returns achieved by the composite of the companies listed on page 24 within the restricted period. Should these awards vest either at the threshold, target, or maximum levels at the end of the restricted period, a 50% tax gross-up will be applied.
 - (13) Market value of these awards reflects the market closing price of the Company's shares on December 31, 2009 (\$46.18 per share), which is multiplied times the number of shares shown in the column to the immediate left.
 - (14) Stock options granted on 10/17/07 vest at the rate of 25% per year with vesting dates of 10/17/08, 10/17/09, 10/17/10 and 10/17/11.

2009 OPTION EXERCISES AND STOCK VESTED TABLE

The Option Exercises and Stock Vested Table shown below details the cash payments received by the Named Executive Officers upon their exercise of vested stock option awards (“Option Awards”) during the year ended December 31, 2009. These awards are measured in shares. The table also details the number of shares and value realized by each affected NEO upon the vesting of time-based and performance-based restricted stock on February 16, 2009.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(2) (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(3) (\$)
Ray C. Dillon, CEO	0	\$ 0	12,990	\$ 462,964
Kenneth D. Mann, CFO(1)	300	\$ 3,813	1,564	\$ 55,741
Kent L. Streeter	0	\$ 0	5,607	\$ 199,833
David V. Meghreblian	0	\$ 0	4,145	\$ 147,728
Phillip A. Pesek	0	\$ 0	0	\$ 0

- (1) Mr. Mann exercised 300 ISO stock options on February 9, 2009 with an exercise price of \$24.97 per share and with a market price of \$37.68, by tendering a check in the amount of the exercise price.
- (2) Value realized is the difference between the per share exercise price of the stock option and the per share market price at the time the stock option is exercised, and represents ordinary income for federal and state income tax purposes.
- (3) Value realized reflects the market closing price of the Company’s shares on February 13, 2009 (\$35.64 per share) which is multiplied times the number of shares shown in the column to the immediate left. February 16, 2009, the vesting date, was a Federal holiday.

2009 PENSION BENEFITS TABLE

The Pension Benefits Table below shows the actuarial present values of accumulated benefits payable to each of the Named Executive Officers, upon retirement, under The Retirement Plan of Deltic Timber Corporation (“Retirement Plan”) and under The Supplemental Executive Retirement Plan of Deltic Timber Corporation (“SERP”). Details regarding the accounting policies used by the Company for its pension plans are discussed under Item 8, Financial Statements and Supplementary Data, at Note 1, “Significant Accounting Policies” and at Note 15, “Employee and Retiree Benefit Plans” in the Company’s annual report filed on Form 10-K with the SEC on March 5, 2010. Information regarding these plans, such as the Retirement Plan benefit formula, can be found under the heading *Retirement Benefits and Retirement Savings Plans, supra*.

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit (\$) (d)	Payments During Last Fiscal Year (\$) (e)
Ray C. Dillon CEO	Retirement Plan	6.5	\$ 110,117	\$ 0
	SERP	6.5	\$ 269,895	\$ 0
Kenneth D. Mann CFO	Retirement Plan	27	\$ 381,949	\$ 0
	SERP	27	\$ 137,688	\$ 0
Kent L. Streeter	Retirement Plan	6.1	\$ 82,013	\$ 0
	SERP	6.1	\$ 30,100	\$ 0
David V. Meghreblian	Retirement Plan	20.1	\$ 287,102	\$ 0
	SERP	20.1	\$ 44,222	\$ 0
Phillip A. Pesek	Retirement Plan	2.2	\$ 33,276	\$ 0
	SERP	2.2	\$ 0	\$ 0

2009 NON-QUALIFIED DEFERRED COMPENSATION TABLE

The Non-Qualified Deferred Compensation Table shown below details the elections of non-qualified deferral of salary amounts, in excess of Internal Revenue Code limits for 401(k) contributions, by each of the Named Executive Officers for the year 2009. These deferrals are made under the Company’s Supplemental Executive Retirement Plan (“SERP”) and include the Company’s matching contributions. The SERP, discussed *supra*, exists to restore retirement savings benefits, on a pre-tax basis, to the Named Executive Officers that would otherwise be lost due to limitations imposed by the Internal Revenue Code. Deferred salary contribution amounts are permitted up to 50% of salary.

Name (a)	Executive Contributions In Last Fiscal Year(1) (\$) (b)	Registrant Contributions In Last Fiscal Year(2) (\$) (c)	Aggregate Earnings in Last Fiscal Year(3) (\$) (d)	Aggregate Withdrawals / Distributions(4) (\$) (e)	Aggregate Balance at Last Fiscal Year-End (\$) (f)
Ray C. Dillon, CEO	\$ 9,746	\$ 13,995	\$ 49,983	\$ 0	\$222,482
Kenneth D. Mann, CFO	\$ 0	\$ 1,113	\$ 6,020	\$ 0	\$ 27,698
Kent L. Streeter	\$ 12,733	\$ 2,366	\$ 17,757	\$ 0	\$ 87,250
David V. Meghreblian	\$ 438	\$ 0	\$ 7,213	\$ 0	\$ 70,077
Phillip A. Pesek	\$ 1,031	\$ 0	\$ 1,032	\$ 0	\$ 5,511

- (1) These contributions are solely contributed from salary as a payroll deduction at the election of the Named Executive Officer. The amounts shown in column (b) are included in the salary amounts for each of the Named Executive Officers in column (c) of the Summary Compensation Table. Such has been the reporting practice in past proxy statements for the Company.
- (2) Company matching contributions are, for all deferred compensation purposes (qualified and non-qualified), capped at 5% of the employee’s salary.
- (3) For the Named Executive Officers’ SERP contributions, along with the Company match, the Named Executive Officers may select from the same investment choices as provided to all other employees under the Company’s qualified deferred compensation (401K) plan. These investment choices include the Company’s stock and a variety of publicly traded mutual funds. None of the amounts in column (d) were reported as compensation or deductions in the Summary Compensation Table, p.31.
- (4) Withdrawals and distributions are subject to the provisions of Internal Revenue Code Section 409A with which the Company remains compliant.

2009 DIRECTOR COMPENSATION TABLE

A combination of cash and equity-based compensation is utilized to attract, retain, and compensate qualified candidates to serve on the Company's Board. Director compensation, which consists of fees paid for meetings attended and an annual retainer, is determined by the Nominating and Corporate Governance Committee. Equity awards (granted under the Company's 2002 SIP), are granted by the Executive Compensation Committee based upon the determination of the Board's Nominating and Corporate Governance Committee. For the year ended December 31, 2009, the non-employee directors were entitled to receive an annual cash retainer of \$25,000, and \$1,500 for each Board meeting attended, \$1,000 for each Board committee meeting attended and \$500 for each Board committee meeting attended telephonically, except for Audit Committee meetings, which were compensated at \$1,000 per meeting regardless of physical or telephonic attendance. The Chairman of each of the Board's committees received additional compensation, as detailed below, for the additional responsibility that each assumed in those roles. Retainer fees and meeting fees are paid quarterly in arrears. Directors are also reimbursed for their travel, meal and lodging expenses for attending meetings. A portion of director compensation is based on equity awards to further align their financial interests with those of the Company's stockholders.

Name (a)	Fees Earned Or Paid in Cash(1) (\$) (b)	Stock Awards(2) (\$) (c)	Option Awards(3) (\$) (d)	Non-Equity Incentive Plan Compensation(4) (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(5) (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (h)
Robert C. Nolan	\$ 118,250	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$152,660
R. Madison Murphy	\$ 47,750	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,160
Rev. Christoph Keller, III	\$ 39,750	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,160
J. Thurston Roach	\$ 55,500	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,910
R. Hunter Pierson, Jr.	\$ 43,500	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,910
Randolph C. Coley	\$ 44,250	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,660
David L. Lemmon	\$ 42,750	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,160
Robert B. Tudor, III	\$ 34,750	\$ 34,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,160
Ray C. Dillon	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(1) The information in column (b) reflects the payments of retainer fees, chairman fees and meeting fees to the non-employee directors during the year ended December 31, 2009 as follows:

- Mr. Nolan, Chairman of the Board of Directors, chair fee, \$75,000; retainer fee, \$25,000; meeting fees, \$18,250;
- Mr. Murphy, Chairman of the Executive Compensation Committee, chair fee, \$5,000; retainer fee, \$25,000; meeting fees, \$17,750;
- Rev. Christoph Keller, III, Chairman of the Nominating and Corporate Governance Committee, chair fee, \$5,000; retainer fee, \$25,000; meeting fees, \$9,750;
- Mr. Roach, Chairman of the Audit Committee, chair fee, \$10,000; retainer fee, \$25,000; meeting fees, \$20,500;

- Mr. Pierson, retainer fee, \$25,000; meeting fees, \$18,500;
 - Mr. Coley, retainer fee, \$25,000; meeting fees, \$19,250;
 - Mr. Lemmon, retainer fee, \$25,000; meeting fees, \$17,750;
 - Mr. Tudor, retainer fee, \$25,000, meeting fees, \$9,750;
 - Mr. Dillon, President and Chief Executive Officer of the Company, serves as an employee director on its Board, but is not compensated with a director retainer, meeting fees, or additional equity awards for his Board service.
- (2) The information in column (c) reflects the grant of 1,000 time-based restricted stock awards to each of the Company's existing non-employee directors under its 2002 SIP. These grants do not have a performance element for vesting, but rather will vest four years after the grant date. The Committee awarded the grants on February 18, 2009 and such are reflected above at the market's closing price (\$34.41) on that grant date. Presently, there are no grants of performance-based restricted stock to the Company's non-employee directors.
- (3) No option awards were granted by the Committee to the non-employee directors during 2009. Option awards granted to Mr. Dillon during the year are reflected in the Grants of Plan-Based Awards Table, p.34.
- (4) No non-equity incentive plan compensation awards were granted to the non-employee directors during 2009. Any non-equity incentive plan compensation granted to Mr. Dillon during the year is reflected in the Summary Compensation Table, p.31.
- (5) Currently, the Company provides no pension plan benefits and no non-qualified deferred compensation plans to its non-employee directors.

2009 POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLE

The Potential Payments upon Termination or Change in Control Table shown below reflects the amount of compensation payable, as of December 31, 2009, to each of the Named Executive Officers in the event of: (1) involuntary severance without cause; (2) a change in control of the Company with involuntary dismissal within two years without cause or (i) a reduction in salary and potential bonus and/or (ii) a meaningful diminution in job responsibility as a result of such change; (3) voluntary severance other than retirement; (4) death; (5) long-term disability; (6) early retirement and (7) retirement at normal retirement age. In each case, the actual amounts to be paid can only be determined at the time the Named Executive Officer separates from the Company.

Name	Benefit	Involuntary Severance Termination w/o Cause or for Good Reason	Change in Control Termination w/o Cause or for Good Reason	Voluntary Severance Other Than Retirement	Death	Long-Term Disability	Early Retirement	Retirement At Normal Retirement Age
Ray C. Dillon CEO	Salary	\$ 1,030,000	\$ 1,030,000	0	0	\$ 150,000(8)	0	0
	Non-equity comp.	\$ 721,000	\$ 721,000	0	0	0	0	0
	Stock options	\$ 218,998	\$ 218,998	0	\$ 48,027(2)	\$ 48,027(2)	\$ 48,027(2)	\$ 48,027(2)
	Restricted stock	\$ 1,014,182(1)	\$ 1,014,182(1)	0	\$ 516,434(3)	\$ 516,434(3)	\$ 516,434(3)	\$ 516,434(3)
	Performance units	\$ 1,152,514(1)	\$ 1,152,514(1)	0	\$ 586,889(4)	\$ 586,889(4)	\$ 586,889(4)	\$ 586,889(4)
	Outplacement payment	\$ 30,000(1)	\$ 30,000(1)	0	0	0	0	0
	Health benefits	\$ 17,023(5)	\$ 17,023(5)	0	0	\$ 8,330(9)	\$ 4,472(10)	\$ 4,472(10)
	Life insurance benefit	0	0	0	\$1,030,000(7)	0	\$ 12,500(11)	\$ 25,000(11)
	Accrued pension benefit	\$ 380,012(12)	\$ 380,012(12)	\$ 380,012(12)	\$ 380,012(12)	\$ 380,012(12)	\$ 380,012(12)	\$ 380,012(12)
	Total Potential Payment:		\$ 4,563,729	\$ 4,563,729	\$ 380,012	\$2,561,362	\$1,689,692	\$ 1,548,334
Kenneth D. Mann CFO	Salary	0	\$ 265,000	0	0	\$ 150,000(8)	0	0
	Non-equity comp.	0	\$ 132,500	0	0	0	0	0
	Stock options	0	\$ 56,765	0	\$ 2,305(2)	\$ 2,305(2)	\$ 2,305(2)	\$ 2,305(2)
	Restricted stock	0	\$ 316,564(1)	0	\$ 148,008(3)	\$ 148,008(3)	\$ 148,008(3)	\$ 148,008(3)
	Performance units	0	\$ 359,788(1)	0	\$ 168,221(4)	\$ 168,221(4)	\$ 168,221(4)	\$ 168,221(4)
	Outplacement payment	0	\$ 30,000(1)	0	0	0	0	0
	Health benefits	0	\$ 5,841(6)	0	0	\$ 8,330(9)	\$ 4,472(10)	\$ 4,472(10)
	Life insurance benefit	0	0	0	\$ 530,000(7)	0	\$ 12,500(11)	\$ 25,000(11)
	Accrued pension benefit	\$ 519,637(12)	\$ 519,637(12)	\$ 519,637(12)	\$ 519,637(12)	\$ 519,637(12)	\$ 519,637(12)	\$ 519,637(12)
	Total Potential Payment:		\$ 519,637	\$ 1,686,095	\$ 519,637	\$1,368,171	\$ 996,501	\$ 855,143

Name	Benefit	Involuntary Severance Termination w/o Cause or for Good Reason	Change in Control Termination w/o Cause or for Good Reason	Voluntary Severance Other Than Retirement	Death	Long-Term Disability	Early Retirement	Retirement At Normal Retirement Age
Kent L. Streeter	Salary	0	\$ 248,750	0	0	\$ 149,250(8)	0	0
	Non-equity comp.	0	\$ 124,375	0	0	0	0	0
	Stock options	0	\$ 49,181	0	\$ 2,066(2)	\$ 2,066(2)	\$ 2,066(2)	\$ 2,066(2)
	Restricted stock	0	\$ 327,162(1)	0	\$ 180,210(3)	\$ 180,210(3)	\$ 180,210(3)	\$ 180,210(3)
	Performance units	0	\$ 371,772(1)	0	\$ 204,750(4)	\$ 204,750(4)	\$ 204,750(4)	\$ 204,750(4)
	Outplacement payment	0	\$ 30,000(1)	0	0	0	0	0
	Health benefits	0	\$ 8,511(6)	0	0	\$ 8,330(9)	\$ 4,472(10)	\$ 4,472(10)
	Life insurance benefit	0	0	0	\$ 497,500(7)	0	\$ 12,500(11)	\$ 25,000(11)
	Accrued pension benefit	\$ 112,113(12)	\$ 112,113(12)	\$ 112,113(12)	\$ 112,113(12)	\$ 112,113(12)	\$ 112,113(12)	\$ 112,113(12)
Total Potential Payment:		\$ 112,113	\$ 1,271,864	\$ 112,113	\$ 996,639	\$ 656,719	\$ 516,111	\$ 528,611

David V. Meghreblian	Salary	0	\$ 200,000	0	0	\$ 120,000(8)	0	0
	Non-equity comp.	0	\$ 100,000	0	0	0	0	0
	Stock options	0	\$ 250,206	0	\$ 210,941(2)	\$ 210,941(2)	\$ 210,941(2)	\$ 210,941(2)
	Restricted stock	0	\$ 263,711(1)	0	\$ 144,039(3)	\$ 144,039(3)	\$ 144,039(3)	\$ 144,039(3)
	Performance units	0	\$ 301,878(1)	0	\$ 163,731(4)	\$ 163,731(4)	\$ 163,731(4)	\$ 163,731(4)
	Outplacement payment	0	\$ 30,000(1)	0	0	0	0	0
	Health benefits	0	\$ 11,132(6)	0	0	\$ 8,330(9)	\$ 4,472(10)	\$ 4,472(10)
	Life insurance benefit	0	0	0	\$ 400,000(7)	0	\$ 12,500(11)	\$ 25,000(11)
	Accrued pension benefit	\$ 331,324(12)	\$ 331,324(12)	\$ 331,324(12)	\$ 331,324(12)	\$ 331,324(12)	\$ 331,324(12)	\$ 331,324(12)
Total Potential Payment:		\$ 331,324	\$ 1,488,251	\$ 331,324	\$ 1,250,035	\$ 978,365	\$ 867,007	\$ 879,507

Phillip A. Pesek	Salary	0	\$ 215,000	0	0	\$ 129,000(8)	0	0
	Non-equity comp.	0	\$ 107,500	0	0	0	0	0
	Stock options	0	\$ 41,289	0	\$ 0(2)	\$ 0(2)	\$ 0(2)	\$ 0(2)
	Restricted stock	0	\$ 161,399(1)	0	\$ 51,834(3)	\$ 51,834(3)	\$ 51,834(3)	\$ 51,834(3)
	Performance units	0	\$ 183,357(1)	0	\$ 58,889(4)	\$ 58,889(4)	\$ 58,889(4)	\$ 58,889(4)
	Outplacement payment	0	\$ 30,000(1)	0	0	0	0	0
	Health benefits	0	\$ 5,841(6)	0	0	\$ 8,330(9)	\$ 4,472(10)	\$ 4,472(10)
	Life insurance benefit	0	0	0	\$ 430,000(7)	0	\$ 12,500(11)	\$ 25,000(11)
	Accrued pension benefit	\$ 33,276(12)	\$ 33,276(12)	\$ 33,276(12)	\$ 33,276(12)	\$ 33,276(12)	\$ 33,276(12)	\$ 33,276(12)
Total Potential Payment:		\$ 33,276	\$ 777,662	\$ 33,276	\$ 573,999	\$ 281,329	\$ 160,971	\$ 173,471

Unless otherwise denoted, all payments shown above represent amounts payable in lump sum and without tax gross up or tax reimbursement.

In the case of an involuntary severance without cause, and except in the case of Mr. Dillon as shown above, the Named Executive Officer's retention of his vested stock options, restricted stock, and performance units is subject to Company approval. Otherwise, such are forfeited. In the case of

involuntary severance for cause, all vested and unvested stock options, restricted stock, and performance units are forfeited. Also, in the cases of an involuntary severance without cause and involuntary severance for cause, the Named Executive Officer may continue to participate in the Company's health care coverage under the provisions of the *Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA)*. Except in the case of Mr. Dillon, as shown above, such participation is not funded by the Company.

For the Named Executive Officers and in the case of change in control of the Company that results in (i) a reduction in salary and potential non-equity compensation and/or (ii) a meaningful diminution in job responsibility, a lump sum payment will be made on the 15th day of the seventh month following the month of separation from service. For payments to be made to each of the Named Executive Officers, a change in control event has the same meaning as defined in the 2002 SIP, which was filed in the Company's 2002 proxy statement with the SEC on March 22, 2002. Such can be retrieved on the SEC website at <http://www.sec.gov/Archives/edgar/data/1022469/000093066102000828/ddef14a.txt>.

Footnotes

Values shown in the table above do not reflect payments for accrued, but unused vacation time that might be owed to the employee at the time of termination. Values above also do not reflect amounts accrued in the Thrift Plan (401k) accounts of the Named Executive Officers.

- (1) Value shown reflects an estimated 50% tax gross up.
- (2) Value shown reflects stock options vested and a market closing price per share (\$46.18) as of December 31, 2009.
- (3) Value shown reflects prorated vesting as of December 31, 2009. Benefit would be payable in prorated percentages of 96%, 71%, 46%, and 21% at February vesting dates in 2010, 2011, 2012, and 2013 respectively. Value shown reflects market closing price per share (\$46.18) on December 31, 2009. Value shown also reflects a 50% tax gross up.
- (4) Value shown assumes vesting at the target levels. Value shown also assumes attainment of performance criteria within the restricted performance period. Benefit would be payable in vested percentages of 96%, 71%, 46%, and 21% at February vesting dates in 2010, 2011, 2012, and 2013 respectively. Value shown reflects market closing price per share (\$46.18) on December 31, 2009. Value shown also reflects a 50% tax gross up.
- (5) Value shown reflects Company's payment, at the employee's current rate and benefit level, of health insurance premiums for two years. Actual benefit would depend on the claims and insurance payments made.
- (6) Value shown reflects Company's payment, at the employee's current rate and benefit level, of health insurance premiums for one year. Actual benefit would depend on the claims and insurance payments made.
- (7) Value shown reflects the death benefit (twice the employee's annual salary) payable to the employee's beneficiaries by the Company's insurer. An additional benefit of \$250,000 applies (not reflected in the value shown) if the employee dies while on Company business. Such benefit is available to all employees. Amounts shown do not include voluntary life insurance obtained through the Company.
- (8) Value shown reflects an annual payment equivalent to 60% of salary, but capped at \$12,500 per month and which is payable for so long as the Named Executive Officer remains in a long-term disability (permanent disability) status and until the employee's normal retirement age. Such benefit is available to all employees. Should the Named Executive Officer fully recover or be medically deemed to have less than a permanent disability, the value shown would be adjusted or eliminated as circumstances dictate.

- (9) Value shown reflects Company's annual portion for the employee's health insurance premium while medically deemed to be in a long-term disability (permanent disability) status.
- (10) Value shown reflects Company's annual portion for the retiree's health insurance premium after normal retirement age.
- (11) Based on the retiree's tenure with the Company, and related tenure benefit schedules, a life insurance benefit accrues to each Named Executive Officer upon retirement. The values shown, \$12,500 and \$25,000, reflect retirement life insurance benefits that accrue upon 10 years of service to, and retirement from, the Company.
- (12) The value shown reflects the accrued pension benefits for each of the Named Executive Officers as detailed in the Pension Benefits Table, p. 39. Once vested, accrued pension (Retirement Plan) benefits are generally not subject to forfeiture. No Company policies, formal or informal, exist as to crediting any employee with additional years of service under the Company's Retirement Plan either with early retirement or retirement at normal retirement age. The value shown reflects accrued value as of December 31, 2009 and assumes vesting will occur after five years of service to the Company for Mr. Pesek. Under the terms of the Retirement Plan, such benefits may be paid in the manner as elected by the employee upon retirement. The common elections are either: (1) by ten year sum certain annuity; or (2) by an adjusted lifetime annuity. The exact amount of pension benefit is not determinable until the Named Executive Officer separates from the Company.

COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m)

Section 162(m) of the Internal Revenue Code generally limits the corporate tax deduction for compensation paid during a year to a public company's chief executive officer and its four other most highly compensated executive officers to \$1,000,000 per individual, unless specified conditions are met. Certain performance-based compensation is not subject to the deduction limitation. The Company did not have non-deductible compensation expense during 2009 and is not expected to have such in 2010. Nevertheless, the Executive Compensation Committee intends to review this matter from time to time and, if appropriate and consistent with the Company's compensation philosophy, may recommend in the future that actions be taken, if needed, to maximize the amount of compensation expense that is deductible to the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There were no committee interlocks. Messrs. Murphy, Pierson, Nolan and Rev. Keller are related by consanguinity and/or affinity as described in the "Certain Relationships and Related Transactions" section, p.11.

COMPENSATION POLICIES/RISK MANAGEMENT

The Company's compensation policies, as detailed on pp. 14 to 30, are not reasonably likely to have a material adverse effect on the Company.

COMPENSATION CONSULTANTS

In 2009, the Company's Compensation Committee retained the services of a compensation consultant, the independent and nationally recognized firm of Mercer Human Resources Consulting ("Mercer"), to assist it by recommending the amount of executive and director compensation. In 2009, Mercer did not provide any other additional compensation consulting services to the Company.

APPROVAL OF APPOINTMENT OF INDEPENDENT AUDITORS (ITEM 2 ON PROXY CARD)

The Board of Directors desires to obtain from the stockholders an indication of their approval or disapproval of the Audit Committee's action in appointing KPMG LLP, Certified Public Accountants, and an Independent Registered Accounting Firm, as independent auditors of the Company for the year 2010. KPMG LLP has been serving as the Company's independent auditors for the past twelve years. The firm has advised the Company that its members have no direct or indirect financial interest in the Company or any of its subsidiaries. Members of the firm are expected to be present at the Annual Meeting for the purpose of responding to inquiries by stockholders and such representatives will have an opportunity to make a statement if they desire to do so.

In the event a majority of the stockholders voting should indicate they disapprove the appointment of KPMG LLP, the adverse vote will be considered as a directive to the Audit Committee to select other auditors for the following year. Because of the difficulty and expense of making any substitution of auditors during a year, it is contemplated that the appointment for 2010 will be permitted to stand unless the Audit Committee or Board of Directors finds other good reason for making a change.

REPORT OF THE AUDIT COMMITTEE

From its beginning as a publicly owned company at the end of 1996, the Company has had an Audit Committee (“Committee”) composed entirely of non-employee directors. All members of the Committee have been affirmatively determined by the Board to be independent under applicable SEC and NYSE criteria, and to meet financial literacy requirements. The Board of Directors has also determined that the Committee’s Chairman, J. Thurston Roach, meets or exceeds applicable professional experience and attribute requirements and has designated Mr. Roach as the Committee’s financial expert. The Committee has a written charter outlining the practices it follows that has been approved and adopted by the Company’s Board of Directors. The Committee’s charter can be accessed on the Company’s website at www.deltic.com under the Corporate Governance part of the Investors Relations section.

During the year 2009, at each of its meetings, the Committee met with senior members of the Company’s financial management team, its internal auditor, the Company’s General Counsel, and its independent auditors. The Committee’s agenda is established by the Committee’s Chairman. The Committee had private sessions at its meetings at least once each quarter with the Company’s independent auditors and, separately, with the internal auditor, at which candid discussions take place regarding financial management, accounting, and internal control issues.

The Committee engaged KPMG LLP, an independent registered public accounting firm, as the Company’s independent auditors, and approves in advance all audit and other fees charged. Its procedures for pre-approval of fees are for the Committee’s Chairman to be the lead contact regarding fees, and that for the general audit engagement, including tax return services, and any other significant items, the Chairman reports the proposed fee structure to the Committee and seeks approval thereof. For any minor expense items or projects that might arise, the Committee has delegated authority to its Chairman to negotiate and approve such arrangements.

The Committee has also reviewed with the Company’s financial managers, its independent auditors and the Company’s internal auditor the respective auditors’ overall audit scopes and plans, the results of internal and external audit examinations, the Company’s internal and disclosure controls, including internal controls over financial reporting, and the quality of the Company’s financial reporting.

Management has reviewed the audited financial statements and related notes in the Annual Report on Form 10-K for the year ended December 31, 2009 with the Committee including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. In addressing the quality of management’s accounting judgments, members of the Committee asked for management’s representations that the audited consolidated financial statements of the Company have been prepared in conformity with generally accepted accounting principles, and have expressed to both management and auditors their general preference for conservative policies when a range of accounting options is available.

The Committee also discussed with the independent auditors other matters required to be discussed by the auditors with the Committee under Statement on Auditing Standards No. 61 (communication with audit committees). The Committee received and discussed with the auditors their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1 (independence discussions with audit committees), and considered with the auditors whether the provision of non-audit services provided by them to the Company during 2009 was compatible with the auditors’ independence. Also, the Committee reviewed the Company’s “Management’s Discussions of Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, including the Company’s most critical accounting policies identified therein.

In performing all of these functions, the Committee acts only in an oversight capacity. The Committee reviewed prior to the Company’s public quarterly and annual announcements, financial results applicable for

2009, as well as the financial results prior to filing formal reports with the SEC. In its oversight role, the Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent auditors, who, in their report, express an opinion on the conformity of the Company's annual financial statements to generally accepted accounting principles.

In reliance on these reviews and discussions, the report of the independent auditors and pursuant to delegated authority from the Board of Directors, the Committee has approved inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the SEC.

Respectively Submitted,
Audit Committee

J. Thurston Roach, Chairman
R. Hunter Pierson, Jr.

Randolph C. Coley
David L. Lemmon

FEES PAID TO KPMG LLP IN 2008 AND 2009

For the years 2008 and 2009, the Company paid KPMG LLP fees in the amounts listed below for its services.

	<u>2008</u>	<u>2009</u>
Audit Fees(1)	\$414,500	\$472,388
Audit Related Fees(2)	\$ 20,000	\$ 24,566
Tax Fees	\$ 64,107	\$ 53,288
Other Fees	\$ 0	\$ 0

(1) Includes financial statements and internal controls over financial reporting pursuant to Section 404 of the *Sarbanes-Oxley Act of 2002*.

(2) Includes procedures related to audits of benefits plans.

OTHER MATTERS TO COME BEFORE THE MEETING

The Board of Directors does not know of any matters which will be brought before the 2010 Annual Meeting other than those specifically set forth in the notice of meeting. If any other matters are properly introduced at the meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the individuals named on the enclosed proxy card will have discretion to vote in accordance with their best judgment.

The above Notice and Proxy Statement are sent by Order of the Board of Directors.

Phillip A. Pesek
Secretary