

# DELTIC TIMBER CORPORATION

## Audit Committee Charter

### **Purpose**

The purpose of this charter, as adopted and approved by the Board of Directors of Deltic Timber Corporation (the “Company”) is to establish and govern the Audit Committee of the Company in compliance with Section 10A of the Securities Exchange Act of 1934 as amended by the Sarbanes-Oxley Act of 2002. The purpose of the Audit Committee shall be to represent and assist the Company’s Board of Directors (“Board”) in fulfilling its oversight responsibility to the Company’s stockholders, the investment community, and the public relating to: (1) the integrity of the Company’s financial statements and other disclosures; (2) the Company’s compliance with legal and regulatory requirements; (3) the qualifications, performance and independence of the Company’s independent auditor; and (4) the performance of the Company’s internal audit function and its internal auditors.

The Audit Committee shall also annually prepare the report required by the Securities and Exchange Commission (“SEC”) for inclusion in the Company’s annual proxy statement.

### **Membership**

The Audit Committee shall be appointed by the Board and shall be comprised of at least three directors, each of whom are independent of management and the Company. No member of the Audit Committee may serve on the Audit Committees of more than two other public companies without specific approval by the Board of Directors. All Audit Committee members shall be financially literate (as determined by the Board of Directors in its business judgement), or shall become financially literate shortly after appointment, and at least one member, with significant accounting or related financial management expertise, shall be designated by the Board and disclosed as the Audit Committee’s “financial expert”. Further, designation as the financial expert shall not increase or decrease an individual’s duties, obligations, or potential liability as an Audit Committee member.

Director independence, as defined by applicable SEC rules and regulations and listing standards of the New York Stock Exchange, shall be determined by the Board. Generally, directors shall be considered independent if they have no material relationship that may interfere with the exercise of their independence from management and the Company. Specifically, the members of the Audit Committee must not: (1) accept any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries other than those paid in their capacity as a member of the Board and any committee thereof; or (2) be an “affiliated” person of the Company or any subsidiary, other than in their capacity as a member of the Board and any committee thereof.

## **Meetings**

The Audit Committee shall meet, at a minimum, quarterly and otherwise as often as it is deemed necessary to discharge its duties. During its quarterly meetings and at other meetings as may be deemed useful or necessary, the Audit Committee shall meet with management, the internal auditor, and with the independent auditor in separate executive sessions. Further, the Audit Committee may invite outside counsel, financial advisors or other experts and consultants to its meetings and executive sessions as it deems necessary to discharge its duties.

## **Annual Performance Evaluation**

The Audit Committee shall conduct an annual self-performance evaluation of its activity and shall review and reassess the adequacy of its charter, proposing changes thereto if appropriate and obtain the annual approval of its charter by the Company's Board of Directors ("Board").

## **Authority and Responsibilities**

It is the responsibility of the Audit Committee to maintain free and open communication between itself, the independent auditors, the internal auditor, and the management of the Company. In discharging its oversight responsibilities, the Audit Committee is empowered with full authority to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to engage, retain or terminate the services of outside counsel, financial advisors or other experts as it deems necessary for this purpose. The Company shall fund such services.

The Audit Committee shall regularly report to the Board with respect to the integrity of the Company's financial statements, its compliance with legal or regulatory requirements, the independence and performance of the Company's independent auditors and the performance of the internal audit function. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The Audit Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Audit Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal responsibilities of the Audit Committee, which are set forth as a guide and may be supplemented as required:

### Integrity of the Company's Financial Statements and other Disclosures

1. Review with management and the independent auditors, in accordance with Generally Accepted Accounting Principles ("GAAP"), the annual and quarterly financial statements of the Company including: (a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A");

(b) any material changes in accounting principles or practices used in preparing the financial statements prior to filing a report on Form 10-K or Form 10-Q with the SEC; the effect of new regulatory and accounting initiatives, as well as off balance sheet structures and transactions, if any.

2. Review, discuss and express its judgment about the quality, not just acceptability of management's and the independent auditors' choices of accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the financial statements, non-routine transactions, and whether the choices of accounting principles are common practices or minority practices.
3. Prior to public dissemination or other disclosure, review and discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
4. Review and discuss policies and results of the Company's risk assessment and risk management.
5. Review and discuss the results of the Company's fraud risk assessment, including the potential for management override of controls or other inappropriate influence over the financial reporting process.
6. Review and discuss with the independent auditor the adequacy of the Company's internal controls and the performance of the Company's internal audit function.

#### Company's Compliance with Legal and Regulatory Requirements

7. Establish and periodically review procedures for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
8. Review reports and disclosures of insider trades and affiliated party transactions.
9. Review the CEO's and CFO's disclosures and certifications required by law.
10. Review and discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
11. Review and discuss with the Company's General Counsel any legal, compliance or regulatory issues that may have a material impact on the Company's financial statements or compliance policies.

12. Maintain oversight for management's anti-fraud programs and controls and code of conduct.  
Qualifications and Independence of the Company's Independent Auditors

13. Annually appoint, retain and compensate the Company's independent auditors, subject to stockholder approval, and exercise ultimate authority to approve all fees and terms of engagements with independent auditors retained for the purposes of preparing or issuing an audit report or performing other audit, review or attest services.
14. Facilitate a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's stockholders.
15. At least annually obtain and review: (a) a report by the independent auditor describing its internal quality-control procedures; (b) any material issues raised by its most recent internal quality-control review, or peer review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits it has carried out, and any steps taken to deal with such issues; (c) all relationships between the independent auditor and the Company; and (d) other required reports from the independent auditor.
16. Have the ongoing responsibility to evaluate the independent auditor's, and its lead partner's qualifications, performance, independence and, when appropriate, or required by law, recommend to the Board the replacement and/or rotation of the independent auditor and/or its lead partner;
17. Regularly assess the independent auditor's independence by reviewing all relationships between it and the Company and from management discuss the matters included in the written disclosures required by the Independence Standards Board;
18. Review with the independent auditor in accordance with Generally Accepted Auditing Standards ("GAAS"): (a) the scope and results of the audit; (b) any audit problems or difficulties encountered during the course of the audit and management's response; and (c) any questions, comments or suggestions the independent auditor may have relating to the internal controls, and accounting practices, and procedures of the Company and its subsidiaries.
19. To the extent that independence is maintained, and subject to *de minimis* exceptions, exercise the authority to pre-approve any non-audit services that may be offered to the Company by the independent auditors;
20. Recommend to the Board the policies for the Company's hiring of employees, or former employees, of the independent auditor;

### Company's Internal Audit Function and Internal Auditor

21. Review the appointment and performance of the internal auditor and ensure that the Company maintains an internal audit function.
22. Discuss the overall scope of the Company's internal audits, risk management processes, and system of internal controls, including, as needed, the adequacy of staffing and budget therefor, with the internal auditor.
23. Review significant reports to management prepared by the internal auditor and management's responses.
24. Facilitate a clear understanding with management and the internal auditor that the internal auditor is ultimately accountable to the Board and the Audit Committee, as representatives of the Company's stockholders.