

CKX Lands Inc  
Form DEF 14A  
March 23, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

CKX Lands, Inc.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)

Amount Previously Paid:

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(2)

Form, Schedule or Registration Statement No.:

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(3)

Filing Party:

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(4)

Date Filed:

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CKX LANDS, INC.  
700 Pujoe Street, Suite 200  
Lake Charles, LA 70601  
Tel. 337-493-2399

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of CKX Lands, Inc., will be held at Chase Bank, Third Floor, One Lakeside Plaza, Lake Charles, LA, at 11:00 a.m., on Wednesday April 21, 2010, for the following purposes:

1. To elect directors;
2. To vote on the proposal to ratify the appointment of McElroy, Quirk & Burch, APC as our independent registered public accounting firm for the fiscal year ended December 31, 2010; and
3. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on February 12, 2010, are entitled to notice of and to vote at the meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND DATE YOUR PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE MEETING AND VOTE IN PERSON, YOUR PROXY WILL NOT BE USED.

/s/ Brian R. Jones, CPA  
BRIAN R. JONES, CPA  
Treasurer and Chief Financial Officer

March 23, 2010

IMPORTANT NOTICE REGARDING THE  
AVAILABILITY OF PROXY MATERIALS FOR THE  
2010 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 21, 2009

This Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2009 are available at <http://bnymellon.mobular.net/bnymellon/ckx>

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PROXY STATEMENT

APPROXIMATE DATE OF MAILING: MARCH 23, 2010

The enclosed proxy is solicited by the Board of Directors of CKX Lands, Inc. (CKX Lands or the Company) for use at its annual meeting of stockholders to be held on Wednesday, April 21, 2010, at 11:00 a.m. at Chase Bank, Third Floor, One Lakeside Plaza, Lake Charles, LA, or any adjournments or postponements thereof. You may revoke your proxy at any time prior to it being voted by giving written notice to the Secretary of CKX Lands, by submission of a later dated proxy or by voting in person at the meeting. All expenses of preparing, printing and mailing the proxy and all materials used in solicitation will be borne by CKX Lands. Proxies may also be solicited in person or by telephone or fax by directors, officers and other employees of CKX Lands, none of whom will receive additional compensation for such services. CKX Lands will also request brokerage houses, custodians and nominees to forward these materials to the beneficial owners of the stock held of record by them and will pay the reasonable expenses of such persons for forwarding the material. The mailing address of CKX Lands' principal office is P.O. Box 1864, Lake Charles, LA 70602.

On February 12, 2010, CKX Lands had outstanding 1,942,495 shares of Common Stock, its only class of stock, held of record by approximately 550 holders. Only stockholders of record at the close of business on February 12, 2010, will be entitled to receive notice of and to vote at the meeting. With respect to all matters that will come before the meeting, each stockholder may cast one vote for each share registered in his or her name on the record date. The presence, in person or by proxy, of holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the meeting. Stockholders voting, or abstaining from voting, by proxy on any issue will be counted as present for purposes of constituting a quorum. If a quorum is present, the election of directors will be determined by a plurality vote and the approval of the independent auditor will be determined by a majority vote. Abstentions will have no effect on the election of directors or the approval of the independent auditor.

Broker non-votes (described below) will have no effect on the election of directors or the approval of the independent auditor.

A broker or nominee holding shares registered in its name, or in the name of its nominee, that are beneficially owned by another person and for which the broker or nominee has not received instructions as to voting from the beneficial owner has the discretion to vote the beneficial owner's shares with respect to the election of directors and the approval of the independent auditor. However, the broker or nominee may not have discretionary authority to vote on other matters that may properly come before the meeting. Shares as to which a broker or nominee does not vote on a matter are referred to as broker non-votes on that matter. Broker non-votes will be counted as present at the stockholders' meeting for the purposes of calculating a quorum, but will not be counted as present for purposes of determining whether a particular matter has been approved.

The shares represented by properly executed proxies, unless previously revoked, will be voted at the meeting in accordance with the directions set forth on the proxies. If no choice has been specified on the proxy, the shares will be voted FOR the election of the nominees as directors and FOR approval of McElroy, Quirk & Burch, APC as auditors. The proxy also gives authority to the proxy holders to vote the shares in their discretion on any other matter presented at the meeting.

## ITEM 1: ELECTION OF DIRECTORS

The By-Laws of the Company specify the number of directors shall be ten. Each director will hold office for one year and until his successor is elected and qualified. If a nominee should become unavailable for election, the persons voting the accompanying proxy may in their discretion vote for a substitute. All nominees have been with the same organization in the same position as listed below for the past five years unless noted.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES NAMED BELOW.

Name and Age		Past Business Experience and Other Directorships	Director Since
Henry E. Blake (1)	71	Private Investments; Partner in Blake Brothers, LLC	2007
Joseph K. Cooper	66	President and Chief Executive Officer of CKX Lands, Inc. since 2008 and 2009, respectively; Manager of Walker Louisiana Properties; Vice President and Operations Manager of Prairie Land Co.;	2008
Elizabeth Hollins	57	Assistant Attorney General for Louisiana; Co-Manager of PBA Properties, LLC	—
Brian R. Jones, CPA	49	Treasurer & Chief Financial Officer of CKX Lands, Inc. since 2006; Managing member of BRJ Services, LLC.	2007
Laura A. Leach (1) (4)	70	Chairman of the Board; Secretary-Treasurer and Director of Sweetlake Land & Oil Co., Inc. and North American Land Co. Inc.; Secretary-Treasurer of H. G. Chalkley & Sons, Inc.; Director of Lacassane Co., Inc.	1996
B. James Reaves, III (1) (2)	75	Private Investor, oil & gas; estate management; Director of Lacassane Co., Inc.	1986
Mary Watkins Savoy (2) (3)	70	Private Investments; Director of Mallard Bay Corp.	1998
William Gray Stream (1) (3)	30	President of Matilda Stream Management.	2007
Charles D. Viccellio	76	Vice-President & Secretary of CKX Lands, Inc.; Attorney, Stockwell, Sievert, Viccellio, Clements & Shaddock, LLP, attorneys	1996
Mary Leach Werner (2) (3) (4)	42	Vice-President and Director of North American Land Co., Inc.	2004

Member of the (1) Audit Committee, (2) Compensation Committee, (3) Nominating Committee; (4) Mrs. Leach is the mother of Mrs. Werner.

Mallard Bay Corp., Walker Louisiana Properties, Lacassane Co., Inc., Sweetlake Land & Oil Co., Inc., North American Land Co., Inc., H. G. Chalkley & Sons, Inc., Prairie Land Co., Matilda Stream Management, Blake Brothers, L.L.C., and PBA Properties, L.L.C. are all land management companies. BRJ Services, LLC is a business management consulting firm.

Directors Blake, Hollins, Leach, Reaves, Savoy, Stream, and Werner are all “independent directors” as defined under the rules of the NYSE Amex (previously known as American Stock Exchange).

## BOARD OF DIRECTORS AND COMMITTEE

During 2009, the Board of Directors held a total of four meetings. Mrs. Leach, Mrs. Werner, Mrs. Savoy and Mr. Stream each missed one board meeting. All other members attended all board meetings. During 2009, the Audit Committee held four meetings; Mrs. Werner and Mr. Stream each missed two audit committee meetings. All other members attended all audit committee meetings. The Compensation Committee and Nominating Committee held no meetings during 2009.

The Board of Directors has an Audit Committee, Compensation Committee and Nominating Committee. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to financial reports and other financial information and recommends the appointment of independent public accountants to the Board of Directors. The Company has determined that Mr. Henry Blake, its Chairman, qualifies as an “audit committee financial expert” under Item 407(d)(5) of Regulation S-K. Each member of the Audit Committee meets the financial literacy requirements of the NYSE Amex. The Compensation Committee approves all executive compensation. The Nominating Committee selects nominees for the Board of Directors. (See “Process for Nominating Directors”) The membership of each Committee consists solely of non-employee directors who meet the independence standards established by the NYSE Amex.

## PROCESS FOR NOMINATING DIRECTORS

The Nominating Committee identifies individuals qualified to become directors and recommends them to the Board for directorships to be filled by the Stockholders of the Company. The Nominating Committee will consider persons recommended by stockholders to become nominees for election as directors. Recommendations for consideration by the Nominating Committee should be sent to the Secretary of the Company in writing together with appropriate biographical information. The Nominating Committee does not have a charter. Each of the members of the Nominating Committee is independent as defined by the NYSE Amex.

The Committee identifies and evaluates nominees on the basis of their education, business experience, integrity and knowledge of Southwest Louisiana particularly as it relates to land management. Nominees recommended by security holders will be evaluated by the same criteria.

The Nominating Committee has in the past considered potential director candidates suggested by its members, other directors and management. Members on the committee and management have in the past interviewed potential candidates who were not incumbent directors, and the committee has then voted to recommend a slate of nominees to the Board.

## COMMUNICATIONS WITH THE BOARD OF DIRECTORS BY STOCKHOLDERS AND OTHER INTERESTED PARTIES

The Company’s Annual Meeting of Stockholders provides an opportunity for stockholders and others to ask questions directly of Company Directors on matters relevant to the Company. Stockholders and others may send communications to the Board to CKX Lands, Inc., P.O. Box 1864, Lake Charles, LA 70602. Each of the Company’s directors is requested to attend the Annual Meeting in person. All of the Company’s directors attended the Company’s 2009 Annual Meeting of Shareholders. In addition, stockholders and other interested parties may, at anytime, communicate with the full Board of Directors, any individual director or any group of directors, by sending written communication to the full Board of Directors, individual director or group of directors at the following address: CKX Lands, Inc., P.O. Box 1864, Lake Charles, LA 70602.



### DIRECTOR COMPENSATION

All Directors, including officers, are paid \$400 per board meeting attended and \$200 per missed meeting. Committee members are paid \$100 per committee meeting attended and the committee chairman is paid \$125 per committee meeting attended, except the Audit Committee Chairman is paid \$400 per committee meeting attended.

### EXECUTIVE COMPENSATION

Name and Position	Year	Salary	Bonus	All other Compensation(1)
Joseph K. Cooper	2009	\$ 15,000	—	\$ 1,600
President & Chief Executive Officer	2008	14,000	—	1,200
Arthur Hollins, III	2007	24,000	—	1,800
President & Chief Executive Officer (Retired 2007)				

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(1) Consists of Board of Director meeting attendance fees.

The Company has no long-term compensation programs, stock option program or stock grants program.

The Company has no employment agreements, pension plan or profit-sharing plan.

### CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

CKX Lands, Inc. owns an undivided 1/6th interest in approximately 35,500 acres known as Walker Louisiana Properties (land owned in indivision, but jointly managed). Mr. Cooper is Manager of Walker Louisiana Properties. Mr. Henry Blake is a member of Blake Brothers, L.L.C., which also owns an undivided 1/6th interest in the same property.

Mr. Viccellio's law firm received \$2,994 and \$6,327 for legal work performed for the Company in 2009 and 2008, respectively.

Mr. Jones' management consulting company received \$1,950 for consulting services in 2009.

### LIMITATION OF LIABILITY

Our certificate of incorporation limits the liability of our directors to the maximum extent provided by Louisiana law. Our By-Laws provide that we will indemnify our officers and directors and may indemnify our employees and other agents to the fullest extent permitted by law. There is no pending litigation nor are we aware of any threatened litigation involving any of our directors, officers, employees or agents in which indemnification will be required or permitted.

## BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table provides information as of February 12, 2010, concerning beneficial ownership of Common Stock by each director, each director nominee, each executive officer, all directors and executive officers as a group, and each person known by CKX Lands to own beneficially more than 5% of the outstanding shares of Common Stock. Unless otherwise noted, the listed persons have sole voting and dispositive powers with respect to shares held in their names.

Name of Beneficial Owner	Number Beneficially Owned	Percent of Class
Ottley Properties, LLC	140,500(1)	7.23%
Henry E. Blake	10,000	0.51%
Joseph K. Cooper	31,600(2)	1.63%
Elizabeth Hollins	25,239(3)	1.30%
Brian R. Jones, CPA	200	0.01%
Laura A. Leach	77,684(4)	4.00%
B. James Reaves, III	19,600(5)	1.01%
Mary Watkins Savoy	9,158	0.47%
William Gray Stream	40,588(6)	2.09%
Charles D. Viccellio	16,450	0.85%
Mary Leach Werner	20,726(7)	1.07%
All directors and executive officers as a group	357,556	18.41%

- (1) As reported in a statement on Schedule 13G, Amendment No. 2 filed with the Securities and Exchange Commission on February 11, 2008. This stockholder's address is 337 Metairie Road, Suite 202, Metairie, LA 70005.
- (2) Includes 31,500 shares owned by a corporation of which Mr. Cooper is an officer.
- (3) Includes 14,239 shares owned by Ms. Hollins' mother that Ms. Hollins has power to vote. Includes 1,000 shares owned by a L.L.C. of which Ms. Hollins is manager.
- (4) Includes 8,250 shares owned by a partnership of which Mrs. Leach is a partner and 11,250 shares owned by corporations of which Mrs. Leach is a director.
- (5) Includes 15,850 shares owned by a L.L.C. of which Mr. Reaves is manager.
- (6) Includes 40,088 shares owned by Mr. Stream's father, aunt, grandmother and a trust, that Mr. Stream has power to vote. Mr. Stream disclaims beneficial ownership of these shares.
- (7) Includes 8,250 shares owned by a partnership of which Mrs. Werner is a partner and 10,700 shares owned by a corporation of which Mrs. Werner is a director.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and more than 10% stockholders to file with the Securities and Exchange Commission reports on prescribed forms of their ownership and changes in ownership of Company stock and furnish copies of such forms to the Company.

Based solely upon a review of the Form 3, 4 and 5 filings received from or filed by CKX Lands, Inc. on behalf of reporting persons during the most recent fiscal yearx, CKX Lands, Inc. is not aware of any failure to file on a timely basis any Form 3, 4 or 5 during the most recent fiscal year or prior fiscal years.

## ITEM 2: RADIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

McElroy, Quirk & Burch, APC, Certified Public Accountants, acted as our independent registered public accounting firm and audited our financial statements for the year ended December 31, 2009. The Audit Committee of the Board has selected McElroy, Quirk & Burch, APC as independent registered public accounting firm to audit our financial statements for 2010 subject to the shareholders approval. Representatives of McElroy, Quirk & Burch, APC will attend the annual meeting, have an opportunity to make a statement if they so desire and, respond to appropriate questions.

### REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute proxy soliciting materials and should not be deemed filed or incorporated by reference into any other filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent specifically incorporated into such a filing.

The Audit Committee of the Board of Directors has furnished the following report on the Company's audit procedures and its relationship with its independent accountants for the twelve-month period ending December 31, 2009.

The Audit Committee has reviewed and discussed with the Company's management and McElroy, Quirk & Burch, APC the audited financial statements of the Company contained in the Company's Annual Report on Form 10-K for the Company's 2009 fiscal year. The Audit Committee has also discussed with McElroy, Quirk & Burch, APC the matters that registered independent public accounting firms must communicate to audit committees under Public Company Accounting Oversight Board ("PCAOB") rules.

The Audit Committee also has received from McElroy, Quirk & Burch, APC the written disclosures and the letter required by the PCAOB's Ethics and Independence Rule 3526, Communications with Audit Committees Concerning Independence, and has discussed with McElroy, Quirk & Burch, APC their independence from the Company. In addition, the Committee considered whether the provision by the independent auditors of non-audit services is compatible with maintaining the independent auditors' independence from management and the Company.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for its 2009 fiscal year for filing with the SEC.

The Board of Directors adopted a Charter governing the Audit Committee in January 2003. A copy of the Charter is included as Annex A to this Proxy Statement. The Audit Committee is composed of independent directors as required by and in compliance with the listing standards of the NYSE Amex.

### AUDIT COMMITTEE

Henry E. Blake (Chairman)  
Laura A. Leach  
B. James Reaves, III  
William Gray Stream

## RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

Fees paid to McElroy, Quirk & Burch, APC for each of the last two calendar years are listed in the following table.

	Audit Services Fees	Audit Related Fees	Tax Services	All Other Fees
2009	\$ 45,500	\$ —	\$ 1,750	\$ —
2008	\$ 43,750	\$ —	\$ 1,750	\$ —

Audit service fees include fees for services performed to comply with Generally Accepted Auditing Standards, including the recurring audit of the Company's financial statements.

Audit-related fees include fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax fees are for the preparation of the Company's federal and state income tax returns and the state franchise tax return.

The Audit Committee has adopted policies and procedures for the pre-approval of all audit and non-audit services to be performed by the independent auditor of the Company.

The Audit Committee may delegate, to one or more designated members of the Committee, the authority to grant pre-approvals of audit and permitted non-audit services. Any decision by such member or members to grant pre-approval shall be presented to the Committee at its next scheduled meeting. During 2009, there was no non-audit work performed which was not pre-approved by the Audit Committee prior to the engagement.

The Audit Committee has selected the firm of McElroy, Quirk & Burch, APC as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2010. Stockholder approval and ratification of this selection is not required by law or by the By-Laws of the Company. Nevertheless, the Board of Directors has chosen to submit it to the stockholders for their ratification as a matter of good corporate practice. Of the shares represented and entitled to vote at the meeting (whether in person or by proxy), more votes must be cast in favor of than votes cast against the proposal to ratify the appointment of McElroy, Quirk & Burch, APC as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2010.

The Board of Directors recommends a vote FOR the appointment of McElroy, Quirk & Burch, APC as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2010.

#### OTHER MATTERS

At the time of the preparation of this Proxy Statement, the Company had not been informed of any matters to be presented by, or on behalf of, the Company or its management, for action at the meeting other than those listed in the notice of meeting and referred to herein. If any other matters come before the meeting or any adjournment thereof, the persons named in the enclosed proxy will vote on such matters according to their best judgment.

A copy of the Company's Annual Report on Form 10-K as filed with the SEC for 2009 accompanies this Proxy Statement.

Stockholders are urged to sign the enclosed proxy, which is solicited on behalf of the Board of Directors, and return it at once in the enclosed envelope.

#### STOCKHOLDERS PROPOSALS

Proposals of stockholders intended to be included in the proxy materials, including director nominations, relating to the 2011 annual meeting of stockholders, must be received by the Secretary at CKX Lands, Inc., P.O. Box 1864, Lake Charles, LA 70602, in proper form, on or before November 7, 2010. If a proposal is not submitted timely, it will not be considered for inclusion in the proxy statement. A stockholder wishing to propose a matter for consideration at an annual meeting of stockholders must provide notice thereof to the Company's Secretary prior to the annual meeting for the current year by a deadline that is 45 days before the date on which the Company first mailed its proxy materials for the prior year's annual meeting of stockholders.

BY ORDER OF THE BOARD OF  
DIRECTORS

/s/ Brian R. Jones, CPA  
Brian R. Jones, CPA  
Treasurer and Chief Financial Officer

Lake Charles, Louisiana  
March 18, 2010

## CKX LANDS, INC.

## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

## I. Purpose

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of CKX Lands, Inc. (the “Company”) in fulfilling its oversight responsibilities by overseeing: (a) the controls and other procedures of the Company that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (“disclosure controls and procedures”), including overseeing the preparation of the financial reports and other financial information provided by the Company to any governmental body or the public; (b) the Company’s controls and process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements required to be in conformity with Generally Accepted Accounting Principles as addressed by the Codification of Statements on Auditing Standards, AU Section 319, as in effect from time to time, or any superseding definition or other literature that is issued or adopted by the Public Company Accounting Oversight Board (“internal controls and procedures”); and (c) the Company’s auditing, accounting and financial reporting processes generally as well as the audits of the Company’s financial statements. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company’s compliance with legal and regulatory requirements and the Company’s financial reporting, disclosure controls and procedures and internal controls and procedures.
- Appoint the independent auditors and determine their compensation.
- Review, evaluate and oversee the audit efforts of the Company’s independent auditors and internal auditors.
- Provide an open avenue of communication among the independent auditors, management, the Board and the internal auditors.
  - Prepare the Audit Committee Report required to be included in the Company’s annual proxy statement.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

## II. Composition

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence and experience requirements of the rules and regulations of the Securities and Exchange Commission (the “Commission”), and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. No member of the Committee may serve on the audit committees of more than three public companies unless the Board determines that such service does not, and will not, impair the member’s ability to effectively serve on the Committee and discloses the determination in the Company’s annual proxy statement. All members of the Committee shall have a working

familiarity with basic finance and accounting practices, and the Company shall endeavor, to the extent possible, to have at least one member of the Committee who has accounting or financial management experience sufficient to qualify as an “audit committee financial expert” under the rules and regulations the Commission, as such rules are in effect from time to time.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors are duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of the full Committee.

III. Meetings

The Committee shall meet at least quarterly or more frequently as circumstances dictate. The Committee may ask members of management or others to attend any meeting and provide pertinent information as necessary. As part of its job to foster open communication, the Committee should meet at least annually with management, the director

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of the internal auditors and the independent auditors in separate executive sessions to discuss any matters that the Committee and/or any of these groups believe should be discussed privately.

#### IV. Authority

In discharging its oversight role, the Committee is granted the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Committee, in its capacity as a committee of the Board, shall determine the appropriate funding that the Company shall provide for payments of: (a) compensation to any independent public accountant engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers employed by the Committee, as provided for above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

#### V. Responsibilities and Duties

In performing its responsibilities and duties, the Committee will seek to provide an open avenue of communication among the independent auditors, management, the Board and the internal auditors. The Committee is intended to provide an independent and, as appropriate, confidential forum in which interested parties can freely discuss information and concerns about the Company's financial reporting, disclosure controls and procedures and internal controls and procedures.

The Committee has direct responsibility for the appointment, compensation, retention and oversight of the work of any independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee shall have the sole power to: (a) approve all related-party transactions; (b) hire and fire the independent auditors, based on the Committee's judgment of the independent auditor's independence and effectiveness, as well as approve all fees and engagement terms; (c) resolve any disagreement between management and the independent auditors; (d) pre-approve all auditing services in accordance with applicable law or regulation; and (e) pre-approve all permissible non-audit services performed by the independent auditors in accordance with applicable law or regulation, subject to any de minimis exception that may be provided by applicable law or regulation. The Committee will not approve any of the "prohibited activities" identified in Section 10A(g) of the Exchange Act.

The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and permitted non-audit services. Any decision by such member or members to grant pre-approval shall be presented to the Committee at its next scheduled meeting.

To fulfill its responsibilities and duties the Committee shall:

##### Documents/Reports Review

- Review and update this Charter periodically as conditions dictate, but in any event at least annually.
- Discuss with the independent auditors, in accordance with the Exchange Act, prior to the filing of the independent auditors' audit report, (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information permissible under Generally Accepted Accounting Principles that have been discussed with

management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and (c) other material written communications between management and the independent auditors.

- Review the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the financial statements of the Company.
- Discuss with the independent auditors their independence and the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as in effect from time to time.

- Review and discuss with management and the independent auditors the Company's annual audited financial statements to be included in the Company's Annual Report on Form 10-K, prior to filing the Annual Report with the Commission, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation," and any reports or other financial information submitted to any governmental body, or the public, including any attestation, certification, report, opinion, or review rendered by the independent auditors. Based on (a) the Committee's review and discussion of the Company's annual audited financial statements with management and the independent auditors, (b) the Committee's discussions with the independent auditors on their independence and the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as in effect from time to time, and (c) such other factors and circumstances as are determined appropriate by the Committee, the Committee will recommend to the Board whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.
- Review the regular internal reports to management prepared by the internal auditors and management's response.
- Discuss with management and the independent auditors the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
- Review and discuss with management and the independent auditors the Company's quarterly financial results included in the Form 10-Q, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation," and the results of the independent auditors' review of the quarterly financial statements.
- Review disclosures made to the Committee by the Company's chief executive officer and senior financial officers (namely, the chief financial officer, the principal accounting officer, the controller and any other employee performing similar functions, collectively, the "Senior Officers") about (a) any significant deficiencies or weaknesses in the design or operation of the disclosure controls and procedures and internal controls and procedures, including any significant deficiencies and material weaknesses that could adversely affect the Company's ability to record, process, summarize and timely report financial information as required by the Commission; (b) any fraud (whether or not material) involving management or other employees significantly involved with disclosure controls and procedures and internal controls and procedures; (c) whether or not there were significant changes in disclosure controls and procedures and internal controls and procedures or other factors that could significantly affect such controls; and (d) any action to fraudulently influence, coerce, manipulate or mislead the Company's independent auditors for the purpose of rendering the Company's financial statements materially misleading.
- Discuss with senior management the areas of financial risk that could have a material adverse effect on the Company's results of operation or financial condition and the steps management has taken to monitor and control such risks, and the Company's risk assessment and risk management guidelines and policies.
- Report the Committee's activities, including its conclusions with respect to the internal auditors and the independent auditors, to the Board at the Board's meeting next following each Committee meeting so that the Board is kept fully informed of the Committee's activities on a current basis.

#### Independent Auditors

- Select, evaluate, appoint and, where appropriate, replace the Company's independent auditors and determine the fees and other compensation to be paid to the independent auditors. On an annual basis, the Committee should review and discuss with the independent auditors all relationships the auditors have with the Company to determine the

auditors' independence.

- Review with the independent auditors, in advance, the scope of the annual audit, including the scope of complementary internal audit activities.

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- Review and evaluate the lead partner of the independent auditors' audit team.
  - Review with the independent auditors the results of the annual audit
  - Review the performance of the independent auditors.
- Periodically consult with the independent auditors out of the presence of management about internal controls and procedures and the fullness and accuracy of the Company's financial statements.
  - Ensure the rotation of the lead partner, the concurring review partner, the client service partner, and other "line" partners directly involved in the performance of the audit for the Company, as required by applicable law or regulation.
  - Obtain and review on an annual basis a report from the independent auditors describing the independent auditor's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues.

#### Financial Reporting Processes

- In consultation with the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes generally, both internal and external.
- Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management, or the internal auditor.

#### Process Improvements

- Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement (even if adequately resolved) among management and the independent auditors or the internal auditors in connection with the preparation of the financial statements.
- Conduct annually a self-assessment of its performance during the previous year. In addition, from time to time, the Board may conduct a similar assessment of the Committee. The purpose of these assessments is to increase the effectiveness of the Committee and its members. Compliance with the responsibilities listed in this Charter shall form the principle criteria for such assessments, as well as such other factors and circumstances as are determined appropriate by the Committee or the Board, as the case may be.

#### Ethical and Legal Compliance

- As directed by the Board, assist in the establishment, review and periodic update of any codes of ethical conduct or similar policies in effect at the Company from time to time (collectively, the “Code”).
  - Review management’s monitoring of the Company’s compliance with the Code.
  - Review activities, organizational structure, and qualifications of the internal audit department.

- Review, with the Company's counsel, legal compliance matters including corporate securities trading policies.
- Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees or concerns regarding one questionable accounting or auditing matters.

Other

- Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

VI. Limitation on Committee's Role

While the Committee has the responsibilities and duties set forth in this Charter, the Committee's responsibilities and duties are of oversight in nature. The primary responsibility for the Company's financial reporting, disclosure controls and procedures and internal controls and procedures rests with management, and the Company's independent auditors are responsible for auditing the Company's financial statements. It is the responsibility of management and the independent auditors to bring to the attention of the Committee any failures, irregularities or other problems respecting the Company's financial reporting, disclosure controls and procedures and internal controls and procedures.



