

BLOUNT INTERNATIONAL, INC.
AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee of the Board of Directors (the “Board”) of Blount International, Inc. (together with its subsidiaries, the “Corporation”) is to assist the Board in fulfilling its responsibility to oversee (i) management’s conduct of the Corporation’s financial reporting process (including the development and maintenance of systems of internal accounting and financial controls), (ii) the integrity of the Corporation’s financial statements, (iii) the Corporation’s compliance with legal and regulatory requirements, (iv) the qualifications and independence of the Corporation’s Independent Auditors, (v) the performance of the Corporation’s Internal Audit Function and (vi) each audit of the Corporation’s financial statements performed by the Corporation’s Independent Auditors.

Organization

The Audit Committee shall consist of at least three Directors, of which one shall be the Chairperson. The Audit Committee shall include only independent Directors, as independence is defined by the listed company rules, regulations and standards of the New York Stock Exchange, Inc. Each member of the Audit Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee, and at least one member of the Audit Committee must be an “audit committee financial expert” in compliance with the criteria established by the Securities and Exchange Commission (the “SEC”). Whether a member has financial literacy and expertise shall be determined by the Board in its business judgment. The existence of an audit committee financial expert and whether or not he or she is independent shall be disclosed in periodic filings as may be required by the SEC. Audit Committee members shall be appointed by a resolution of the Board for a one year term, commencing on the date of the Board meeting held each year in conjunction with the annual meeting of stockholders.

Responsibilities

The Audit Committee’s job is one of oversight and it recognizes that the Corporation’s management is responsible for preparing the Corporation’s financial statements and that the Independent Auditors are responsible for auditing those financial statements. Additionally, the Audit Committee recognizes that financial management personnel, the Internal Audit Function (which function may be performed by an outside consultant under contract), and the Independent Auditors have more knowledge and information relating to the Corporation than do Audit Committee members; consequently, in carrying out its oversight responsibilities, the Audit Committee is not providing any expert or special assurance as to the Corporation’s financial statements or any professional certification as to the Independent Auditor’s work.

Subject to the foregoing, the following functions shall be the common recurring activities of the Audit Committee in carrying out this oversight role:

Meetings of the Audit Committee

- (1) The Audit Committee shall hold such meetings as it shall deem advisable, but shall meet a minimum of four times per calendar year. Minutes of all Audit Committee meetings shall be taken and approved by subsequent action. The Audit Committee shall circulate the minutes of an Audit Committee meeting to any Board member who did not attend the Audit Committee meeting as a guest.

- (2) The Audit Committee shall meet at such times and places as the Audit Committee shall deem advisable on the call of the Chairman of the Audit Committee, the Chairman of the Board, the Chief Executive Officer, or, in their absence, by any member of the Audit Committee. The presence of a majority of the members of the Audit Committee then in office shall constitute a quorum for the transaction of business.
- (3) Upon the request of the Corporation's Independent Auditors or the Corporation's Internal Audit Function, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters such auditors believe should be brought to the attention of the Audit Committee, Directors or shareholders.
- (4) At each regular Board meeting held following an Audit Committee meeting, the Chairman of the Audit Committee shall report to the Board regarding the action taken by the Audit Committee.
- (5) The Audit Committee also has the authority to direct and supervise an investigation into any matter, without seeking Board approval. The Audit Committee has the authority to retain independent, outside counsel or other professional services as it deems necessary, without seeking Board approval. The Corporation shall provide such funding as the Audit Committee determines is necessary for payment of compensation to the Independent Auditor and any counsel or other advisors employed by the Audit Committee and for the ordinary administrative expenses of the Audit Committee in the performance of its duties.

Appointment of the Independent Auditor and Approval of Services

- (1) The Audit Committee is directly responsible for the appointment, compensation, retention, termination and oversight of the work (including the resolution of any disagreements between management and the Independent Auditor regarding financial reporting) of any Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, subject (if applicable) to subsequent shareholder ratification. The Independent Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation shall be a "registered public accounting firm," as provided in the Sarbanes-Oxley Act of 2002 and the regulations thereunder, and shall report directly to the Audit Committee.
- (2) The Audit Committee shall review with the Independent Auditors their audit plans and scope for the coming year and any non-audit services to be performed by such Independent Auditor. The Audit Committee shall review the compensation to be paid to the Independent Auditors for all audit and non-audit services to be performed. Subject to a de minimis exception relating to non-audit services, which is described in the following sentence, all audit and non-audit services to be performed for the Corporation by the Independent Auditor must be pre-approved by the Audit Committee or entered into pursuant to pre-approval policies and procedures established by the Audit Committee. Pre-approval of non-audit services shall not be required if:
 - (a) the aggregate amount of all non-audit services provided to the Corporation does not exceed 5% of the total amount of revenues paid by the Corporation to the Independent Auditor during the fiscal year in which the non-audit services are provided;
 - (b) the services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
 - (c) the services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee prior to completion of the audit.

Any pre-approval policies and procedures established by the Audit Committee:

- (a) must be detailed as to the particular services;
- (b) must provide that the Audit Committee will be informed of each service; and
- (c) may not delegate the Audit Committee's responsibilities to management.

The Audit Committee may delegate this pre-approval function to one or more members of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority has been delegated shall be presented to the Audit Committee at its regularly scheduled meetings. Any non-audit service pre-approved by the Audit Committee (or any member to whom authority has been delegated) and any non-audit service entered into pursuant to pre-approval policies and procedures established by the Audit Committee shall be disclosed by the Corporation as required by law.

Reviews of Independent Auditors

- (1) At least annually, the Audit Committee shall obtain and review a report by the Independent Auditor describing:
 - (a) the firm's internal quality-control procedures;
 - (b) any material issues raised by the firm's most recent internal quality-control review, or peer review, of the firm, 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 firm, and any steps taken to deal with any such issues; and
 - (c) all relationships between the Independent Auditor and the Corporation (in order to assess the Independent Auditor's independence).
- (2) After reviewing the report discussed in (1) above and the Independent Auditor's work for the year, the Audit Committee shall evaluate the Independent Auditor's qualifications, performance and independence. The evaluation will include a review and evaluation of the lead partner of the Independent Auditor assigned to the Corporation's audit. The evaluation also will consider the opinions of management and the Corporation's Internal Audit Function. The audit partners shall be rotated as required by law. The Audit Committee shall present the results of its evaluation of the Independent Auditor to the Board.
- (3) The Audit Committee shall ensure that the Independent Auditors submit on a periodic basis to the Audit Committee a formal written statement delineating all relationships between such auditors and the Corporation. The Audit Committee also shall actively engage in dialogues with the Independent Auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of such auditors, and recommend that the Board take appropriate action in response to the Independent Auditors' reports to satisfy itself of such auditors' independence.

Reports from Independent Auditors

- (1) The Audit Committee shall review with the Independent Auditors timely reports concerning:
 - (a) the audit report and their comments arising from the audit;
 - (b) all critical accounting policies and practices to be used;

- (c) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with the Corporation's management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the Independent Auditor; and
 - (d) other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
- (2) The Audit Committee shall regularly review with the Independent Auditor any problems or difficulties that the Independent Auditor encounters in the course of the audit work, including management's response. The review shall include a review of any restrictions on the scope of the Independent Auditor's activities or on access to requested information and any significant disagreements with management.

Required Periodic Audit Committee Review and Reports

- (1) To assist the Audit Committee in effectively performing its oversight function, the Audit Committee shall meet periodically (but, in any event, not less than quarterly) in separate sessions with management, the Internal Audit Function and the Independent Auditors.
- (a) The Audit Committee shall provide an open avenue of communication among the management, the Internal Audit Function, the Independent Auditors and the Board.
 - (b) The Audit Committee's review with the Corporation's Internal Audit Function shall include a review of the internal audit organization and the internal audit goals and plans and a discussion of the findings and recommendations resulting from internal audits.
 - (c) The Audit Committee's review with the Corporation's chief accounting officer or person performing a similar function (the "Controller") shall include a review of the adequacy of the Corporation's overall systems of internal control and the responses taken with respect to the audit findings. In addition, the Audit Committee's review with each of the Chief Executive Officer, the Chief Financial Officer and the Independent Auditor shall include a review of their assessments of the Corporation's internal controls, as required by applicable law.
- (2) Periodically, the Audit Committee shall discuss guidelines and policies with respect to risk assessment and risk management. The discussion will include a review of the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- (3) The Audit Committee shall review in a timely manner all materials received from the Independent Auditors and provide a summary report of such materials to the Board and executives and management of the Corporation, if such summary is deemed necessary or advisable by the Audit Committee.
- (4) The Audit Committee shall review the significant reports to management prepared by the Internal Audit Function as well as management's responses thereto.
- (5) The Audit Committee shall review periodically with management (including the General Counsel) and the Independent Auditors any correspondence with, or other action by, regulators or governmental agencies, any material legal affairs of the Corporation, and the Corporation's compliance with applicable laws and NYSE listing standards.

Required Annual Audit Committee Review and Reports

- (1) The Audit Committee shall produce and provide to the Board an annual performance evaluation of the Audit Committee, which evaluation shall compare the performance of the Audit Committee with the requirements of this Charter. The performance evaluation shall also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Audit Committee. The performance evaluation by the Audit Committee shall be conducted in such manner as the Audit Committee or a majority of the non-employee Directors deems appropriate.
- (2) The Audit Committee shall prepare the report of the Audit Committee required by the rules of the SEC to be included in the Corporation's annual proxy statement.
- (3) The Audit Committee shall recommend to the Board policies and procedures to be developed for dealing with various matters as to which conflicts of interest may arise (including affiliate transactions, expense accounts and perquisites of officers and management of the Corporation) and periodically review the application of such policies and procedures. The Audit Committee shall review periodically, but at least once each year, all material agreements between the Corporation and any business organization wherein a director or officer of the Corporation is also a director or officer of such organization to ensure that such agreements are fair to the Corporation and its shareholders.

Review of Financial Statements and Press Releases

- (1) The Audit Committee shall discuss the annual audited financial statements and the quarterly unaudited financial statements with management and the Independent Auditor prior to their filing with the SEC in the Corporation's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The discussion of financial information also shall include a review of the Corporation's disclosures in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (2) The Audit Committee shall conduct open and frank discussions with the Corporation and the Independent Auditors regarding the auditor's evaluation of the quality of the Corporation's accounting principles and essential estimates in its financial statements. This dialogue will include discussion of the consistency, clarity and completeness of the financial statements and related disclosures. The discussion will also include items that may impact the representational faithfulness, verifiability and neutrality of the information shown in the financial statements, such as changes in accounting policies, estimates, judgments, uncertainties and unusual transactions (including matters required to be discussed by SAS No. 61, as amended or supplemented), including but not limited to:
 - (a) a review any analyses prepared by management and/or the Independent Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative methods under generally accepted accounting principles;
 - (b) issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
 - (c) the effect of any regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and
 - (d) any unusual, non-operating and/or non-recurring items.

- (3) Based on these reviews and discussions, the Audit Committee shall determine whether to recommend to the Board that the Corporation's audited financial statements be included in the Corporation's Annual Report on Form 10-K.
- (4) Periodically, the Audit Committee shall have a general discussion regarding earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. These discussions need not occur in advance of each earnings release or instance in which the Corporation may provide financial information or earnings guidance.

Other Duties of the Audit Committee

- (1) The Audit Committee shall have responsibility for monitoring the Corporation's policies for compliance with applicable federal, state, local and foreign laws and regulations as well as the Corporation's policies on corporate conduct. The Audit Committee shall have the authority to review the Corporation's legal and ethical compliance program and to institute any changes or revisions to such program as may be deemed warranted or desirable by the Audit Committee. The Audit Committee shall be responsible for reviewing and determining whether to grant any requests by Directors or executive officers for waivers of the Corporation's Code of Ethics. Any such waiver shall be disclosed to shareholders, as required by law.
- (2) The Audit Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (3) The Audit Committee shall set clear hiring policies for employees or former employees of the Corporation's Independent Auditor.
- (4) No member of the Audit Committee may receive, directly or indirectly, any compensation from the Corporation other than (i) fees paid to Directors for service on the Board, (ii) fees paid to Directors for service on a committee of the Board (including the Audit Committee) and (iii) a pension or other deferred compensation for prior service that is not contingent on future service on the Board.