

## **PHI, INC.**

### **AUDIT COMMITTEE CHARTER (as amended on March 8, 2005)**

#### **I. Committee Membership**

- A. The Audit Committee of PHI, Inc. (the “Company”) shall be comprised of at least three directors who shall (i) be independent within the meaning of applicable rules of the NASDAQ and the Securities and Exchange Commission and (ii) otherwise meet the requirements for membership on the Audit Committee as set forth in such rules.

#### **II. Committee Purposes**

- A. The primary purpose of the Audit Committee is to (a) assist the Board of Directors in fulfilling its oversight of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the Company’s independent auditors’ qualifications and independence, (iv) the performance of the Company’s internal audit function and internal auditors and (v) the accounting, financial reporting and internal controls processes of the Company; and (b) prepare any reports required to be included in the Company’s annual information statement and as otherwise required.
- B. The function of the Audit Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company’s financial statements and for the effectiveness of internal control over financial reporting. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with applicable accounting standards, laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the Company’s annual financial statements, reviews of the Company’s quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, annually attesting to and reporting on management’s assessment of the effectiveness of internal control over financial reporting, and other procedures. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards.
- C. The independent auditors shall submit to the Audit Committee annually a formal statement (the “Auditors’ Statement”) describing: (1) the auditors’ internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review or peer review of the 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 auditors, and any steps taken to deal with any such issues; and (3) all relationships between the independent auditors and the Company, consistent with Independence Standards Board No. 1.

- D. The independent auditors shall submit to the Audit Committee annually a formal statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (1) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings; (2) services not included in clause (1) that are reasonably related to the performance of the audit or review of the Company's financial statements, quantified in the aggregate and by each type of service; (3) tax compliance, tax advice and tax planning services, quantified in the aggregate and by each type of service; and (4) all other products and services rendered by the independent auditors, quantified in the aggregate and by each type of service.

### **III. Committee Duties and Responsibilities**

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

- A. with respect to the independent auditors:
1. to be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors, who shall report directly to the Audit Committee;
  2. to resolve any disagreements with management regarding financial reporting;
  3. to actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may affect the objectivity and independence of the auditors and to take, or recommend that the full Board take, appropriate action to oversee the independence of the outside auditors;
  4. to be directly responsible for the appointment, compensation, retention and oversight of the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services, which firm shall also report directly to the Audit Committee;
  5. to pre-approve, and to adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors;

6. to ensure that the independent auditors prepare and deliver annually an Auditors' Statement, and to discuss with the independent auditors any relationships or services disclosed in this Statement that may impact the quality of audit services or the objectivity and independence of the Company's independent auditors;
  7. to hold timely discussions with the independent auditors regarding all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  8. to obtain and discuss any material written communications between the independent auditors and management, such as any letter describing significant deficiencies or material weaknesses in internal controls, any "management" letter or any schedule of unadjusted differences;
  9. to discuss with management the timing and process for implementing the rotation of the lead audit partner and any other active audit engagement team partner; and
  10. to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act, which sets forth certain procedures to be followed in any audit of financial statements required under the Exchange Act.
- B. with respect to the internal auditing department, to review the appointment and replacement of the director of the internal auditing department, who shall report directly to the Audit Committee but shall also be given managerial responsibility and oversight by the Chief Financial Officer of the Company, and to review the activities and scope of work of the internal audit department at least annually;
- C. with respect to accounting principles and policies, financial reporting and internal control over financial reporting:
1. to consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Audit Committee by the independent auditors required by or referred to in SAS 61, as it may be modified or supplemented, or other professional standards;
  2. to meet with management, the independent auditors and, if appropriate, the director of the internal auditing department:
    - i. to discuss the scope of the annual audit;

- ii. to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations and all Section 302 and 906 certifications required by the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley");"
  - iii. to discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditing department or the independent auditors, relating to the Company's financial statements;
  - iv. to discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
  - v. to discuss any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company;
  - vi. to review management reporting on internal controls and the independent auditors' attestation as required by Section 404 of Sarbanes-Oxley; and
  - vii. to discuss, as appropriate: (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;
3. to inquire of the Company's chief executive officer and chief financial officer as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;

4. to discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company's exposure to risk, and to discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
5. to discuss with the Company's management and outside counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the Company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;
6. to discuss and review the type and presentation of information to be included in earnings press releases;
7. to review and discuss any reports concerning material violations submitted to it by Company attorneys or outside counsel pursuant to the SEC attorney professional responsibility rules (17 C.F.R. Part 205) or otherwise; and
8. to review and approve all related party transactions of the Company, defined as those transactions required to be disclosed under Item 404 of Regulation S-K;

D. with respect to reporting and recommendations:

1. to prepare any report or other disclosures, including any recommendation of the Audit Committee, required by the rules of the SEC to be included in the Company's annual proxy statement;
2. to review and reassess the adequacy of this Charter at least annually and recommend any changes to the full Board of Directors; and
3. to report its activities to the full Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.

#### **IV. Committee Structure and Operations**

The Audit Committee shall designate one member of the Audit Committee as its chairperson. The Audit Committee shall meet once every fiscal quarter, or more frequently if circumstances dictate; should meet separately at least quarterly with management, the director of the internal auditing department and the independent auditors to discuss any matters that the Audit Committee or any of these persons or firms believe should be discussed privately; and should meet without management present at least once a year. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting

of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

**V. Delegation to Subcommittee**

The Audit Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Audit Committee. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting.

**VI. Resources and Authority of the Audit Committee**

- A. The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.
- B. The Company shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of:
  - 1. compensation to the independent auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
  - 2. compensation of any advisers employed by the Audit Committee; and
  - 3. ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.