

**A.S.V., Inc.**  
Audit Committee Charter

**I. Purpose**

The purpose of the Audit Committee (“Committee”) of A.S.V., Inc. (“ASV”) is to assist ASV’s Board of Directors (“Board”) in its oversight of the integrity of ASV’s accounting and financial reporting processes and financial statements, ASV’s compliance with legal and regulatory requirements and the independent auditor’s qualifications and independence.

**II. Committee Membership**

The Committee is a standing committee of and approved by the Board and shall be comprised of at least three directors, each of whom shall be independent as required by the Securities Exchange Act of 1934, as amended (“Exchange Act”), any rules and regulations promulgated thereunder by the Securities and Exchange Commission (“SEC”), and the rules of The Nasdaq Stock Market, Inc. (“Nasdaq”). No member of the Committee shall have participated in the preparation of ASV’s financial statements or the financial statements of any current subsidiary of ASV at any time during the past three years. All members of the Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The term of appointment of each Committee member is at the discretion of the Board.

**III. Committee Function and Responsibilities**

A. Committee Function

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an audit report (including resolution of disagreements between management and the auditor regarding financial reporting) or performing other audit, review or attest services for ASV. The independent auditor shall report directly to the Committee. The Committee is not responsible for preparing financial statements or performing audits, and its members are not auditors or certifiers of ASV’s financial statements.

B. Review of Independent Auditor Qualifications

The Committee’s responsibilities shall include the following:

1. Receive from the independent auditor a formal written statement delineating all relationships between the independent auditor and ASV consistent with Independent Standards Board Standard No. 1, *Independence Discussions with Audit Committees*.
2. Actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor.
3. Establish policies and procedures for, and, as appropriate, approve the engagement of, the independent auditor for any non-audit service (to the extent such service is not prohibited by Section 10A(g) of the Exchange Act) and the fee for such service, and consider whether the independent auditor’s performance of any non-audit services is compatible with its independence.

4. Review the audit firm's proposed executive partner and auditing personnel background and experience.
5. Determine the audit firm's registration with the AICPA's SEC practice division and participation in the voluntary peer review professional practice programs.
6. Review the audit firm's litigation history and professional liability insurance.

C. Independent Auditor Engagement Letter

The independent auditor shall provide a letter that defines the nature and scope of the audit engagement and a contract for the professional services of the auditing firm.

D. Annual Audit Planning and Supervision

The Committee shall:

1. Query the independent auditor regarding the audit scope, timing and conduct of the audit.
2. Ascertain that the audit team has requisite industry and corporate knowledge, appropriate ratio of staff assistants to supervisors, and supervisory review procedures.
3. Confirm that the auditor's written audit plans give sufficient consideration to:
  - a. Financial disclosures;
  - b. Operational efficiency;
  - c. Corporate compliance; and
  - d. Compliance with laws.

E. Annual Audit Review

In connection with the annual audit, the Committee shall:

1. Ascertain any disagreements among audit personnel or between audit personnel and ASV management.
2. Review ASV's accounting policies and practices regarding:
  - a. Revenue recognition;
  - b. Reserves and allowances;
  - c. Asset capitalization;
  - d. Extraordinary charges or write-offs; and
  - e. Any other accounting practice of an unusual or infrequent nature.
3. Affirm that the accounting policies are consistent with industry practices, that correct requirements are reflected in accounting policies, and that the accounting policies are consistent with a fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States.

F. Quarterly Review

In connection with the quarterly reviews:

1. Prior to the time that ASV files its Quarterly Report on Form 10-Q, the independent auditor shall conduct an SAS 71 Interim Financial Review.
2. Prior to the filing of the Form 10-Q, the independent auditor shall discuss with a representative of financial management and the Committee or the Committee's chairman, the matters described in AU Section 380, Communications with Audit Committees, including significant adjustments, significant new accounting policies, and disagreements with management, as needed.

G. Annual Report

In connection with the preparation of ASV's annual report on Form 10-K, the Committee shall:

1. Review ASV's annual report to evaluate whether it contains a fair and meaningful presentation of financial statements, footnotes, and supplementary information.
2. Affirm that the annual report discusses changes in corporate reporting or accounting practices (for example, departures from accounting principles generally accepted in the United States, exceptions to the consistent application of accounting principles, etc.).
3. Review financial statement disclosures and ensure that practices are fully and fairly disclosed.
4. Affirm appropriate use of statutory "safe harbor" disclosure if the annual report contains forward-looking information.
5. Recommend to the Board whether, based on the review described in items 1-4 above, the annual audited financial statements should be included in ASV's Annual Report on Form 10-K.
6. Prepare for the annual report on Form 10-K and for inclusion in ASV's annual proxy statement an Audit Committee Report stating whether with respect to the prior fiscal year:
  - a. The Committee has reviewed and discussed the audited financial statements with management;
  - b. The Committee has discussed with the independent auditor the matters required to be discussed by SAS No. 61 (Codification of Statements on Auditing Standards, AU § 380), as may be modified or supplemented;
  - c. The Committee has received the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as may be modified or supplemented, and has discussed with the independent auditor the independent auditor's independence; and
  - d. Based on the review and discussions referred to in items a-c above, the Committee recommended to the Board that the audited financial statements be included in ASV's Annual Report on Form 10-K.

#### H. Other Responsibilities

The Committee shall also:

1. Review outside counsel's letter regarding litigation, claims and assessments and review the accounting treatment concerning contingency losses and their effect on the financial statements.
2. Confer with the independent auditor and/or outside counsel to ascertain ASV's compliance with legal and regulatory requirements.
3. Approve all related party transactions (as defined by applicable Nasdaq rules) to which ASV is a party and review such transactions for potential conflict of interest situations at least annually.
4. Establish procedures for (a) the receipt, retention and treatment of complaints received by ASV regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by ASV employees of concerns regarding questionable accounting or auditing matters.
5. Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.

#### IV. *Annual Report to the Board*

At least annually, the Committee shall report to the Board the following:

- A chronological review of Committee's activities, particularly auditing and accounting cycle activities;
- A summary of the Committee's recommendations, particularly with respect to the selection of the auditing firm and the review of the independent auditor's report; and
- Attach critical audit reports and management letters.

#### V. *Resources and Authority*

ASV shall provide appropriate funding to the Committee, as determined by the Committee, for payment of (i) compensation to the independent auditor, and any outsourced internal auditor, for services approved by the Committee, (ii) compensation to any outside advisers retained by the Committee, and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to:

- conduct or authorize investigations into any matters within its scope of responsibilities;
- engage outside auditors for special audits, reviews and other procedures;
- retain special counsel and other experts and consultants to advise the Committee; and
- approve the fees and other retention terms for such parties.

The Committee may request to have any officer, employee, outside counsel or independent auditor of ASV attend a meeting of the Committee or meet with any members of, or consultants to, the Committee. The Committee

has the authority to use other resources, either within or outside ASV, to address special circumstances when appropriate.

**VI. *Adoption of Charter***

This Charter was initially adopted by the Board on April 13, 2004.