

## Charter of the Audit Committee

The Board of Directors of Art's-Way Manufacturing Co., Inc. (the "Company") has adopted and approved this Charter, setting forth the purpose, responsibilities, activities and membership requirements of its Audit Committee.

### Purpose

The primary purpose of the Audit Committee (the "Committee") is to assist the Board of Directors, (the "Board") in fulfilling its responsibility to oversee management's maintenance of the Company's accounting policies and financial reporting practices. This oversight shall include management's preparation of financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof, the Company's systems of internal accounting and financial controls, and the annual independent audit of the Company's financial statements.

In discharging its oversight role, the Committee is empowered 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 retain outside counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent the Company's stockholders. Accordingly, the outside auditors are ultimately accountable to the Board and Committee.

*The Committee shall review the adequacy of this Charter on an annual basis.*

### Responsibilities

The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the outside auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that the Company's financial management, as well as the Company's outside auditors, have more time, knowledge and detailed information about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

### Activities

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given circumstances.

- The Committee will review management's plans for engaging the independent auditor to perform all audit and non-audit services during the year. The engagement of the independent auditor to perform any audit or non-audit services will be subject to prior approval of the Committee. The Committee will take appropriate actions to ensure that the independent auditor has not been engaged to perform any non-audit services that are prohibited under applicable statutes, rules and regulations. The Committee shall have the power to terminate the independent accountant.
- The Committee shall review annually the scope and general extent of the independent auditors' engagement with a management prior to the commencement of the annual audit. This process shall also include a recommendation to the Board of the independent audit firm to be engaged.
- The Committee shall review with the management and the outside auditors the audited financial statements to be included in the Company's Annual Report to Stockholders and Annual Report on Form 10-K and review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61.

- The Committee shall approve the fees and other significant compensation to be paid to the independent auditors.
- As a whole, or through the Committee chair, the Committee shall review with the outside auditors the Company's interim financial results to be included in the Company's quarterly reports to be filed with the Securities and Exchange Commission and the matters required to be discussed by SAS No. 61. This review will occur prior to the Company's filing of each Quarterly Report on Form 10-Q.
- The Committee shall discuss with management and the outside auditors the quality and adequacy of the Company's internal controls.
- The Committee shall:
  - Request from the outside auditors annually a formal written statement delineating all relationships between the auditors and the Company consistent with Independence Standards Board Standard Number 1.
  - Discuss with the outside auditors any such disclosed relationships and their impact on the outside auditors' objectivity and independence.
  - Recommend that the Board take appropriate action in response to the outside auditors' report to satisfy itself of the auditors' independence. The Board of Directors of Art's Way Manufacturing Co., Inc. (the Company") has adopted and approved this Charter, setting forth the purpose, responsibilities, activities and memberships requirements of its Audit Committee.
  - The Committee, subject to any action that may be taken by the full Board, shall have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the outside auditors.
  - The Committee shall review and approve and any reports of the Committee to be included in any public findings, including the Company's proxy statement. The primary purpose of the Audit Committee (the Committee") is to assist the Board of Directors, (the "Board") in fulfilling its responsibility to oversee management's maintenance of the Company's accounting policies and financial reporting practices. This oversight shall include management's preparation of financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof, the Company's systems of internal accounting and financial controls, and the annual independent audit of the Company's financial statements.
  - The Committee shall maintain minutes of Committee meetings and periodically report to the Board on significant results of Committee activities. In discharging its oversight role, the Committee is empowered 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 retain outside counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent the Company's stockholders. Accordingly, the outside auditors are ultimately accountable to the Board and Committee.
  - The Committee shall periodically perform self-assessment of Committee performance. The Committee shall review the adequacy of this Charter on an annual basis.

### **Membership**

The Committee shall be comprised of not less than three members of the Board. The committee's composition will meet the requirements of the Audit Committee Policy of NASDAQ, as may be amended from time to time, including standards of independence, financial literacy and in the case of at least one member of the Committee, accounting or related financial management expertise.