



## Audit Committee Charter

(dated November 3, 2011)

### Members

The Board of Directors of Douglas Dynamics, Inc. (the "Company") appoints an Audit Committee (the "Committee") of at least three members, consisting entirely of independent directors, and designates one member as chairperson or delegates the authority to designate a chairperson to the Committee. Members of the Committee are appointed by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee. For purposes hereof, the term "independent" means a director who meets the New York Stock Exchange standards of independence and any other applicable requirements of law, regulation or listing standards, including the Sarbanes-Oxley Act of 2002 and rules promulgated by the Securities and Exchange Commission, for directors and Committee members, as determined by the Board.

Each member of the Committee must be financially literate, as determined by the Board. In addition, at least one member of the Committee must be an "audit committee financial expert," as determined by the Board in accordance with Securities and Exchange Commission ("SEC") rules.

### Purpose, Duties, and Responsibilities

The purposes of the Committee, at a minimum, must be to: (1) represent and assist the Board of Directors in discharging its oversight responsibility relating to: (a) the accounting and financial reporting processes of the Company and its subsidiaries, including the audits of the Company's financial statements and the integrity of the financial statements; (b) the Company's compliance with legal and regulatory requirements; (c) the outside auditor's qualifications and independence; and (d) the performance of the Company's internal audit function and the Company's outside auditor; and (2) prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement. Among its specific duties and responsibilities, the Committee will:

- a. Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the work of the outside auditor. In this regard, the Committee will appoint and retain, compensate, evaluate, and terminate when appropriate, the outside auditor, which will report directly to the Committee.
- b. Obtain and review, at least annually, a report by the outside auditor describing: (1) the outside auditor's internal quality-control procedures; and (2) any material issues raised by the most recent internal quality-control review, or peer review, 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 outside auditor, and any steps taken to deal with any such issues.
- c. Approve in advance all audit and permissible non-audit services to be provided by the outside auditor, and establish policies and procedures for the pre-approval of audit and permissible non-audit services to be provided by the outside auditor.
- d. At least annually, consider the independence of the outside auditor, and, consistent with rules of the Public Company Accounting Oversight Board, obtain and review a report by the outside auditor describing any relationships between the outside auditor, and the Company or individuals in financial reporting oversight roles at the Company, that may reasonably be thought to bear on the outside auditor's independence and discuss with the outside auditor the potential effects of any such relationships on independence.
- e. Review and discuss with the outside auditor: (1) the scope of the audit, the results of the annual audit examination by the auditor, and any problems or difficulties the auditor encountered in the course of its audit work and management's response; and (2) any reports of the outside auditor with respect to interim periods.
- f. Meet to review and discuss with management and the outside auditor the annual audited and quarterly financial statements of the Company, including: (1) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (2) the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (3) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.
- g. Recommend to the Board based on the review and discussion described in paragraphs (d) - (f) above, whether the financial statements should be included in the Annual Report on Form 10-K.
- h. Receive reports from the outside auditor and management regarding, and review and discuss the adequacy and effectiveness of, the Company's internal controls, including any significant deficiencies in internal controls and significant

changes in internal controls reported to the Committee by the outside auditor or management.

- i. Receive reports from management regarding, and review and discuss the adequacy and effectiveness of, the Company's disclosure controls and procedures.
- j. Designate the principal internal auditor of the Company and review and discuss with the principal internal auditor the scope and results of the internal audit program.
- k. Review and discuss earnings press releases, and corporate practices with respect to earnings press releases and financial information and earnings guidance provided to analysts and ratings agencies.
- l. Review and discuss the Company's enterprise risk management framework and policies and the Company's risks relating to internal controls and financial risk and the steps management is taking to monitor and mitigate these risks.
- m. Oversee the Company's compliance program with respect to legal and regulatory requirements, including the Company's codes of conduct, and oversee the Company's policies and procedures for monitoring compliance.
- n. Review related person transactions, as defined in applicable SEC rules, and establish policies and procedures for the review, approval and ratification of related person transactions.
- o. Establish and oversee procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- p. Establish policies for the hiring of employees and former employees of the outside auditor.
- q. Annually evaluate the performance of the Committee and assess the adequacy of the Committee charter.

### **Outside Advisors**

The Committee will have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its functions and will receive appropriate funding, as determined by the Committee, from the Company for payment of compensation to any such advisors and for the payment of ordinary administrative expenses that are necessary or appropriate in carrying out the Committee's duties.

### **Meetings**

The Committee will meet at least quarterly, either in person or telephonically, and at such times and places as the Committee determines. The Committee will meet separately in executive session, periodically, with each of management, the principal internal auditor of the Company, the outside auditor and if the Company employs a general counsel, the general counsel. The Committee will report regularly to the full Board of Directors with respect to its activities. The majority of the members of the Committee constitutes a quorum.