

ESCALADE, INCORPORATED

AUDIT COMMITTEE CHARTER

Approved by the Board of Directors on July 25, 2003

I. MEMBERSHIP AND QUALIFICATIONS

Members; Chairperson. The members of the Committee are appointed annually by the Board of Directors of Escalade, Incorporated (the "Company") on the recommendation of the entire Board. The members shall serve until their successors are duly elected and qualified by the Board. The Board determines the number of members in the Committee from time to time, but the number will not be less than the minimum number prescribed by applicable law, by requirements applicable to issuers listed on The Nasdaq National Market, or such other exchange or system upon which the Company's securities are listed, quoted and/or traded ("Nasdaq"). In no event will such number of members be less than three (3). The Board will appoint one of the members of the Committee to serve as Committee Chair. The Committee may also appoint a Secretary, who need not be a Director.

Independence; Qualifications. Committee members must fully satisfy independence and experience requirements as prescribed by Nasdaq, Section 10A of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission ("SEC"). At least one member of the Committee shall be an "audit committee financial expert" as defined by the rules of the SEC, and all members of the Committee shall have a strong level of accounting or financial acumen able to read and understand fundamental financial statements at the time of their appointment to the Committee. No member of the Committee may be an "affiliated person" of the Company or any of its subsidiaries (as defined in the federal securities laws) nor may any member of the Committee simultaneously serve on the audit committee of more than two other public companies. Director's fees are the only compensation that a Committee member may receive directly or indirectly from or on behalf of the Company.

Term. Members of the Committee shall serve until their successors are duly elected and qualified by the Board. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

Meetings. The Committee shall meet at least four times annually.

II. PURPOSE OF THE COMMITTEE

The Committee's primary purpose is to:

AUDIT COMMITTEE CHARTER

- Provide assistance to the Board by monitoring:
 - 1) the integrity of the financial statements of the Company,
 - 2) the independent auditors' qualifications and independence,
 - 3) the performance of the Company's and its subsidiaries' internal audit function and independent auditors,
 - 4) the Company's system of internal controls,
 - 5) the Company's financial reporting and system of disclosure controls, and
 - 6) the compliance by the Company with legal and regulatory requirements and with other policies and procedures established by the Company; and
- Prepare the Committee report required by the rules of the SEC to be included in the Company's annual proxy statement.

The Committee is directly and solely responsible for the appointment, compensation, and oversight of the work of the independent auditor (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Committee. The Committee has the sole power to retain or terminate the Company's independent auditor and has the ultimate authority to approve all audit fees and terms.

The Committee's job is one of oversight as set forth in this charter. It is not the duty of the Committee to prepare the Company's financial statements, to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP"). Nor is it the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and other Company policies and rules. The Company's management is responsible for preparing the Company's financial statements and for maintaining internal controls, and the independent auditors are responsible for auditing the financial statements.

AUDIT COMMITTEE CHARTER

III. RESPONSIBILITIES OF THE COMMITTEE

A. *Charter Review*

- Review and reassess the adequacy of this charter at least annually and recommend to the Board any proposed changes to this charter; and
- Publicly disclose the charter and any such amendments at the times and in the manner as required by the SEC and/or any other regulatory body or stock exchange having authority over the Company.

B. *Financial Reporting / Internal Controls*

- Review and discuss with the independent auditors their respective annual audit plans, reports and the results of their audits;
- Review and discuss with management and the independent auditors the Company's annual and quarterly financial statements, including significant changes in accounting principles or their application, disclosure under the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and management's certification of such statements. Based on the Committee's review and discussions, recommend to the Board that the quarterly and annual financial statements be included in the Corporations Form 10-Q and Form 10-K filings, respectively;
- Review and discuss with management and, where appropriate, the independent auditors, the Company's financial disclosures in its registration statements, press releases, earnings releases, current reports, real time disclosures, call reports or other public disclosures.
- Discuss with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, the development, selection and disclosure of critical accounting estimates and principles and the use thereof, and analyses of the effect of alternative assumptions, estimates, principles or generally accepted accounting principles ("GAAP") methods on the Company's financial statements;
- Discuss with management and the independent auditors the effect of regulatory and accounting initiatives on the Company's financial statements, conditions or results and any necessary disclosures related thereto;
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such

AUDIT COMMITTEE CHARTER

exposures, including the Company's risk assessment and risk management policies;

- Review with the Company's independent auditors their reports on the annual and quarterly financial statements and all communications required of the independent auditors including their assessment and judgment as to the quality of the Corporation's accounting policies and disclosures;
- Ensure that the Company's independent auditors shares with the Committee all material written communication between the auditors and management;
- Discuss with the Company's independent auditors and management their assessments of the adequacy of the Company's internal controls and disclosure controls and procedures and determine that management is resolving any internal control weaknesses in a diligent manner;
- Monitor the Company's progress in promptly addressing and correcting any and all identified weaknesses or deficiencies in financial reporting, internal controls or related matters;
- Receive periodic reports from the independent auditors and appropriate officers of the Company on significant accounting or reporting developments proposed by the Financial Accounting Standards Board or the SEC that may impact the Company; and
- Receive periodic reports from independent auditors and appropriate officers of the Company on significant financial reporting, internal controls or other related matters of the Company's subsidiaries.

C. Independent Auditors

- Hire, fire, compensate, review and oversee the work of the independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting);
- Review the experience, rotation and qualifications of the senior members of the independent auditors' team;
- Monitor the independence, qualifications and performance of the independent auditors by, among other things:
 - 1) Obtaining and reviewing a report from the independent auditors at least annually regarding (a) the independent auditors' internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by

AUDIT COMMITTEE CHARTER

governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the same, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditors and the Company;

- 2) Evaluating the qualifications, performance and independence of the independent auditors, including considering whether the auditors' quality controls are adequate and whether the provision of any non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and the internal auditors;
 - 3) Establishing and overseeing restrictions on the actions of directors, officers, or employees of the Company in illegally influencing, coercing, manipulating or misleading the Company's independent auditors;
 - 4) Determine that appropriate personnel rotations have occurred to maintain and enhance independence;
 - 5) If so determined by the Committee, taking additional action to satisfy itself of the qualifications, performance and independence of the auditors.
- Meet with the independent auditors prior to each annual audit to discuss the planning and staffing of the audit;
 - Pre-approve all auditing services and permitted non-audit services to be performed for the Company by the independent auditors or any other auditing or accounting firm;
 - Establish and maintain hiring policies for employees or former employees of independent auditors who participated in any capacity in an audit of the Company; and
 - Ensure that the independent auditors have access to all necessary Company personnel, records or other resources.

AUDIT COMMITTEE CHARTER

D. Internal Audit Function

- Review and oversee the Company's internal audit functions and ensure that qualified personnel are assigned;
- Review internal audit plans and assess whether they are consistent with the Company's needs;
- Review and discuss with the appropriate personnel, the reports prepared, the control risk assessment of the work, and management's responses;
- Discuss with the independent auditors the planned scope of the internal audit; and
- Ensure that assigned personnel have access to all necessary Company resources.

E. Compliance Oversight

- Discuss with management and the internal auditors the Company's processes regarding compliance with applicable laws, regulations, and the Company's corporate governance policies and procedures; obtaining reports from management. From time to time advise the Board of Directors with respect to the same and obtain from the independent auditors any reports required to be furnished to the Committee under the Exchange Act or an assurance that the Exchange Act has not been implicated;
- Review procedures designed to identify related party transactions that are material to the financial statements or otherwise require disclosure;
- Establish procedures for the Committee to receive, retain and respond to anonymous complaints regarding the preparation of financial statements, accounting, internal controls, and auditing matters;
- Discuss with management any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies or compliance with the Company's corporate governance policies and procedures; and
- Discuss with the outside counsel and with responsible persons within the Company legal matters that may have a material impact on the financial statements and that may have an impact on the Company's compliance policies.

AUDIT COMMITTEE CHARTER

F. General

- Meet as often as the Committee or the Committee Chair determines, but not less frequently than quarterly;
- On a regular basis, as appropriate, meet separately with management (especially the Chief Financial Officer and with the independent auditors);
- Report to the Board on the Committee's activities at each Board meeting;
- Maintain minutes or other records of the Committee's meetings and activities;
- Review and assess the quality and clarity of the information provided to the Committee and make recommendations to management and the independent auditors as the Committee deems appropriate from time to time for improving such materials;
- Form and delegate authority to subcommittees or members when appropriate;
- Prepare the audit committee report to be included in the Company's proxy statement when and as required by the rules of the SEC; and
- Annually review the performance of the Committee.

IV. FUNDING; OTHER ADVISORS AND RELIANCE

Authority to Engage Third Parties; Funding. The Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Committee shall also have the authority, to the extent it deems necessary or appropriate, to ask the Corporation to provide the Committee with the support of one or more Corporation employees to assist it in carrying out its duties. The Corporation shall provide for appropriate funding, as determined solely by the Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any other advisors employed by the Committee. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel, independent auditors or other advisors to attend a meeting of the Committee or to meet with any members of, or consultant to, the Committee.

Reliance. In performing their duties and responsibilities, Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or employees of the Company whom the Committee member reasonably believes to be reliable and competent in the matters

AUDIT COMMITTEE CHARTER

presented;

- Counsel, independent auditors, or other persons as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person; or
- Another committee of the Board as to matters within its designated authority which committee the Committee member reasonably believes to merit confidence.