

**THE MIDDLETON DOLL COMPANY
AUDIT COMMITTEE CHARTER**

(As Amended and Effective as of March 22, 2007)

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of The Middleton Doll Company (the “Company”) will have the oversight responsibility, authority and specific duties described below. This Audit Committee Charter (this “Charter”), however, is not intended to, and does not create any legal or fiduciary duties or responsibilities or form the basis for a breach of fiduciary duty or potential liability if not complied with.

COMPOSITION

The Committee will be comprised of two or more directors as determined by the Board. The members of the Committee will meet the independence and experience requirements of The NASDAQ Stock Market LLC (“Nasdaq”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”), as such requirements and rules and regulations are in effect from time to time, and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee will be able to read and understand fundamental financial statements, and at least one member of the Committee will have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background that results in such member being financially sophisticated. In addition, the Company will endeavor, to the extent possible, to have at least one member of the Committee who has accounting or management experience sufficient to qualify as an “audit committee financial expert” under the rules and regulations of the SEC, as such rules and regulations are in effect from time to time. The members of the Committee will be elected annually at a meeting of the full Board and shall serve until their successors are duly elected and qualified. In accordance with applicable rules and regulations of the SEC, the Company will list the members of the Committee in its annual report on Form 10-K or Form 10-KSB, as the case may be, and/or in its annual proxy statement. One of the members of the Committee will be elected Committee Chair by the Board.

RESPONSIBILITY

The Committee is a part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the annual financial information to be provided to shareholders and the SEC; (ii) the system of internal controls that management has established; (iii) the internal and external audit process; and (iv) the Company’s auditing, accounting and financial reporting processes generally. In addition, the Committee provides an avenue for communication between the independent accountants, management and the Board. The Committee should have a clear understanding with the independent accountants that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent accountants is to the Committee. The Committee will make regular reports to the Board concerning its activities.

The Committee has direct responsibility for the appointment, compensation and oversight of the work of the independent accountants (including resolution of disagreements between management and the independent accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent accountants shall report directly to the Committee. The Committee shall have the sole power to: (a) approve all related-party transactions, in accordance with the rules and regulations of any national securities exchange, to the extent applicable, and as such rules and regulations are in effect from time to time; (b) hire and fire the independent accountants, based on the Committee's judgment of the independent accountants' independence and effectiveness, as well as approve all fees and engagement terms; (c) resolve any disagreement between management and the independent accountants; (d) pre-approve all auditing services in accordance with applicable law or regulation; and (e) pre-approve all permissible non-audit services performed by the independent accountants in accordance with applicable law or regulation, subject to any de minimis exception that may be provided by applicable law or regulation. The Committee will not approve any of the "prohibited activities" identified in Section 10A(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and permitted non-audit services. Any decision by such member or members to grant pre-approval shall be presented to the Committee at its next scheduled meeting.

While the Committee has the responsibilities and duties set forth in this Charter, the Committee's responsibilities and duties are of oversight in nature. The primary responsibility for the Company's financial reporting, disclosure controls and procedures and internal control over financial reporting rests with management, and the Company's independent accountants are responsible for auditing the Company's financial statements. It is the responsibility of management and the independent accountants to bring to the attention of the Committee any failures, irregularities or other problems respecting the Company's financial reporting, disclosure controls and procedures and internal control over financial reporting.

AUTHORITY

In discharging its oversight role, the Committee is granted the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Committee, in its capacity as a committee of the Board, shall determine the appropriate funding that the Company shall provide for payments of: (a) compensation to any independent public accountant engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers employed by the Committee, as provided for above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. While the Committee is empowered to engage and compensate independent counsel, it is not expected to do so routinely. Rather, it is expected that the Committee will exercise such authority in response to specific circumstances where the Committee determines that such action is in the best interests of the Company and its shareholders.

MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Committee and/or any of these groups believe should be discussed privately.

ATTENDANCE

Committee members will strive to be present at all meetings. As necessary or desirable, the Committee Chair may request that members of management and representatives of the independent accountants be present at Committee meetings.

SPECIFIC DUTIES

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review with the Company's management and independent accountants the Company's accounting and financial reporting controls and management's responses with respect to recommendations for internal control improvements.
3. Review with the Company's management and independent accountants significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the independent accountants their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
4. Review the scope and general extent of the independent accountants' annual audit. The Committee's review should include an explanation from the independent accountants of the factors considered by the accountants in determining the audit scope, including the major risk factors. The independent accountants should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. Annually, the Committee will review and approve the fee arrangement with the independent accountants.
5. Discuss with the independent accountants, in accordance with the Exchange Act, prior to the filing of the independent accountants' audit report, (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information permissible under Generally Accepted Accounting Principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants; and (c) other material written communications between management and the independent accountants.
6. Inquire as to the independence of the independent accountants and obtain from the independent accountants, at least annually, a formal written statement delineating all

relationships between the independent accountants and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and actively engage in a dialogue with the independent accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants.

7. Have a predetermined arrangement with the independent accountants that they will advise the Committee through its Chair and management of the Company of any matters identified through procedures followed for interim quarterly financial statements, and that such notification as required under standards for communication with Audit Committees is to be made prior to the related press release or, if not practicable, prior to filing Forms 10-Q or Forms 10-QSB, as the case may be.
8. Review and discuss with management and the independent accountants the Company's earnings press releases, prior to their release, and the Company's quarterly financial results included in Forms 10-Q or Forms 10-QSB, as the case may be, and the results of the independent accountants' review of the quarterly financial statements, prior to filing Forms 10-Q or Forms 10-QSB.
9. At the completion of the annual audit, review with management and the independent accountants the following:
 - Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
 - Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent accountants during their audit, including access to all requested records, data and information. Inquire of the independent accountants whether there have been any disagreements with management.
 - Other communications as required to be communicated by the independent accountants by Statement of Auditing Standards ("SAS") 61 as amended by SAS 90 relating to the conduct of the audit. Further, receive a written communication provided by the independent accountants concerning their judgment about the quality of the Company's accounting principles, as outlined in SAS 61 as amended by SAS 90, and that they concur with management's representation concerning audit adjustments.
 - Review and discuss with management and the independent accountants the Company's annual audited financial statements to be included in the Company's annual report on Form 10-K or Form 10-KSB, as the case may be, prior to filing the annual report with the SEC, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operation" or "Management's Discussion and Analysis for Plan of Operation," as the case may be Based on (a) the Committee's review and discussion of the Company's annual

audited financial statements with management and the independent accountants, (b) the Committee's discussions with the independent accountants on their independence and the matters required to be discussed by SAS 61 as amended by SAS 90 and (c) such other factors and circumstances as are determined appropriate by the Committee, the Committee will recommend to the Board whether the annual audited financial statements should be included in the Company's annual report on Form 10-K or Form 10-KSB, as the case may be.

10. After preparation by management and review by independent accountants, approve the report required under SEC rules to be included in the Company's annual proxy statement.
11. Discuss with the independent accountants the quality of the Company's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent accountants to the Company's needs.
12. Meet with management and the independent accountants to discuss any relevant significant recommendations that the independent accountants may have, particularly those characterized as 'material' or 'serious.' Typically, such recommendations will be presented by the independent accountants in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent accountants and receive follow-up reports on action taken concerning the aforementioned recommendations.
13. Review disclosures made to the Committee by the Company's principal executive officer and senior financial officers (namely, the principal financial officer, the principal accounting officer, the controller and any other employee performing similar functions, collectively, the "Senior Officers") about (a) any significant deficiencies or weaknesses in the design or operation of the disclosure controls and procedures and internal control over financial reporting, including any significant deficiencies and material weaknesses that could adversely affect the Company's ability to record, process, summarize and timely report financial information as required by the SEC; (b) any fraud (whether or not material) involving management or other employees significantly involved with disclosure controls and procedures and internal control over financial reporting; (c) whether or not there were significant changes in disclosure controls and procedures and internal control over financial reporting or other factors that could significantly affect such controls; and (d) any action to fraudulently influence, coerce, manipulate or mislead the Company's independent accountants for the purpose of rendering the Company's financial statements materially misleading.
14. Select, evaluate, appoint and, where appropriate, replace the Company's independent accountants and determine the fees and other compensation to be paid to the independent accountants.
15. Ensure the rotation of the lead partner, the concurring review partner, the client service partner, and other "line" partners directly involved in the performance of the audit for the Company, as required by applicable law or regulation.

16. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent accountants who participated in any capacity in the audit of the Company.
17. Meet with the Company's outside counsel, when appropriate, to discuss legal matters that may have a significant impact on the Company's financial statements.
18. As the Committee may deem appropriate, obtain, weigh and consider expert advice as to applicable Audit Committee related rules of Nasdaq or any other applicable national securities exchange, Statements on Auditing Standards and other accounting, legal and regulatory provisions.
19. Provide an open avenue of communication among the Company's independent accountants, management and the Board.
20. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.