

RUSS BERRIE AND COMPANY, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

I. Purpose

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) to assist the Board in fulfilling its oversight responsibility by monitoring (1) the integrity of the financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements, (3) the independence, qualifications and performance of the Company’s independent auditors, (4) the performance of the Company’s internal audit function, (5) the investments made by the Company, and (6) any transactions between related parties (including, without limitation, officers, directors and principal shareholders) and the Company, other than normal and usual employment compensation arrangements with the Company.

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

II. Composition

The Committee shall be comprised of at least three directors appointed by the Board, each of whom shall be independent directors and 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. “Independence” for Committee members shall be as defined under both the Securities Exchange Act of 1934, as amended, and the New York Stock Exchange, as such definition may be amended from time to time. All members of the Committee shall be financially literate as determined by the Board in its business judgment and at least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualifications in its business judgment. In addition, at least one member of the Committee shall be a financial expert, as defined by the Securities and Exchange Commission. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Committee shall be elected by the Board at a meeting of the Board prior to the annual meeting of shareholders of the Company annually on the recommendation of the Nominating/Governance Committee and shall serve until their successors shall be duly elected and qualified. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Committee members may be replaced by the Board at any time, with or without cause.

III. Meetings

The Committee shall meet as often as the Board or Committee deem necessary; however, no less than once each fiscal quarter. In an effort to foster open communication, the Committee should meet at least annually with the Chief Financial Officer and other members of financial management, the Vice President of the internal auditing department and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet with the independent auditors and management quarterly to review the Company's financial statements (consistent with IV.2 and IV.4 below). The Committee shall make regular reports of its meetings to the Board and all actions of the Committee shall require affirmative vote of a majority of those members present at a meeting at which a quorum of the Committee, defined as a majority of the entire Committee, is present.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties the Committee shall:

Documents and Reports Review

1. Review, at least annually, and recommend any amendments to this Charter periodically as conditions dictate and submit to the Board for approval.
2. Meet to review and discuss with management and the independent auditor prior to issuance, (i) the Company's annual audited financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K, and if not, what corrective actions need to be taken to permit such inclusion, and (ii) any reports or other financial information submitted to the public, including any certification, report, opinion, or review rendered by the independent auditors.
3. Review the regular internal reports to management prepared by the internal auditing department and the independent auditor's recommendations, if any, for improvements to the internal control structure and management's response.
4. Review, and discuss with management and the independent auditor the earnings press releases (paying particular attention to any use of "pro-forma" or "adjusted," non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies, prior to issuance. Meet to review and discuss with management and the independent auditors the quarterly financial statements to be included in the Form 10-Q prior to its filings, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the results of the independent auditor's reviews of the quarterly financial statements.
5. Prepare the report of the Audit Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Independent Auditors

6. The Audit Committee shall have the sole authority to retain and replace the Company's independent auditors, and to approve, in advance, all audit engagement fees and terms, as well as all permitted (under the Securities Exchange Act of 1934, as amended) non-audit engagements with the independent auditors. On a periodic basis, but not less than on an annual basis, the Committee should review and evaluate the independent auditors' annual confirmation of its status as a registered public accounting firm and its independence, both as defined in the Sarbanes-Oxley Act of 2002, as amended from time to time, and discuss with the independent auditors all relationships the independent auditors have with the Company to determine whether such relationships effect the auditors' independence. The independent auditors are ultimately accountable to the Committee.
7. Review and evaluate the qualifications and performance of the independent auditors, including the lead partner of the independent auditor and the senior members of the independent auditor team. In making its evaluation, the Committee should take into account the opinions of management and the Company's internal auditors (or other personnel responsible for the internal audit function). The Committee should present its conclusions with respect to the independent auditor and report all actions taken with respect to the engagement or termination of the independent auditor to the full Board.
8. Periodically consult separately with each of management, internal auditors (or other personnel responsible for the internal audit function), and the independent auditors about internal controls, the completeness and accuracy of the Company's financial statements and any other issues warranting Committee attention.
9. Receive from the independent auditors any report required by Section 10A of the Securities Exchange Act of 1934, as amended, and, at least annually, where applicable, request from the independent auditors confirmation that no such report is required.
10. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61, "Communication with Audit Committees" as updated by SAS No. 90, "Audit Committee Communications" relating to the conduct of the audit.
11. Periodically, but at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, 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 firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
12. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating (i) the lead audit partner, (ii) the reviewing audit partner or (iii) the independent auditing firm on a regular basis, in case of (i) and (ii) above, after periods shorter than those required by law.
13. Set clear hiring policies for employees or former employees of the independent auditors.

14. Determine the appropriate level of funding from the Company for payment of (I) compensation (A) to the independent auditors engaged by the Company to prepare or issue an audit report or perform other audit, review or attest services for the Company and (B) to any advisors employed by the Committee as permitted hereunder and (II) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Financial Reporting Processes

15. In consultation with the independent auditors and the internal auditors, review the integrity of the Company's financial reporting processes, both internal and external.
16. Consider management's and the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
17. Review and discuss (and approve, where appropriate) with management and the independent auditor (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the development, selection and disclosure of critical accounting estimates, and analysis of the effects of alternative assumptions, estimates or GAAP methods on the financial statements; and (iii) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the financial statements of the Company. Consider and review the impact of changes to auditing standards or practices and their impact on the audit scope or strategy, if any, with the independent auditors.
18. Review and discuss periodically with management the Company's major financial risk exposures, the steps taken to monitor and control such exposures and policies with respect to risk assessment and risk management.

Process Improvement

19. Establish regular and separate systems of reporting to the Committee by each of management, the independent auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
20. Following completion of the annual audit, review separately with each of management, the independent auditors and the internal auditing department any audit problems or difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to requested information and management's response.
21. Review with the independent auditor any significant disagreement among management and the independent auditors or the internal auditing department, including, but not limited to, any accounting adjustments that were noted or

proposed by the auditor but were “passed” (as immaterial or otherwise); any communications between the audit team and the audit firm’s national office respecting auditing or accounting issues presented by the engagement; and any “management” or “internal control” letter issued, or proposed to be issued, by the audit firm to the Company. The review should also include a discussion of the responsibilities, budget, and staffing of the Company’s internal audit function.

22. Review with the independent auditors, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
23. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Ethical and Legal Compliance

24. Review the systems that management has in place to ensure that the Company’s financial statements, reports and other financial information disseminated to governmental organizations, and the public, satisfy relevant legal requirements.
25. Review plans, activities, organizational structure, and qualifications of the internal audit department. Review the appointment and replacement of the senior internal auditing executive.
26. Review with the Company’s General Counsel any legal matter that could have a significant impact on the Company’s financial statements, the Company’s compliance policies, including corporate securities trading policies, and any material reports or inquiries received from regulators or governmental agencies.
27. Report regularly to the Board, including a review with the Board of any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors, or the performance of the internal audit function.
28. Obtain reports from management, the Company’s senior internal auditing executive and the independent auditor that the Company and its subsidiaries/foreign affiliated entities are in conformity with applicable legal requirements. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company’s policies and procedures regarding compliance with applicable laws and regulations.
29. Discuss with management and the independent auditors 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.
30. Conduct an annual performance evaluation of the Committee.

31. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits in accordance with generally accepted auditing standards or to determine that the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of management and the independent auditors. The Committee, however, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm (including the resolution of disagreements between management and the independent auditors regarding financial reporting) employed for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the Committee.