

**CTI INDUSTRIES CORPORATION
AUDIT COMMITTEE CHARTER
(Amended and Restated)**

As Approved by the Board of Directors on April 27, 2007

Organization

There shall be a committee of the Board of Directors of CTI Industries Corporation (the "Company") to be known as the Audit Committee. This charter ("Charter") shall govern the organization and operation of the Audit Committee.

Purpose

The purpose of the Audit Committee established pursuant to this Charter is to perform general oversight of the accounting and financial reporting processes of the Company, including its subsidiaries, and the audits of the financial statements of the Company. The Audit Committee shall assist the Board of Directors of the Company in fulfilling its oversight responsibilities relating to (a) the quality and integrity of the Company's fmancial information provided to shareholders and others, (b) the Company's internal control systems and disclosure controls established by management and the Board, (c) the audit process and (d) the qualifications, independence and performance of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company ("independent auditors").

In addition, the Audit Committee shall have the authority to undertake the specific duties and responsibilities listed below and the authority to undertake such other specific duties as the Board of Directors from time to time may prescribe.

Membership

The Audit Committee of the Board of Directors shall consist of at least three (3) members of the Board of Directors. The members of the Audit Committee shall be appointed by, and serve at the discretion of, the Board of Directors. Each member of the Committee shall meet the independence, financial literacy and other requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the listing standards of The Nasdaq Stock Market, Inc. ("Nasdaq") and related rules and regulations. At least one member of the Committee shall qualify as an audit committee financial expert within the meaning of the Exchange Act and the rules and regulations adopted thereunder.

Responsibility With Respect to Independent Auditors

The Audit Committee shall have the ultimate responsibility for the appointment, compensation, retention and oversight of the work of the Company's independent auditors. The Audit Committee shall have the authority and responsibility to select, evaluate, approve the compensation of and, where

appropriate, replace the independent auditors. The Audit Committee has the sole responsibility for executing engagement letters with external auditors. The Audit Committee shall communicate to management and the auditors that (i) they shall work together and cooperate with regard to financial reporting, (ii) maintain an open communication among each of the Audit Committee, management and the auditors and (iii) be responsive each to the other in the performance of their duties and services to the Company. The Audit Committee shall assure open communication to management, and with the independent auditor, including any and all communications of the independent auditor to the Audit Committee related to management performance.

Additional Specific Responsibilities

In addition to, and in furtherance of, the foregoing responsibilities, the Committee shall:

- Review on a periodic basis the adequacy of the Company's system of internal controls, policies and procedures and approve the Company's policies relating to internal controls and protection of assets;
- Take appropriate action to oversee the independence of the independent auditors, including a review and approval of their audit and non-audit fees. The Audit Committee shall obtain from the independent auditors a formal written statement delineating all relationships between such auditors and the Company, consistent with Independence Standards Board Standard 1, and shall actively engage in a dialogue with such auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors.
- Review with the independent auditors the following:
 - a) The annual audit scope and audit testing plan;
 - b) The Company's annual audited financial statements and quarterly financial statements, including the results of any audit or review of those financial statements, including a post-audit review of the audit findings (including any significant suggestions for improvements provided to management by the independent auditors), the form and content of the Company's financial statements and disclosures and the required communications from the independent auditors under generally accepted auditing standards and any applicable Securities and Exchange Commission ("SEC") regulations;
 - c) The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and the disclosures in management's discussion and analysis of the Company's financial condition and results of operations therein; quarterly and annual earnings press releases and information prepared by the Company for its regular public conference telephone calls concerning its earnings and results of operations in the context of information provided to the Audit Committee and the Board;

- d) The independent auditors' comments, reports or attestations on the adequacy of the Company's internal controls and significant findings and recommendations or issues resulting from the audit or review thereof and management's response;
- e) Matters related to the conduct of the audit that are required to be communicated to the Audit Committee under generally accepted auditing standards;
- f) Accounting considerations arising from changes in generally accepted accounting principles ("GAAP"), matters related to changes in accounting principles and financial statement presentation or the Company's operations;
- g) The performance and qualifications of the Company's financial personnel.
- h) Any material disagreements that may arise between the Company's management and its independent auditors;
- i) All critical accounting policies and practices to be used by the Company; all alternative treatments of financial information within GAAP that have been discussed by the independent auditors with management, ramifications of the use of such alternative treatments and the treatment preferred by the independent auditors; other material written communications between the independent auditors and the Company's management, such as any management letter or schedule of unadjusted differences; and any analyses of the independent auditors' judgment as to the quality of the Company's accounting principles, including significant reporting issues and judgments made in connection with the preparation of the financial statements; and
- j) The independent auditors' judgments as to the quality, not just the acceptability, of the Company's accounting principles and such matters as are required to be discussed with the Committee under generally accepted auditing standards.
- Recommend to the Board whether the Company's annual financial statements should be included in the Annual Report on Form 10-K.
- Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee may retain independent counsel, accountants or others to assist in the conduct of any such investigation, without approval being required by the Board or management.
- Establish and implement policies and procedures for pre-approval of all services provided by the Company's independent auditors, including both audit and permissible non-audit services, and disclose all non-audit services authorized by the Audit Committee as required by applicable regulations. The

following categories of services for the Company may not be performed by the Company's independent auditors under any circumstances (whether or not pre-approved by the audit committee) contemporaneously with any audit by such independent auditors. These services include: (i) bookkeeping; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, (iv) fairness opinions, or contribution-in-kind reports; (v) actuarial services; (vi) internal audit outsourcing services; (vii) management or human resources services; (viii) broker or dealer, investment adviser or investment banking services; and (ix) legal services and expert services unrelated to the audit.

- Obtain at least annually and review a report by the independent auditors describing the independent auditors' internal quality control procedures, any material issues raised by the most recent internal quality review or peer review of the independent auditors or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits conducted by the independent auditors and any steps taken by the independent auditors to deal with any such issues
- Review and approve all "related party" transactions as required to be disclosed pursuant to Item 404 of Regulation S-K and as otherwise defined by the Audit Committee.
- Review the Audit Committee Report to be included in the Company's Proxy Statement.
- Provide a forum for the independent auditors to meet in closed session with the Committee; provided that the substance of any material communication relating to management at any such session shall be communicated to and reviewed with management.
- Review with senior management and the independent auditors the Company's accounting and financial personnel resources;
- Review, and oversee the resolution of, any disagreement between management and the independent auditors and, if appropriate, making recommendations with respect thereto to the Board;
- Establish procedures for receipt, retention and treatment of complaints about accounting, internal control or auditing matters, including procedures for the confidential, anonymous submission of employee concerns about questionable accounting, material control or auditing matters; discuss and evaluate any complaints or concerns received, and authorize such responses and follow-up actions, if any, as it deems necessary and appropriate.
- Perform such other duties as the Board of Directors may delegate to it, or as the Audit Committee may deem necessary or advisable in order to perform its responsibilities under this Charter or rules and regulations applicable to the Company's Audit Committee.

Meetings

The Audit Committee will meet at least four times each year at the call of the Audit Committee Chair. However, the Audit Committee may establish its own schedule. Each meeting shall include an executive session at which no member of management of the Company is present.

The Audit Committee shall meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company. The Audit Committee shall meet with the independent auditors of the Company, at such times as it deems appropriate, to review the independent auditors' examination and management report.

The Audit Committee is authorized, by majority vote or unanimous written consent of its members, to adopt its own rules of procedure, including the formalities of calling, noticing and holding meetings and for the taking of action of the Audit Committee by vote at any such meeting or by unanimous written consent of the members thereof. Unless and until any such procedures are formally adopted by the Audit Committee, the procedures with respect to calling, noticing and holding meetings of the Audit Committee and conducting business of the Audit Committee shall be the same as those provided in the By-laws of the Company with respect to calling, noticing and holding meetings of and taking action by the Board.

Reports

The Audit Committee may present its reports or recommendations to the Board in written or oral form. The Audit Committee's recommendations shall be incorporated as a part of the minutes of the Board meeting at which those recommendations are presented.

Minutes

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

Other

The Audit Committee, in its sole discretion, shall have the authority, as and when it shall determine to be necessary or appropriate to the functions of the Audit Committee:

- At the Company's expense and not at the expense of the members thereof, to retain independent counsel (which may be, but need not be, the regular corporate counsel to the Company) and other advisors to assist it in connection with its functions;
- At the Company's expense and not at the expense of the members thereof, to incur ordinary administrative expenses that are necessary or appropriate in

carrying out its duties; and

- To request, and to rely upon, advice, orally or in writing, from the Chief Executive Officer and the Chief Financial Officer of the Company and from any representative of the independent auditors to the Company participating in such independent auditors' engagement by the Company, concerning aspects of the operation or financial condition of the Company relevant to the functions of the Audit Committee.

The officers of the Company are requested to cooperate with the Audit Committee and to render assistance to it as it shall request in carrying out its functions.

Limitation of Audit Committee Responsibility

In adopting this Charter, the Board acknowledges that it is not the responsibility of the Audit Committee to prepare the Company's financial statements, plan or conduct audits of those financial statements, or determine whether those financial statements are complete and accurate and conform to GAAP and applicable rules and regulations. These tasks are the responsibility of management and the Company's independent auditors.

Delegation

To the extent consistent with law and the listing standards of NASDAQ, the Audit Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Audit Committee. Delegation of such responsibilities shall not relieve the Audit Committee from its responsibilities for ensuring the faithful performance of its duties.

Annual Reviews

The Audit Committee will review and reassess the adequacy of this Charter on at least an annual basis and will report to the Board the results of such review and reassessment. At least annually, the Audit Committee will conduct an evaluation of its performance to determine whether it is functioning effectively.