

## **AUDIT COMMITTEE CHARTER**

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Digimarc Corporation (the "Company") is responsible for overseeing the quality and integrity of the accounting, auditing, and financial reporting practices of the Company, the audits of the financial statements of the Company, and such other duties as directed by the Board. The Committee's role includes a particular focus on the qualitative aspects of financial reporting to stockholders, on the Company's processes to manage business and financial risk, and on compliance with significant applicable legal, ethical, and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the registered public accounting firm (the "independent auditor") (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged to prepare or issue an audit report on the financial statements of the Company or perform other audit, review or attest services for the Company.

### **MEMBERSHIP**

The membership of the Committee shall consist of at least three directors who satisfy the independence requirements of Nasdaq, applicable laws, and the rules and regulations of the SEC and who are able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member shall (i) have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in the individual's possessing the requisite financial sophistication, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities, and (ii) be an "audit committee financial expert" as that term is defined by the SEC. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent Audit Committee Charter judgment in carrying out the responsibilities of a director. No member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Applicable laws and regulations shall be followed in evaluating a member's independence. Each member of the Committee as well as the chairperson of the Committee shall be appointed by the full Board.

### **COMMUNICATIONS/REPORTING**

The Company's independent auditor shall report directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor, the financial and legal personnel of the Company, and the Company's management. This communication shall include regularly scheduled private executive sessions with each of these parties. The Committee chairperson shall report on Committee activities to the full Board.

### **EDUCATION**

The Company is responsible for providing the Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the

Company and other material as may be requested by the Committee. The Company shall assist the Committee in maintaining appropriate financial literacy.

## **AUTHORITY AND FUNDING**

In discharging its oversight role, the Committee is empowered to conduct or authorize investigations of any matter brought to its attention and the Committee has the authority to engage, at the Company's expense, independent counsel or other advisors, as it determines necessary to carry out its duties. The Committee is empowered to cause the Company to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **RESPONSIBILITIES**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Checklist, set forth in Attachment A to this Charter. The responsibilities checklist will be updated annually to the extent necessary, to reflect changes in regulatory requirements, authoritative guidance, and Audit Committee Charter evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this Charter.

In addition, the Committee shall review the policies and procedures adopted by the Company to fulfill its responsibilities regarding the fair and accurate presentation of financial statements in accordance with generally accepted accounting principles and applicable rules and regulations of the SEC and Nasdaq.

To facilitate the performance of the Committee, from time to time the Board may delegate to the Committee Chairman the authority and responsibility to act on behalf of the Committee, including the authority to act in certain circumstances pursuant to the "Audit and Non-Audit Services Pre-Approval Policy," set forth in Attachment B to this Charter.

Additionally, the Committee has the authority and responsibility to perform the activities of a Qualified Legal Compliance Committee pursuant to the Qualified Legal Compliance Committee Responsibilities set forth in Attachment C to this Charter.

The Committee relies on the expertise and knowledge of management of the Company and the independent auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing the Company's financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles, to assure compliance with laws and regulations or the Company's internal policies, procedures, and controls or to guarantee the independent auditor's reports.

The Board and the Committee are in place to represent the Company's shareholders. Accordingly, the independent auditor is ultimately accountable to the Board and the Committee.

At least annually, the Audit Committee shall evaluate its own performance and report on such evaluation to the Board.

Adopted: July 30, 2008, amended February 22, 2011

**ATTACHMENT A**

**AUDIT COMMITTEE RESPONSIBILITIES CHECKLIST**

**WHEN PERFORMED  
Audit Committee Meetings**

		Winter	Spring	Summer	Fall	A/N*
1	The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or other advisors to assist it as it determines necessary to carry out its duties.					X
2	The Committee shall meet no fewer than four times a year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.	X	X	X	X	X
3	The agenda for Committee meetings will be prepared in consultation between the Committee chair (with input from the Committee members), Finance management, the General Counsel and the independent auditor.	X	X	X	X	X
4	The Committee will provide an open avenue of communication between the independent auditor, Finance management and the Board of Directors. The Committee will report actions to the Board of Directors with such recommendations as the Committee may deem appropriate.					X
5	The Committee will review the Audit Committee Charter and the Audit Committee Responsibilities Checklist annually and update them as necessary.				X	
6	The Committee will provide a report in the Company's proxy statement in accordance with the requirements of the Securities and Exchange Commission ("SEC").		X			
7	The Committee will post the Audit Committee Charter on the Company's website and provide the disclosure required by SEC regulations regarding such posting in the Company's proxy statement.					X
8	The Committee will appoint, retain, approve the compensation of, and provide oversight of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.	X	X	X	X	
9	The Committee will review and advise on the appointment or change of key personnel in Finance management.					X
10	The Committee will confirm annually the independence of the independent auditor, and quarterly review the firm's non-audit services and related fees. The Committee shall require that the independent auditor at least annually provide a formal written	X	X	X	X	

	statement delineating all relationships between the independent auditor and the Company consistent with the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Committee concerning independence and request information from the independent auditor and management of the Company to determine the presence or absence of a conflict of interest. The Committee shall actively engage the auditors in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors. The Committee shall take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the auditors.					
11	The Committee will verify the Committee consists of a minimum of three members who are financially literate, including at least one member who has financial sophistication and expertise in accordance with applicable regulations and listing standards.	X				
12	The Committee will review the independence of each Committee member based on Nasdaq, SEC and other applicable rules.	X				
13	The Committee will inquire of Finance management, the General Counsel, and the independent auditor about significant financial risks or exposures and assess the steps management has taken to minimize such risks and exposures to the Company, including the Company's risk assessment and risk management policies, and the Committee will also inquire of Finance management, the General Counsel, and the independent auditor about the effect or potential effect of any regulatory regime, accounting initiatives or off-balance sheet structures on the Company's financial statements. The Committee will review and discuss with management and the independent auditors the Company's policies and procedures with respect to risk assessment and risk management.	X	X	X	X	X
14	The Committee will review with the independent auditor and Finance management the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Company.	X				
15	The Committee will consider and review with the independent auditor, Financial management and the General Counsel: a. The adequacy of the Company's internal controls including computerized information system controls and security, as well as management's assessment of the effectiveness of internal control over financial reporting and the related auditor's attestation report. b. Any related significant findings and recommendations of the independent auditor together with management's responses thereto.			X		X
16	The Committee will review with Finance management any significant changes to GAAP	X	X	X	X	

	and/or related policies or standards.					
17	The Committee will review with Finance management and the independent auditor at the completion of the annual audit: a. The Company's annual financial statements and related footnotes. b. The independent auditor's audit of the financial statements and its report thereon. c. Any significant changes required in the independent auditor's audit plan. d. Any difficulties or disputes with management encountered during the course of the audit. e. Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards. f. Any deficiency in, or suggested improvement to, the procedures or practices employed by the Company as reported by the independent auditor in its annual management letter.	X				X
18	Based upon the review and discussion of the annual financial statements and related footnotes with Finance management and the independent auditor, the Committee shall, if appropriate, recommend to the Board that the annual financial statements and related footnotes be included in the Company's annual report on Form 10-K.	X				
19	The Committee will review with the management and the independent auditor at least annually the Company's critical accounting policies, alternative treatments of financial information and other material written communications between the independent auditor and management.	X				X
20	The Committee will consider and review with Finance management and the General Counsel: a. Significant findings during the year and management's responses thereto. b. Any difficulties encountered in the course of the independent auditor's reviews, including any restrictions on the scope of their work or access to required information. c. Any changes required in planned scope of the independent auditor's review.					X
21	The Chairman and a quorum of the Audit Committee will participate in an in-person or telephonic meeting among Finance management and the independent auditor prior to issuing an earnings release.	X	X	X	X	
22	The Committee will review the periodic reports of the Company with Finance management, the General Counsel and the independent auditor prior to filing of the reports with the SEC.	X	X	X	X	
23	In connection with each periodic report of the Company, the Committee will review: a. Management's disclosure to the Committee under Section 302 of the Sarbanes-Oxley Act. b. The contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act.	X	X	X	X	X
24	The Committee will review filings (including interim reporting) with the SEC and other	X	X	X	X	X

	published documents containing the Company's financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements before it is filed with the SEC or other regulators.					
25	The Committee will monitor the appropriate standards adopted as a code of conduct as it relates to financial personnel and as the code of ethics for financial personnel, and review with Finance management and the General Counsel the results of the review of the Company's activities to monitor compliance with such standards and its compliance policies.	X				X
26	The Committee will review legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.					X
27	The Committee will meet with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believes should be discussed privately with the Committee.	X	X	X	X	
28	The Committee will meet with the General Counsel in executive sessions to discuss any matters that the Committee or the General Counsel believe should be discussed privately with the Audit Committee.					X
29	The Committee will meet with Finance management in executive sessions to discuss any matters that the Committee or Finance management believe should be discussed privately with the Audit Committee.					X
30	The Committee will discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as modified or supplemented.	X	X	X	X	
31	The Committee shall pre-approve all auditing services (including the provision of comfort letters) and permissible non-audit services provided by the independent auditor to the Company, other than as may be allowed by applicable law.					X
32	The Committee will establish and review procedures for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.					X
33	The Committee will review a report from the independent auditor describing the firm's internal quality control procedures, and any material issues raised by the internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities.					X
34	The Committee shall perform all of the activities specified for a Qualified Legal Compliance Committee as set forth in Attachment C to the Committee Charter.	X	X	X	X	X
35	The Committee shall perform annually an evaluation of the Committee's performance	X	X	X	X	

	and report the results of the evaluation to the Board.					
36	The Committee will perform such other functions assigned by law, the Company's charter or bylaws, or the Board of Directors.					

A/N\* As Needed

**ATTACHMENT B****AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY****I. Statement of Principles.**

As contemplated by the Sarbanes-Oxley Act of 2002 and related SEC rules, and as provided in the Charter of the Audit Committee of the Board of Directors, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditor. In connection with such responsibilities, the Audit Committee is required to pre-approve the audit and permissible non-audit services performed by the Company's independent auditor. As part of the preapproval process, the Audit Committee shall consider whether the services to be performed by the auditor are consistent with the SEC's rules on auditor independence.

The Audit Committee shall pre-approve, by resolution, the type and amount of Audit, Audit-related, Tax and All Other Services to be performed by the Company's independent auditor. The term of such pre-approval is 12 months from the date of preapproval, unless otherwise specified in such resolutions. The Audit Committee shall adopt its pre-approval resolutions at least annually and may modify the types and amount of services as it determines in its discretion.

**II. Delegation.**

As contemplated by the Sarbanes-Oxley Act and applicable SEC rules, the Audit Committee hereby delegates to the Chairman of the Audit Committee the authority to approve the engagement of the independent auditor to provide audit or non-audit services as permitted by the Sarbanes-Oxley Act, to the extent that such audit or non-audit services are not pre-approved as set forth in this Policy and if such engagement is less than \$25,000.00. The Chairman shall report, for informational purposes only, any preapproval decisions to the full Audit Committee at its next scheduled meeting.

**III. Audit Services.**

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal control over financial reporting. The Audit Committee will monitor the Audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may pre-approve other Audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents, including comfort letters, issued in connection with securities offerings.

#### **IV. Audit-Related Services.**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. The Audit Committee shall pre-approve any Audit-related services, including, among others, due diligence services pertaining to potential business acquisitions and dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

#### **V. Tax Services.**

The Audit Committee shall pre-approve those Tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence and are not in connection with a transaction the sole purpose of which is impermissible tax avoidance. The Audit Committee may consult with management or its independent advisors, including counsel, to determine that the tax planning and reporting positions are consistent with this Policy.

#### **VI. All Other Services.**

The Audit Committee shall pre-approve all Other Services that the Audit Committee has reviewed and believes would not impair the independence of the auditor, that are consistent with the SEC's rules on auditor independence and that are not prohibited services.

#### **VII. Prohibited Services.**

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The independent auditors shall not provide any of these services to the Company or any other service the Audit Committee determines is impermissible by applicable law, rule or regulation.

#### **VIII. Pre-Approval Fee Levels or Budgeted Amounts.**

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Audit Committee and reviewed as the Audit Committee deems appropriate. Any proposed services exceeding these levels or amounts

will require specific pre-approval by the Audit Committee, or its designee pursuant to Section II hereof. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee shall consider the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services, and the total amount of fees for services classified as Other Services.

#### **IX. Procedures.**

All requests or applications for services to be provided by the independent auditor will be submitted to the Chief Financial Officer and shall include a description of the services to be rendered. The Chief Financial Officer will determine whether such services are included within the list of services that have been pre-approved by the Audit Committee. The Audit Committee will be informed on a periodic basis of the services rendered by the independent auditor. The Chief Financial Officer shall consult as necessary with the Chairman of the Audit Committee in determining whether any particular service has been pre-approved by the Audit Committee.

The Audit Committee has designated the Chief Financial Officer to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this Policy. The Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of such monitoring. The Chief Financial Officer will immediately report to the Chairman of the Audit Committee any breach of this Policy that comes to the attention of the Chief Financial Officer.

EXHIBIT 1  
PROHIBITED NON-AUDIT SERVICES

Bookkeeping or other services related to the accounting records or financial statements of the audit client  
Financial information systems design and implementation  
Appraisal or valuation services, fairness opinions or contribution-in-kind reports  
Actuarial services  
Internal audit outsourcing services  
Management functions  
Human resources  
Broker-dealer, investment adviser or investment banking services  
Legal services  
Expert services unrelated to the audit