

Digimarc Corporation
Cash Flow Information
(in thousands)
(Unaudited)

	Three Month Information		Twelve Month Information	
	Successor	Successor	Successor	Successor / Predecessor *
	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Twelve Months Ended December 31, 2009	Twelve Months Ended December 31, 2008
Cash flows from operating activities:				
Net income (loss)	\$ (583)	\$ (324)	\$ (2,757)	\$ 1,491
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	164	129	589	766
Stock-based compensation expense	666	532	2,444	1,445
Net loss from joint ventures	380	-	691	-
Increase (decrease) in allowance for doubtful accounts	-	-	-	(43)
Other non-cash charges	-	-	-	405
Changes in operating assets and liabilities:				
Trade and unbilled accounts receivable, net	(543)	(260)	269	(44)
Other current assets	129	(300)	3	(488)
Other assets, net	(125)	20	(283)	(63)
Accounts payable and other accrued liabilities	277	111	122	472
Accrued payroll and related costs	(8)	(1,612)	196	(157)
Accrued merger related costs	(19)	(1,520)	(261)	386
Deferred revenue	602	23	(112)	(311)
Other liabilities	(35)	(26)	(122)	44
Net cash provided by (used in) operating activities	<u>905</u>	<u>(3,227)</u>	<u>779</u>	<u>3,903</u>
Cash flows from investing activities:				
Purchase of property and equipment	(86)	(52)	(460)	(875)
Capitalized patent costs	(221)	(261)	(842)	(448)
Investment in joint ventures	(550)	-	(1,100)	-
Sale or maturity of short-term investments	22,970	25,879	43,708	232,320
Purchase of short-term investments	(24,025)	(47,943)	(50,626)	(255,736)
Net cash provided by (used in) investing activities	<u>(1,912)</u>	<u>(22,377)</u>	<u>(9,320)</u>	<u>(24,739)</u>
Cash flows from financing activities:				
Cash from Parent stock activity	-	-	-	23,862
Net activity with Parent	-	-	-	(13,237)
Issuance of common stock	121	-	273	-
Purchase of common stock	(915)	-	(1,737)	-
Principal payments under capital lease obligations	-	(6)	(39)	(6)
Net cash provided by (used in) financing activities	<u>(794)</u>	<u>(6)</u>	<u>(1,503)</u>	<u>10,619</u>
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ (1,801)</u>	<u>\$ (25,610)</u>	<u>\$ (10,044)</u>	<u>\$ (10,217)</u>
Cash equivalents and marketable securities at beginning of period	\$ 43,532	\$ 49,458	\$ 45,912	\$ 32,713
Cash equivalents and marketable securities at end of period	42,786	45,912	42,786	45,912
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (746)</u>	<u>\$ (3,546)</u>	<u>\$ (3,126)</u>	<u>\$ 13,199</u>

* The financial information presented combines the periods through August 1, 2008, referred to as "carve-out" financial information from Old Digimarc's digital watermarking business, or predecessor, with the period August 2, 2008 through December 31, 2008 for Digimarc, or successor, to arrive at year-to-date totals for comparative purposes. The majority of the prior year operating results benefited from proportional allocations of various shared-services common costs of Old Digimarc.