

Bitstream Inc.

AUDIT COMMITTEE CHARTER

GENERAL

This charter governs the operations of the Audit Committee (the ‘Committee’). The Committee shall review and reassess the charter at least annually and submit any proposed amendments, thereto to the Board of Directors for approval. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company’s financial statements and the financial reporting process. The Committee reviews the Company’s accounting practices, internal accounting controls and financial results and oversees the engagement of the Company’s independent auditors. The Committee also oversees management’s performance of its responsibility for the integrity of the Company’s accounting and financial reporting and its systems of internal controls, the performance and qualifications of the independent auditor (including the independent auditor’s independence), and the Company’s compliance with legal and regulatory requirements.

The Audit Committee shall be appointed by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, unless otherwise determined by the Board of Directors and disclosed in the Company’s annual proxy statement. The Committee shall comprise at least three directors, each of who are “independent” within the meaning of Rule 4200(a)(15) of the National Association of Securities Dealers listing standards and any additional regulations or amendments thereto including those issued by the State of Delaware and the Securities and Exchange Commission (“SEC”). Audit Committee members shall have no relationship that may interfere with the exercise of their independence from management and the Company. All Committee members shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee and at least one member must have accounting or related financial management expertise, as such qualifications are interpreted by the Board of Directors. At least one member of the Audit Committee shall be an “audit committee financial expert”, as defined by the SEC rules. The compensation of the Audit Committee members shall be determined by the Board of Directors. No member of the Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board of Directors or one of its committees. The Board of Directors may remove members of the Audit Committee from such committee, with or without cause.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to the books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose. The Company shall provide appropriate funding as determined by the Committee to permit the Committee to perform its duties under this charter and to compensate any retained experts. In carrying out its oversight role, the Committee is relying on information provided by the Company’s management and its independent auditor. The Company’s management is responsible for preparing the Company’s financial statements and providing all required certifications relating to those financial statements and the Independent auditor is responsible for auditing those financial statements.

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee may meet with management and the independent auditor in separate executive sessions as it deems necessary. The Committee shall meet with the independent auditor and management to review the Company's financial statements and reports contained in the Company's annual and quarterly filings with the SEC. The Committee shall maintain written minutes of its meetings, which shall be filed with the minutes of the meetings of the Board of Directors.

RESPONSIBILITIES

Oversight of Independent Auditors

The Audit Committee shall be directly responsible for appointing, evaluating, retaining and terminating the engagement of the independent auditor. The independent auditor shall report directly to the Committee and the Committee shall review and approve their planned scope for the annual audit and shall oversee their audit work.

The Audit Committee, at least annually, shall assess the independent auditor's independence and shall obtain and review a report by the independent auditor describing all relationships between the auditor and the Company, including the disclosures required by Independence Standards Board Standard No. 1. The Committee shall engage in a dialogue with the independent auditor concerning any disclosed relationships or services that might impact the independence of the auditor. The Committee shall ensure the rotation, as required by applicable law or regulation, of the lead and or concurring-review partners of the independent auditor.

The audit Committee shall pre-approve all audit and permissible non-audit services to be performed by the independent auditors during the year, including any audit or audit related services to be performed by an auditor other than the Company's principal audit firm. The Audit Committee shall pre-approve services by authorizing specific projects. The Audit Committee Chair shall have the authority to address any requests for pre-approval of services between Audit Committee meetings, and the Chair must then report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

The Audit Committee, at least annually, shall review with management and the independent auditors the adequacy of the Company's internal controls and the application of accounting principles. The Committee shall review reports required to be made by the independent auditor regarding critical accounting policies and practices, alternative treatments within generally accepted accounting principles for policies and practices related to matters that have been discussed with the Company's management, and any other written communications between the independent auditor and the Company's management.

The Audit Committee, at least annually, shall review with the independent auditor any audit problems or difficulties encountered in the course of their audit work and management's response, including any restrictions on the scope of the independent auditor's activities or on access to requested information and any significant disagreements with management.

The Audit Committee, at least annually, shall review with the independent auditor any accounting adjustments that were noted or proposed by the auditor but were passed as immaterial or otherwise. The Committee shall also discuss with management and the independent auditor the significance and appropriateness of any significant judgments made by management in the preparation of the financial statements.

Oversight of Controls, Procedures, Legal Compliance and Ethics

The Audit Committee, shall review quarterly with management its evaluation of the Company's procedures and controls designed to ensure that information required to be disclosed in its periodic public reports is recorded, processed, and reported in such reports within the time periods specified by the SEC, and consider the necessity for any changes in light of management's evaluation of the effectiveness of such procedures and controls.

The Audit Committee shall establish and at least annually review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, and the confidential submission by employees of the Company of concerns regarding questionable accounting practices. The Committee shall adopt appropriate remedial procedures or actions necessary with respect to such complaints or concerns.

The Audit Committee shall review periodically and recommend amendments to the Company's Code of Business Conduct and Ethics and ensure prompt disclosure to the public of any changes approved by the Board of Directors.

The Audit Committee shall prepare the Committee's report required by the rules of the SEC to be included in the Company's annual proxy statement.

The Audit Committee shall review legal and regulatory matters that could have a material impact on the Company's financial statements or compliance policies periodically with the Company's General Counsel.