

**Insignia Systems, Inc.****AUDIT COMMITTEE CHARTER**

*Adopted on October 23, 1991; Last Amended on February 24, 2015*

**A. Purpose**

The Audit Committee (the "Committee") shall be responsible for assisting the Board of Directors in fulfilling its responsibility to the shareholders, potential shareholders, the investment community, and others by overseeing:

- the Company's financial statements and the financial reporting process;
- the systems of internal accounting and financial controls;
- the annual independent audit of the Company's financial statements;
- the independent auditor's qualifications and independence; and
- the Company's compliance with legal, ethical and regulatory requirements.

In fulfilling its purpose, the Committee shall maintain free and open communication between the Committee, independent auditors, and management of the Company. All expenses of the Committee necessary for it to carry out its duties shall be paid by the Company.

**B. Membership**

1. *Appointment.* The members of the Committee shall be appointed by the Board of Directors and shall comprise at least three directors, each of whom shall be independent of management and the Company.
2. *Independence.* Members of the Committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company, and they meet the relevant independence requirements of SEC and NASDAQ rules. Among other things, members shall not accept any consulting, advisory or other compensatory fee from the Company, other than as a director, shall not be an affiliated person of the Company or its subsidiaries, and shall not have participated in the preparation of the financial statements of the Company or any subsidiary during the past three years.
3. *Financial literacy.* All Committee members shall be financially literate, meaning they shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, or meet such other standard required by applicable law (including SEC and NASDAQ rules). At least one member shall be a

“financial expert”, as defined by SEC and NASDAQ rules. The Committee Chair shall have accounting or financial expertise.

### C. Responsibilities and Authorities

1. *Roles of Committee, Management, Independent Auditor.* The primary responsibility of the Audit Committee shall be to oversee the Company’s financial reporting process on behalf of the Board and report the result of their activities to the Board, including recommending to the Board whether the audited financial statements should be included in the Company’s Form 10-K . 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 or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Company’s financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company’s financial statements and for reviewing the Company’s unaudited interim financial statements.
2. *Regular Meetings.* The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee may request any officer or employee of the Company, or the Company’s outside counsel or external auditor, to attend a meeting or meet with any members of, or consultants to, the Committee. The Committee shall keep minutes and other relevant documentation of all meetings held.
3. *Authority to Engage Independent Counsel.* The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and to retain outside counsel or other experts for this purpose.
4. *Flexibility.* In carrying out its responsibilities, the Committee shall ensure its policies and procedures remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behavior.
5. *Independent Auditors.* The Committee shall:
  - a. be directly responsible for appointing, setting compensation, evaluating and, where appropriate, replacing the independent auditors. The independent auditors shall report directly to the Committee.
  - b. be directly responsible for the oversight of the work of the independent auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

- c. pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform non-audit services not permitted by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is given must be presented to the full Committee at its next scheduled meeting.
- d. at least annually, review a report by the independent auditors describing:
  - i. the independent auditor's internal quality control procedures;
  - ii. any material issues raised by the most recent internal quality control review, or peer review, of the independent auditor, 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 independent auditor, and any steps taken to deal with any such issues; and
  - iii. written communications from the independent auditor, consistent with Public Company Accounting Oversight Board (PCAOB) Rule 3526, on all relationships between the independent auditor and the Company or persons in financial oversight reporting roles at the Company may be thought to bear on the independent auditor's independence, and the written affirmation of the independent auditor of their independence as of the date of the communication.
- e. Actively engage in a dialogue with the independent auditor regarding any relationships or services that may impact objectivity and independence of the independent auditor. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence. Confirm with the independent auditor that the rotation of the audit partner, lead partner and concurring partner of the independent auditor is occurring as required by law. Obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A(b) of the Exchange Act regarding the detection and reporting of any illegal acts.
- f. set clear hiring policies for employees or former employees of the independent auditors that meet the SEC and NASDAQ rules and regulations.

- g. have and foster a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's shareholders.
6. *Recurring Processes.* The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth with the understanding that the Committee may supplement them as appropriate. The Committee shall set a schedule to complete these processes at the appropriate time during the year.

The Committee shall:

- a. discuss with the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation.
- b. discuss with management and the independent auditors the adequacy and effectiveness of the accounting, financial and disclosure controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs.
- c. periodically meet separately with management and the independent auditors to discuss issues and concerns warranting committee attention.
- d. provide sufficient opportunity for the independent auditors to meet privately with the members of the committee.
- e. review with the independent auditor any audit problems or difficulties and management's response.
- f. receive and review a report from the independent auditor, prior to the filing of its audit report with the SEC, of the matters required to be discussed with the independent auditor under PCAOB Auditing Standard No. 16 and including all critical accounting policies and practices of the Company, all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor, any significant disagreements with management, and other material written communications between the independent auditor and management, and discuss such matters with the independent auditor
- g. review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent

- fiscal year and the independent auditors' report on management's assertion (as applicable).
- h. review and discuss earnings press releases prior to issuance.
  - i. review the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q.
  - j. discuss the results of the quarterly review and any other matters required to be communicated to the committee by the independent auditors under generally accepted auditing standards.
  - k. review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
  - m. establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
  - n. review and approve all related-party transactions.
  - o. receive corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty.
  - p. prepare its report to be included in the Company's annual proxy statement, as required by SEC regulations.
  - q. discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
  - r. periodically review the Company's policies and practices with respect to risk assessment and risk management (except to the extent the Board may have delegated oversight of specific elements of such policies and practices to other committees), including discussing with management the Company's major risk

exposures and the steps that have been taken to monitor and control such exposures.

- s. review the annual operating budget of the Company and make a recommendation to the Board of Directors regarding its approval.
- t. oversee the Company's share repurchase programs.

#### **D. Annual Review**

The Committee shall review and reassess this Charter at least annually and recommend any updates or changes to Board of Directors for approval. The Committee also shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.