

## E.DIGITAL CORPORATION

### COMMUNICATIONS AND DISCLOSURE POLICY

Dated: February 15, 2005

**THIS POLICY IS BINDING ON ALL EMPLOYEES AND CONSULTANTS OF THE COMPANY, AND FAILURE TO COMPLY WITH THIS POLICY WILL CONSTITUTE GROUNDS FOR TERMINATION OF EMPLOYMENT AND POSSIBLE LIABILITY UNDER THE SECURITIES AND EXCHANGE ACT OF 1934 AND APPLICABLE STATE LAW.**

This Communications and Disclosure Policy (the "Policy") governs all communications by employees, officers, or directors (collectively referred to as "Insiders") of e.Digital Corporation. (the "Company"), with securities analysts, securities market professionals, brokers, potential investors, fund managers, reporters, stockholders of the Company, and others who are not bound by a duty of confidentiality to the Company (generically referred to in this Policy as "Outsiders").

Our Company is committed to fair disclosure of information about the Company without advantage to any particular Outsider, consistent with the Securities and Exchange Commission's Fair Disclosure Regulation ("Regulation FD").

Our corporate policy, reflecting current legal requirements, is that our associates and board members will not make any disclosure of material nonpublic information about the Company to any outsider (other than to persons who first are obliged in writing to maintain confidentiality), unless we disclose it to the public at the same time.

This is a highly technical area with important consequences for the Company. If you believe that a disclosure of material nonpublic information about the Company may have occurred, notify our Chief Executive Officer (Atul Anandpura) or General Counsel (Curt Barwick).

Examples of the areas affected by this policy:

- Earning releases and related conference calls;
- Providing "guidance" as to the Company's performance or results;
- Responding to market rumors;
- Contacts with analysts and reviewing analyst reports regarding our Company;
- Analyst and investor visits;
- Website posting updates.

## General

This policy has been adopted in response to the recent SEC rules (Regulation FD) concerning the practice known as “selective disclosure” of material nonpublic information.

1. *Administration of this Policy.* The Company’s management will be responsible for the administration and execution of this Policy. Management will be responsible for continuous disclosures made on behalf of the Company by the Spokespersons identified in Section 2 below. Management will take steps necessary to keep all Insiders well-informed of the terms of this Policy. Management will take steps it deems appropriate under the circumstances to determine that disclosures are both accurate and complete.
  
2. *Authorized Spokespersons.* To promote compliance with Regulation FD, it is the Company’s policy to limit communications between the Company and Outsiders. Accordingly, subject to the provisions of Section 4, only the Chief Executive Officer, the Senior Vice President, and the Chief Financial Officer, or another person designated by one of them in writing and for a particular event and purpose affirmatively stated in such writing, (each referred to as a “Spokesperson”) are authorized to communicate on behalf of the Company with Outsiders. Any Insider who is not a Spokesperson may not communicate with an Outsider about the Company’s affairs. If any Insider who is not a Spokesperson is contacted by an Outsider, such Insider must refer the inquiry to a Spokesperson.
  
3. *Material Information.* Regulation FD prohibits the disclosure of material, nonpublic information to Outsiders, unless the information is disclosed to the public simultaneously. Information is “*nonpublic*” if it has not been made generally available to investors and the public. Information is “*material*” if a reasonable investor would consider it important in making an investment decision. Examples of potentially material information include:
  - operating or financial results
  - changes in earnings estimates
  - major developments in the Company’s research and development program
  - major developments with the Company’s intellectual property portfolio, including the grant of patent rights
  - significant business or technology acquisitions
  - the award or cancellation of significant licenses or sales contracts
  - major management changes
  - public or private financing transactions
  - plans for substantial capital investment
  - significant write-offs or increases in reserves
  - impending bankruptcy or financial liquidity problems

- significant litigation or disputes
- delays in product development or problems with quality control
- a stock split or other recapitalization
- a change in dividend policy
- a redemption or purchase by the Company of its securities
- any other information which is likely to have a significant effect on the Company

Because decisions regarding whether information is material may in some cases be second-guessed with the benefit of hindsight, determinations about materiality should be made carefully and conservatively.

4. Disclosure of Material Information: Administration of Disclosure.

- a. If information is both material and nonpublic, it must not be communicated to an Outsider unless (i) it is simultaneously disclosed in a manner intended to provide broad, non-exclusionary public distribution to the public, and (ii) it has been approved for disclosure under the procedures set forth in Section 4.b. below. Simultaneous public distribution may be achieved by issuing a press release, filing a Form 8-K with the SEC or by communicating with an Outsider in an open conference call that has been publicized at least three (3) business days in advance and which is open to the public. Conference calls should permit interested parties, who are not specifically invited to participate in a two-way communications mode, to participate in a listening mode only or through live internet webcast. All conference calls should be available for playback for a minimum of three (3) business days after the call.
- b. Prior to the disclosure or communication of any nonpublic material information, the disclosure will be subject to the following review process:
  - i. The Company's management, with the assistance of the Company's investor relations firm, will prepare in writing the information to be disclosed and determine the mode of public distribution.
  - ii. The proposed disclosure will then be submitted to the Company's legal counsel for review.
  - iii. The proposed disclosure as reviewed by legal counsel will then be submitted to the Company's Board of Directors for review but not for specific board action. If possible, such submission should occur at least 24 hours prior to release. The transmittal letter or e-mail to each director should state the intended time and date of release and, in the event there is less than 24 hours advance notice, management should attempt to contact the directors by phone to alert them that a proposed disclosure is to be delivered.
  - iv. The final disclosure must be approved by both the Chief Executive Officer, and the Senior Vice President of Company.

5. Dealing with Difficult Disclosure Issues. In the event that it is unclear whether certain information constitutes “material information,” the Chief Executive Officer and the Senior Vice President will jointly make a determination as to whether the information is material, and if material, when and how it should be disclosed. The Chief Executive Officer and the Senior Vice President are encouraged to consult with legal counsel with respect to those determinations.
  
6. Non-Material Disclosures; Administration of Disclosure. If information is either not material, or has already been publicly disclosed, it may be communicated to an Outsider by a Spokesperson without prior review. Two (2) Spokespersons should participate in formal oral communications made to analysts, brokers or institutional investors, such as “road shows,” scheduled analyst or investor conference calls or solicitations of expressions of interest in investing. Non-material information generally includes non-proprietary information about the Company’s technology, products, and markets, as well as other factual corporate information such as headcount, facilities, and the like. Similarly, financial results that have already been announced for completed quarters may be discussed with Outsiders, so long as no nonpublic, material information regarding those results is disclosed.
  
7. Inadvertent Disclosures that are Contrary to this Policy. The Company expects that all communications with Outsiders will comply with the restrictions described herein. However, it is the Company’s policy to promptly disclose through a press release or through a filing on Form 8-K with the SEC any material nonpublic information that has been inadvertently disclosed. In the event of such a disclosure, the Insider who disclosed such information must immediately notify management. Management, in consultation with legal counsel, will then take whatever corrective measures are deemed necessary.
  
8. Analysts Reports. A Spokesperson may comment on a draft of an analyst’s report, if requested by an analyst to do so, solely for the purpose of correcting objective errors regarding facts either that are already disclosed to the public (for example, historical financial data) or that is not material. However, a Spokesperson who engages in such a review must make clear to the analyst that the Spokesperson and the Company express no opinion on any of the forward-looking information in the report or otherwise endorse the analyst’s forecasts or financial models.
  - Neither the Company nor any Insiders of the Company may circulate externally copies of any analysts’ reports; all such requests must be referred to the analyst’s firm.
  
9. Responding to Market Rumors. The Company does not have a general duty to monitor and correct or verify rumors in the market unless those rumors can be attributed to the Company or a stock exchange or regulatory authority requests disclosure when the rumor is causing unusual activity in the Company’s securities.
  
10. Exceptions. Pursuant to Regulation FD, this policy does not apply to communications to those who have a duty of confidentiality to the Company, such as lawyers, accountants or investment bankers; to communications made pursuant to written non-disclosure agreements that prohibit trading based on the disclosed information; or to routine business or technical conversations with collaborators, customers or suppliers.

## CERTIFICATION

I, \_\_\_\_\_, do hereby certify that:

1. I have received and carefully read the Communication and Disclosure policy of e.Digital Corporation.
2. I understand the Communication and Disclosure policy.
3. I have complied and will continue to comply with the terms set forth in the Communication and Disclosure Policy.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

**EACH EMPLOYEE, OFFICER AND DIRECTOR IS REQUIRED TO SIGN, DATE AND RETURN THIS CERTIFICATION TO THE HUMAN RESOURCES DEPARTMENT WITHIN 14 DAYS OF ISSUANCE. FAILURE TO DO SO MAY RESULT IN DISCIPLINARY ACTION.**