

## ONTRAK, INC.

### Audit Committee Charter

#### Purpose

The Audit Committee (“Committee”) of the Board of Directors (“Board”) of Ontrak, Inc. (“Catasys” or the “Company”) is appointed and given authority by the Board to:

1. Assist the Board in monitoring
  - (a) The integrity of the financial reporting process, systems of internal controls and financial statements and reports of the Company,
  - (b) The performance of the Company’s internal audit function, and
  - (c) The compliance by the Company with legal and regulatory requirements.
2. Be responsible for the appointment, compensation and oversight of the Company’s independent auditors (the “Auditors”).
3. Resolve disagreements between management and the Auditors.

#### Committee Membership

The Committee shall consist of no fewer than three members, as determined annually by the Board. The members of the Committee shall meet the independence and expertise requirements of the American Stock Exchange, Nasdaq National Market, or any other exchange on which the Company’s securities are traded, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Committee members shall not serve simultaneously on the audit committees of more than two other public companies without the approval of the full Board.

No member of the Committee shall receive directly or indirectly any consulting, advisory, or other compensatory fees from the Company other than (1) director’s fees for service as a director of the Company, including reasonable compensation for serving on Board committees and regular benefits that other directors receive; and (2) a pension or similar compensation for past performance, provided that such compensation is not conditioned on continued or future service to the Company. In addition, no member of the Committee may be an affiliate of the Company or any subsidiary of the Company whether by being an officer or owning more than 10 percent of the Company’s voting securities.

#### Qualifications

All members of the Committee shall be able to read and understand fundamental financial statements (including a company’s balance sheet, income statement, and cash flow statement) and at least one member must either have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background, which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities or be an “audit committee financial expert” as defined by the Securities and Exchange Commission (the

“SEC”). Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or by outside organizations.

Committee members shall not serve simultaneously on the Committees of more than two other public companies without the approval of the full Board.

The members of the Committee shall be appointed annually by the Board. Committee members may be replaced by the Board at any time for good cause as determined by the Board. The Board shall designate the Chairperson of the Committee. The Board shall determine whether at least one member of the Committee qualifies as a “financial expert” within the meaning of the Exchange Act, and cause such determination to be disclosed in the Company’s filings as required by applicable SEC rules.

### **Responsibility and Authority**

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, members should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside auditors, attorneys and advisors, to the fullest extent permitted by applicable law.

Pursuant to Article 5 of the Amended and Restated Bylaws of the Company, the Committee shall have and may exercise all the powers and authority of the Board in all matters required, necessary or reasonable in the performance of the Committee purpose, responsibility and functions described in this Charter.

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

The Committee shall oversee the integrity of the audit process, financial reporting and internal accounting controls of the Company, oversee the work of the Company’s management, internal auditors and the Auditors in these areas, oversee management’s development of, and adherence to, a sound system of internal accounting and financial controls, review whether the internal auditors and the Auditors objectively assess the Company’s financial reporting, accounting practices and internal controls, and provide an open avenue of communication among the Auditors, the internal auditors and the Board.

Under the oversight of the Committee and the Board, it is the responsibility of:

1. Management of the Company and the Auditors, to plan and conduct financial audits and to determine that the Company’s financial statements and disclosures are complete and accurate in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations and fairly present, in all material respects, the financial condition of the Company.
2. Management of the Company, to assure compliance by the Company with applicable legal and regulatory requirements.
3. The internal auditors of the Company, to review the Company’s internal transactions and accounting which do not require involvement in the detailed presentation of the Company’s financial statements.

## **Responsibility Regarding Auditors**

The Committee shall be directly responsible for the appointment (subject, if applicable, to shareholder ratification), compensation and oversight of the work of the Auditors, including without limitation retention, terms of engagement, evaluation and termination of the Auditors. The Committee shall also be responsible for the resolution of any disagreements between management and the Auditors, including without limitation disputes regarding accounting, internal control and auditing matters. The Auditors shall report directly to the Committee.

The Committee shall evaluate, at least annually, the qualifications, performance and independence of the Auditors, including considering whether the Auditors' quality controls are adequate and the provision of non-audit services is compatible with maintaining the Auditors' independence, and taking into account the opinions of management and the internal auditors. The Committee shall present its conclusions to the Board.

The Committee shall oversee the rotation of the Auditor's lead or coordinating audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least once every five years, and oversee the rotation of other audit partners, in accordance with the rules of the SEC.

## **Meetings and Reports**

The Committee shall meet at least quarterly with management, the internal auditors and the Auditors in separate executive sessions to discuss matters for which the Committee has responsibility. The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review its own performance.

The Committee shall periodically communicate with management and the internal auditors, in order to (i) oversee the Company's internal audit function, (ii) obtain and review information concerning internal audits, adopted accounting principles and internal controls, and the impact of each on the quality and reliability of the Company's financial statements, and (iii) obtain and review the significant reports to management prepared by the internal auditing department and management's responses.

The Committee shall review and discuss quarterly reports from the Auditors on:

1. Critical accounting policies and practices to be used by the Company and the Auditors.
2. Alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments.
3. The internal controls adhered to by the Company, management, and the Company's financial, accounting and internal auditing personnel, and the impact of each on the quality and reliability of the Company's financial reporting.

4. The adoption of, or changes to, the Company's significant internal auditing and accounting principles and practices as suggested by the Auditors, internal auditors or management.
5. Other material written communications between the Auditors and management.

The Committee shall obtain and review a report from the Auditors at least annually regarding:

1. The Auditors' internal quality-control procedures.
2. Any material issues raised by the most recent internal quality-control review, or peer review, of the firm, 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 firm; and any steps taken to deal with any such issues.
3. All relationships between the Auditors and the Company, including the written disclosures and the letter required by Independence Standards Board Standard 1, as that standard may be modified or supplemented from time to time.

The Committee shall meet at least quarterly, or more frequently as it determines necessary or appropriate. The Chairperson shall preside at each meeting; in the absence of the Chairperson, one of the other members of the Committee shall be designated as the acting chair of the meeting. The Chairperson may direct appropriate members of management and staff to prepare draft agendas and related background information for each Committee meeting. The draft agenda shall be reviewed and approved by the Chairperson in advance of distribution to the other Committee members. Any background materials, together with the agenda, should be distributed to the Committee members sufficiently in advance of the meeting. All meetings of the Committee shall be held pursuant to the by-laws of the Company with regard to notice and waiver thereof, and written minutes of each meeting, prepared by any person in attendance designated by the Chairperson, in the form approved by the Committee, shall be copied to the full Board and duly filed in the Company records. Reports of meetings of the Committee shall be made to the Board at its next regularly scheduled meeting following the Committee meeting, accompanied by any recommendations to the Board approved by the Committee.

The Committee may form and delegate authority to subcommittees consisting of one or more members when it deems appropriate.

The Committee may request any officer or employee of the Company or the Company's outside counsel or Auditors to attend, or not attend, any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

### **Independent Counsel and Advisors**

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting and other advisers. In addition to individual compensation to members for serving on the Committee as reasonably determined by the Board, the Company shall provide appropriate funding, as determined by the Committee, for payment of (i) compensation to the Auditors for the purpose of rendering or issuing an audit report, (ii) compensation to any

advisers employed by the Committee, (iii) obtaining any insurance coverage deemed reasonable or necessary by the Committee, and (iv) funding ordinary administrative expenses of the Committee that it deems reasonable or necessary in carrying out its duties, subject only to any limitations imposed by applicable laws, rules and regulations.

### **Pre-Approval of Permitted Services**

The Committee shall pre-approve engagements of the Auditors, prior to commencement of such engagements (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor, at the Company's expense, which approval may be pursuant to preapproval policies and procedures established by the Committee consistent with applicable laws and rules, including the delegation of preapproval authority to one or more Committee members so long as any such preapproval decisions are presented to the full Committee at the next scheduled meeting.

### **Process for Handling Complaints**

The Committee shall advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and its Code of Ethics.

As part of the Board's procedure for receiving and handling complaints or concerns about the Company's conduct, the Committee has established procedures for confidential, anonymous submission of complaints regarding accounting or auditing matters, as set forth in the Employee Complaint Procedures for Accounting and Auditing Matters attached hereto as Exhibit "B."

### **Financial Statement and Disclosure Matters**

In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would contribute most effectively to and implement the purposes of the Committee. In addition to the general tasks and responsibilities noted above, the specific functions of the Committee may include the following:

1. Review and discuss with management, and to the extent the Committee deems necessary or appropriate, the internal auditors, outside counsel or the Auditors, the Company's disclosure controls and procedures that are designed to ensure that the reports the Company files with the SEC comply with the SEC's rules and forms.
2. Review and discuss with management, the internal auditors and the Auditors the annual audited financial statements, including disclosures made in management's discussion and analysis and the matters required to be discussed by Auditing Standard ("AS") No. 1301 relating to the conduct of the audit, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
3. Review and discuss with management, the internal auditors and the Auditors the Company's quarterly financial statements, including disclosures made in management's discussion and analysis and the matters required to be discussed by AS No. 1301, prior to the filing of its Form 10-Q, including the results of the Auditors' reviews of the quarterly financial statements.
4. Review and discuss with management, the internal auditors, internal or outside counsel and the Auditors (a) significant financial reporting issues and judgments made in connection

with the preparation of the Company's financial statements and (b) the development, selection and disclosure of critical accounting estimates and the analyses of alternative assumptions or estimates, and the effect of such estimates on the Company's financial statements. The Auditors have the responsibility for auditing the financial statements and reporting on management's assessment of the effectiveness of the Company's internal controls over financial reporting.

5. Receive and review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Form 10-K and Form 10-Q about (a) any significant deficiencies in the design or operation of internal controls or material weakness therein, (b) any fraud involving management or other associates who have a significant role in the Company's internal controls and (c) any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

### **Annual Report**

The Committee shall prepare annually a report for inclusion in the Company's proxy statement relating to its annual shareholders meeting. In that report, the Committee will state whether it has: (a) reviewed and discussed the audited financial statements with management; (b) discussed with the Auditors the matters required to be discussed by AS No. 1301, as that statement may be modified or supplemented from time to time; (c) received from the Auditors the written disclosures and the letter required by Independence Standards Board Standard 1, as that standard may be modified or supplemented from time to time, and has discussed with the Auditors, the Auditors' independence; and (d) based on the review and discussions referred to above, recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.

### **Indemnification**

The Company shall, to the maximum extent and in the manner permitted by Section 145 of the Delaware General Corporation Law, indemnify each member of the Committee against expenses judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was a member of the Committee and/or the Board.

### **Limitation of Committee's Role**

With respect to the foregoing responsibilities and processes, the Committee recognizes that the Company's financial management, including the internal audit staff, if any, as well as the Auditors have more time, knowledge, and detailed information regarding the Company than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee will not provide or be deemed to provide any expertise or special assurance as to the Company's financial statements or any professional certification as to the Auditors' work.

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 and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The Auditors are responsible for performing an audit in accordance with the Public Company Accounting Oversight Board's rules and standards. Management, not the committee, is responsible for ensuring that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted

accounting principles and the applicable rules and regulations of the Securities and Exchange Commission. It also is not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Company's internal policies and procedures.