

AUDIT COMMITTEE CHARTER

Subject to annual appointment by the Board of Directors (the "Board") of RemoteMDx, Inc. (the "Company"), the Audit Committee (the "Committee") shall have the responsibility, authority and specific duties as described below.

RESPONSIBILITY

The Audit Committee is a committee of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the stockholders and others, the systems of internal controls which management and the Board of Directors have established, and the audit process. In addition, the Committee provides an open avenue of communication between the independent accountants, financial management and the Board.

COMPOSITION

The Committee's composition will meet the listing requirements of the American Stock Exchange, Section 10A(m)(3) of the Exchange Act, and the rules and regulations of the Securities and Exchange Commission. At least one (1) member of the Audit Committee shall be. Audit Committee members shall not simultaneously serve on the audit committees of more than two (2) other public companies. The Committee shall be comprised of at least three Board members who are independent directors. Each member of the Committee shall be able to read and understand fundamental financial statements. In addition, at least one member of the Audit Committee will have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which is reflective of a greater level of expertise in finance or accounting to meet the requirements of a "financial expert" as defined by the Commission. The members of the Committee shall be appointed annually at the organizational meeting of the Board. The Committee may select one of its members to serve as Committee Chairman.

AUTHORITY

Subject to the approval of the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting, reporting and controls of the Company and all employees shall be directed to cooperate with respect thereto as requested by members of the Committee. The Committee is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint or replace the independent auditor of the Company. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor and the resolution of any disagreements between management and the independent auditor regarding financial reporting. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services, as well as the fees and terms of such services, to be performed for the Company by the independent auditor, subject to the *de minimus* exceptions for certain non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit.

The Audit Committee may form and delegate authority to subcommittees consisting of one (1) or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next regular or special meeting.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors and to compensate them as it may determine. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor and to any advisors employed by the Audit Committee for services provided to the Company or the committee.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and evaluate the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the committee's own performance in light of this Charter.

In carrying out its responsibilities, the Audit Committee shall maintain flexible policies and procedures in order to best react to changing conditions and to ensure the Board and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all applicable requirements and are of the highest quality.

MEETINGS

The Audit Committee is to meet at least four times each year and as many additional times as the Committee deems necessary. The Committee is to meet alone with the Company's independent accountants and with appropriate Company financial and accounting personnel at least once each year.

ATTENDANCE

Members of the Audit Committee will strive to be present at all meetings, whether in person or by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear one another. As necessary or desirable, the Chairman may request that members of management, representatives of the Company's independent accountants and appropriate Company financial and accounting personnel be present at meetings of the Committee.

SPECIAL DUTIES

The duties of the Audit Committee include the duty to:

1. Select the independent public accountants engaged to audit the accounts of the Company and review with the Company's management, appropriate Company financial and accounting personnel and the Company's independent accountants the Company's general policies and procedures to reasonably assure the adequacy of internal accounting, administrative and financial reporting controls. This would encompass, amongst other areas, controls over revenue recognition, client funds, media payments, currency exposure and information systems and their security. Annually obtain in writing from the independent accountants their opinion as to the adequacy of such controls.

2. Have familiarity with the accounting and reporting principles and practices applied by the Company in preparing its financial statements.

3. Discuss with appropriate Company financial and accounting personnel the scope and plans for audits.

4. Review prior to the annual audit, the scope and general extent of the independent accountant's audit examination and the audit procedures to be employed. The auditor's fees are to be approved by the Committee, arranged with Management and annually summarized for Committee review. The Committee's review should entail an understanding from the independent accountants of the factors considered by the accountants in determining the audit scope, including:

- Industry and business risk characteristics of the Company;
- External reporting requirements;
- Materiality of the various segments of the Company's activities; and Quality of internal accounting controls.

5. Review and approve the extent of nonaudit services provided by the independent accountants in relation to the objectivity needed in the audit.

6. Review with management, appropriate Company financial and accounting personnel and the Company's independent accountants at the completion of the annual examination the following:

- Annual report of the Company, including the financial statements and related footnotes;
- Results of the audit of the financial statements and the related report thereon and a report on changes during the year in accounting principles and their application;
- Significant changes in the audit plan and any serious disputes or difficulties with management encountered during the audit, including significant adjustments proposed by the independent accountants; and
- Other communications as required by generally accepted auditing standards.

7. Evaluate the cooperation received by the independent accountants during their audit examination, including their access to all requested records, data and information. Discuss with the independent accountants the quality of the Company's financial and accounting personnel. Inquire of the independent accountant whether there have been any disagreements with management, which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements. Also, elicit the comments of management regarding the responsiveness of the independent accountants to the Company's needs.

8. Meet with management, appropriate Company financial and accounting personnel and the Company's independent accountants to discuss any relevant recommendations, which the independent accountants may have, including those in their "letter of comments and recommendations." Topics to be considered during this discussion may include improving internal financial controls, the selection of accounting principles and management reporting systems. Review responses of management to "letter of comments and recommendations" from the independent

accountants. Receive follow up reports on action taken concerning the aforementioned recommendations.

9. Inquire of appropriate Company personnel and the Company's independent accountants as to any instances of deviation from established policies and procedures and codes of conduct of the Company.

10. Report as to its activities to the Board.

11. Recommend to the Board any appropriate extension or changes in the duties of the Committee.

12. Recommend to the Board the selection, retention or termination of the Company's independent accountants.

13. Review with management and the independent accountants the method of monitoring the Company's policies to prohibit unethical, questionable or illegal activities by Company employees.

14. Subject to the approval of the Board, arrange for and monitor any special investigations as the need may arise.

15. Confirm and assure the independence of the Company's independent accountants.

16. Review legal and regulatory matters that may have a material impact on the financial statements, related company compliance policies and programs and reports received from regulators.

17. Perform such other functions as assigned by law, the listing requirements of the American Stock Exchange, the Company's certificate of incorporation and bylaws, or the Board.