

AUDIT COMMITTEE CHARTER

OPERATING POLICIES AND PROCEDURES

1. PURPOSE.

The purpose of the Audit Committee (“Committee”) of the Board of Directors (“Board”) of Inovalon Holdings, Inc. (“Company”) is to assist the Board in fulfilling its oversight responsibilities relating to the Company’s financial accounting, reporting, and controls. The Committee’s principal functions are to assist the Board in its oversight of:

- the integrity of the Company’s financial statements;
- the qualifications, independence and performance of the independent auditors; and
- compliance by the Company with legal and regulatory requirements.

The Committee also will have the Company prepare the report required by the rules of the Securities and Exchange Commission (the “Commission”) to be included in the Company’s annual proxy statement or annual report on Form 10-K and review and approve this report prior to its filing by the Company with the Commission.

This charter (“Charter”) sets forth the authority and responsibility of the Committee in fulfilling its purposes. 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 in the United States. This is the responsibility of the Company’s management and the independent auditors.

2. MEMBERSHIP.

The Committee will consist of at least three members. Each member must meet the independence and experience requirements of the NASDAQ Global Select Market (“Exchange”), Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and the rules and regulations of the Commission, including Rule 10A-3.

Each member of the Committee must have the ability to read and understand fundamental financial statements and meet the financial sophistication and experience requirements under the rules, regulations and listing requirements of the Exchange, as amended from time to time (“Exchange Standards”). In addition, at least one member of the Committee will have prior experience in accounting, financial management or financial oversight, as required by the Exchange Standards.

All members of the Committee will be appointed by, and will serve at the discretion of, the Board. The Board may appoint a member of the Committee to serve as the Committee's chairperson ("Chair"). If the Board does not appoint a Chair, the Committee's members may designate a Chair by their majority vote. The Chair will set the agenda for Committee meetings and conduct the proceedings of those meetings. The Committee may delegate any of its responsibilities to a subcommittee of its members when appropriate in its determination.

3. RESPONSIBILITIES AND DUTIES.

The principal responsibilities and duties of the Committee in serving the purposes outlined in Section 1 of this Charter are set forth below. These duties are set forth as a guide with the understanding that the Committee will carry them out in a manner that is appropriate given the Company's needs and circumstances. The Committee may engage in other activities, and establish policies and procedures, from time to time as it deems necessary or advisable in implementing this Charter.

The Committee will:

Financial Statements and Disclosures.

3.1 Review and discuss with management and the independent auditor the Company's annual audited financial statements, including specific disclosures made in management's discussion and analysis and in the earnings press releases, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

3.2 Review and discuss with management and the independent auditor the Company's quarterly financial statements and quarterly earnings press releases prior to the filing of its Form 10-Q and public disclosure of its earnings press releases, including the Company's specific disclosures made in management's discussion and analysis of its Form 10-Q and in the earnings press releases, and the results of the independent auditor's review of the quarterly financial statements.

3.3 Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles.

3.4 Review and discuss with management and the independent auditor any major issues as to the adequacy of the Company's internal controls, any special steps adopted in light of material control deficiencies, and the adequacy of disclosures about changes in internal control over financial reporting.

3.5 Review and discuss with management and the independent auditor the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K.

3.6 Review and discuss quarterly reports from the independent auditors on:

- (a) critical accounting policies, estimates and practices used;
- (b) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the alternatives, and the treatment preferred by the independent auditors; and
- (c) other material written communications between the independent auditors and the Company's management, such as any management letter or schedule of unadjusted differences.

3.7 Discuss with the independent auditor the matters required to be discussed by applicable auditing standards relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Independent Auditor Relationship.

3.8 Be directly responsible for the selection, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting). The independent auditors will report directly to the Committee.

3.9 Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) 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, (c) any steps taken to deal with those issues, (d) all relationships between the independent auditor and the Company, and (e) whether the independent auditor's duty to report any illegal acts has been implicated.

3.10 Evaluate the qualifications, performance and independence of, and fees paid to, the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors. This evaluation will include a review and discussion of communications concerning independence required by the Public the Company Accounting Oversight Board. The Committee will present its conclusions with respect to the independent auditor to the Board at least annually.

3.11 Discuss with the independent auditor material issues on which the national office of the independent auditor was consulted by the Company's audit team.

3.12 Meet with the independent auditor prior to the audit to discuss the scope of their examination, planning and staffing of the audit.

3.13 Pre-approve all auditing services, internal control-related services and permitted non-audit services (including the terms of these services) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Committee prior to the completion of the audit. The Committee will review and discuss with the independent auditor any documentation supplied by the auditor as to the nature and scope of any tax services to be approved, as well as the potential effects of the provision of those services on the auditor's independence. The Committee may form and delegate authority to a subcommittee consisting of one or more members when appropriate to grant pre-approvals of audit and permitted non-audit services. The decisions of any subcommittee to grant pre-approvals must be presented to the Committee at its next scheduled meeting.

General.

3.14 Establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Oversee the review of any complaints and submissions that have been received, including the current status and the resolution if one has been reached.

3.15 Annually prepare a report to the Company's stockholders for inclusion in the Company's annual proxy statement as required by the Commission Rules.

3.16 Review and approve any proposed transaction between the Company and any related party (other than where the potential waiver involves a member of the Committee, in which event, that waiver will be subject to the review of the Company's Nominating and Corporate Governance Committee).

3.17 Review and approve, at least annually, whether the Company and its subsidiaries and affiliates will enter into swaps that are exempt from mandatory swap clearing and mandatory exchange-trading in reliance on the exemptions provided under the Commodities Exchange Act and any associated rules or regulations.

3.18 Annually review the Committee's performance.

3.19 Review and reassess the adequacy of this Charter annually and recommend to the Board any proposed changes.

4. ADVISERS.

The Committee has the sole authority and right, at the expense of the Company, to retain legal and other consultants, accountants, experts and advisers of its choice to assist the Committee in connection with its functions. The Committee will have the sole authority to

approve the fees and other retention terms of those advisers. The Company will provide for appropriate funding, as determined by the Committee, for:

- payment of compensation to any legal and other consultants, accountants, experts and advisers retained by the Committee; and
- ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions.

5. MEETINGS.

The Committee will meet as often as it determines necessary, but at least quarterly. The Chairman of the Board or any member of the Committee may call meetings of the Committee. The Committee will meet periodically in separate executive sessions with management (including key members of financial and risk management) and the independent auditor. The Committee may have other direct and independent interaction with those persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or with any consultants to, the Committee. A majority of the members of the Committee will constitute a quorum, and the act of a majority of the quorum will be the act of the Committee.

6. MINUTES AND REPORTS.

The Committee will maintain written minutes of its meetings and copies of its actions by written consent. The minutes and copies of written consents will be filed with the minutes of the meetings of the Board. The Chair will report to the Board from time to time with respect to the activities of the Committee, including on significant matters related to the Committee's responsibilities and the Committee's deliberations and actions.