

ANNUAL REPORT
DECEMBER 31, 2015

PART A. GENERAL COMPANY INFORMATION

ITEM I. Exact Name of the Issuer

DATATRAK International, Inc.

ITEM II. Address of the Issuer's Principal Executive Offices

5900 Landerbrook Dr., Suite 170
Mayfield Heights, Ohio 44124
Office: (440) 443-0082
Fax: (440) 442-3482
Web: www.datatrak.com

Investor inquiries should be directed to:

Alex Tabatabai, Chairman of the Board
5900 Landerbrook Dr., Suite 170
Mayfield Heights, Ohio 44124
Office: (440) 443-0082
Fax: (440) 442-3482
Email: investor@datatrak.com

ITEM III. Jurisdiction and Date of the Issuer's Incorporation

Ohio, July 17, 1991

PART B. SHARE STRUCTURE

ITEM IV. Exact Title and Class of the Securities Outstanding

A. Common Stock – The Company is authorized to issue 25,000,000 no par value Common Shares (the "Common Shares"). The Common Shares are traded through the OTC Markets under the symbol "DTRK" (CUSIP 238134209). As of December 31, 2015, 1,514,718 Common Shares were outstanding.

B. Preferred Stock – The Company is authorized to issue 1,000,000 no par value Preferred Shares (the "Preferred Shares") with such rights and preferences and in such series as determined by the Articles of Incorporation and/or the Board of Directors at the time of issuance. No Preferred Shares were issued or outstanding as of December 31, 2015.

ITEM V. Par Value and Description of the Securities

A. Par Value – The Common and Preferred Shares hold no par value.

B. Common Stock
1. Dividends Declared on Common Stock – None
2. Voting Rights – One vote per share
3. Preemption Rights – None
4. Provisions in the Charter or by-laws that would delay, defer or prevent a change in control of the issuer – None
5. Other material rights of holders of common stock – The Company has adopted a shareholder rights plan. See Note 9 to the financial footnotes for a description of such plan and the rights that may be available under certain limited circumstances to holders of the Company's Common Shares.

C. Preferred Stock – No Preferred Shares have been issued to date. Any rights regarding voting, preemption, etc., will be determined by the Articles of Incorporation and/or the Board of Directors at the time of issuance.

ITEM VI. Number of Shares or Total Amount of Securities Outstanding For Each Class of Securities Authorized

A. Common Shares

	Dec. 31, 2015	Dec. 31, 2014
Shares authorized	25,000,000	25,000,000
Shares outstanding	1,514,718	1,440,849
Freely tradable shares	*1,238,234	1,255,198
No. of beneficial shareholders	Greater than 100	Greater than 100
No. of shareholders of record	68	103

B. Preferred Shares

	Dec. 31, 2015	Dec. 31, 2014
Shares authorized	1,000,000	1,000,000
Shares outstanding	-	-
Freely tradable shares	-	-
No. of beneficial shareholders	-	-
No. of shareholders of record	-	-

***** This does not reflect the change in Board composition occurring subsequent to December 31, 2015.

ITEM VII. Name and Address of the Transfer Agent

By Mail:
Computershare Investor Services
P.O. Box 43078
Providence, RI 02940

By Overnight Delivery:
Computershare Investor Services
250 Royall Street
Canton, MA 02021

By Telephone:
1-800-622-6757 (toll free within the United States, Canada and Puerto Rico)
1-781-575-4735 (international direct dial)

Computershare, Inc. is currently registered under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), and is an authorized transfer agent subject to regulation by the U.S. Securities and Exchange Commission (the "SEC").

(Remainder Of This Page Intentionally Left Blank)

PART C. BUSINESS INFORMATION

ITEM VIII. The Nature of the Issuer's Business

General

A. Business Development

DATATRAK International, Inc. ("*DATATRAK*" or the "Company"), an Ohio corporation, was formed in 1991 and as one of the first and leading technology and services company delivering global *unified dClinical*™ solutions for the clinical trials industry, including electronic data capture ("EDC") and clinical trial management software ("CTMS") solutions. *DATATRAK* provides clinical enterprise solutions to safely accelerate every drug, every biologic and every device *from Concept to Cure*®. Customers use *DATATRAK* software to collect, review, transfer and store clinical trial data electronically in a secure environment. *DATATRAK* customers are companies in the pharmaceutical, biotechnology, contract research organization ("CRO"), academic research organization ("ARO") and medical device industries. The Company's services support clients in accelerating the completion of clinical research more efficiently and safely by providing improved data quality and real time access to information on a global scale. *DATATRAK's* fiscal year-end date is December 31. *DATATRAK* has U.S. offices located in Mayfield Heights, Ohio; Bryan, Texas; Cary, North Carolina; Chicago, Illinois and Plymouth, Minnesota. The Mayfield Heights, Ohio office located in the Cleveland metropolitan area is *DATATRAK*'s corporate headquarters and main offices.

The Company recently experienced a significant change in leadership at the Board and Management level.. The new Board leadership has enacted significant and impactful expense reductions and operational goals that will aim to make *DATATRAK* profitable. The new leadership also aims to have our Company achieve at least the average industry sales growth on an annual basis.

In 2015, enhancements were made to the *DATATRAK* unified platform which continue to simplify the management of data for clinical research. In addition, extensive work was completed for the 2016 release of UX CTMS 360™, directed by members of our Product Advisory Council ("PAC"). The system is deployed worldwide as Software as a Service ("SaaS") through the cloud and supports pre-clinical and Phase I – Phase IV drug and device studies in multiple languages throughout the world. *DATATRAK* delivers a *unified dClinical*® platform that leverages the power of single database architecture, removing complexities in clinical research to deliver time and cost savings. On January 21, 2014, the Company announced that Clinverse, Inc. became a *DATATRAK Connect*®™ Technology Partner. Working together, *DATATRAK ONE*®and ClinPay seamlessly integrate, automating payments based on real-time data. Streamlining the payment process delivers enhanced data quality, trial safety, and efficiency for *DATATRAK*'s partners, leveraging the most efficient financial tool on the market.

On February 4, 2014, *DATATRAK* announced Texas A&M Institute for PreClinical Studies ("TIPS") had selected the *DATATRAK ONE*® software suite. TIPS, a unit within the Texas A&M College of Veterinary Medicine & Biomedical Sciences, provides a unique resource serving the preclinical needs of academic researchers and leaders in the biomedical and pharmaceutical industry. Texas A&M has a longstanding reputation as a leader in higher education and research, with the College of Veterinary Medicine & Biomedical Sciences being one of the largest veterinary schools in the United States, and has a wealth of expertise in all major veterinary medical specialties, surgical and non-surgical interventional techniques and advanced imaging and diagnostics.

On July 21, 2014, the Company announced PEGUS Research had entered a multi-year Enterprise Agreement for *DATATRAK* solutions and services.

On November 5, 2014, The Company announced that it had entered into a new Master Service Agreement with NTT DATA, a reseller of the *DATATRAK ONE*® Unified Platform in the Pan-Asian market. The expanded agreement reflects increased interest in the benefits of the *DATATRAK ONE*® *Unified Experience*™, including ease of use in multi-lingual trials and the intuitive user interface. The terms of the new agreement required full, non-refundable payment upfront which had a substantial impact on the Company's cash balance in the fourth quarter of 2014. The new agreement extends the partnership through April 2020 and significantly increased the Company's backlog.

On December 3, 2014, *DATATRAK* announced it had entered into a multi-year Enterprise Agreement with a Top 5 clinical research organization.

On February 3, 2015, the Company announced three CRO Enterprise Partners had expanded their agreements. These industry-leading organizations had chosen to boost their global licensing capacity and extended their relationship with *DATATRAK*. New features included the Cross-Study Manager, which delivers real-time enterprise-wide reporting and analysis and the Scheduler, which removed the redundancy of establishing repeated actions, among other benefits.

On March 9, 2015, CROS NT announced that it had extended its partnership with *DATATRAK* as part of its life science technology portfolio. The partnership allows CROS NT to provide *DATATRAK* 's Unified eClinical® platform which includes EDC, CTMS, randomization and clinical trial supply management ("RTSM") as well as a web-based patient diary ("ePRO"). Since joining the program, CROS NT had implemented *DATATRAK* 's eClinical platform in a large number of studies across U.S. and Europe.

On April 1, 2015, the Company opened an office located in downtown Chicago. As of April 8, 2016, the Company is exploring opportunities to sublease the Chicago office and mitigate its ongoing expense.

On April 30, 2015, the Company announced the release of the newest version of its dClinical software on May 31, 2015. This release delivered greater confidence in training compliance. Enhancements to tracking course equivalency and prerequisite status delivers transparency to the training status of all members of the team using the UX Training™ solution. Users can track the specific training plan for their team with real-time online view of status and customized reporting. Additionally, site users experienced an incrementally intuitive user interface as a result of requests from clients. These enhancements provide additional data entry and cleaning functionality and are the direct result of client feedback.

On June 15, 2015, the Company introduced the next generation clinical trial management system, UX CTMS 360™. UX CTMS 360™ takes away complexity and expense to give an immediate view of all clinical and operational data across studies. With ad-hoc reporting, real time informed decision making is available from the C-suite to the front lines of research. It also simplifies study start up by allowing trial design to take place in UX CTMS 360™ without the need to duplicate data in multiple systems. UX CTMS 360™ eliminates integration time and risk.

On July 9, 2015, *DATATRAK* introduced an expedited trial deployment program. There are two levels in the *DATATRAK* Expedited Trial Deployment program: Essential Program – Four week deployment with minimal customization and Robust Program – Six week deployment with moderate customization. The program also includes two add on features: the optional addition of UX RTSM™, Randomization and Trial Supply Management and optional custom import and custom export. This introduction represents *DATATRAK's* commitment to simplify clinical research and deliver real time savings throughout research.

On July 15, 2015, the Company announced that Cassiopea S.p.A., the newly publicly-traded former subsidiary of long-time partner Cosmo Pharmaceuticals SA, has selected *DATATRAK* for a significant global study.

On August 10, 2015, the Company announced a top 10 Global Medical Device Company selected *DATATRAK*'s Unified Platform for a five year partnership. Under the agreement, the company will use the full software suite from the *DATATRAK ONE UX*™ platform.

On September 9, 2015, *DATATRAK* announced that it had implemented worldwide use of Akamai's Content Delivery Network (CDN). Akamai provides the extraordinary internet connection speeds and reliability required by top technology, media and gaming platforms. Akamai's next generation CDN now powers *DATATRAK*'s on-demand, real-time data access everywhere in the world. Further, CDN provides the security needed for today's increasingly complex clinical trials.

On November 11, 2015, the Company announced the move to BlueBridge Network ("BBN") to replace servers and network infrastructure with a hybrid cloud service. *DATATRAK* chose BBN because of their network of state-of-the-art, geographically diverse co-location facilities located in three Ohio cities. BBN maintains the highest standards for uptime, quality and service. The seamless transition to BBN was completed with perfect data integrity.

On November 10, 2015, the Company postponed its annual shareholder meeting, scheduled for November 11, 2015. The Company's largest shareholder, Arosa Investment Management LLC had challenged three incumbent directors with its own slate of new directors that it believed had obtained more votes going into the scheduled meeting. The three new directors would serve as Class I directors and make up a majority of the five member board of directors.

On November 16, 2015, *DATATRAK* announced the appointment of a new director, Andrew Pitler to Class II of the Board of Directors and increased the size of the board to six directors in an effort to prevent Arosa's slate from obtaining a majority of the board. Subsequent to the fiscal year end, Mr. Pitler and other Class II directors resigned from the Board of Directors on or about February 23, 2016. See Item XI herein for further information.

On December 29, 2015, *DATATRAK* again delayed the re-scheduled annual shareholder meeting that was to be held the following day.

On December 29, 2015, *DATATRAK* purported to implement new employment agreements for certain corporate officers including former Chief Executive Officer ("CEO") Laurence P. Birch, Chief Financial Officer ("CFO") Jennifer Mabe and VP Legal Affairs Varnesh Sritharan. The Company is evaluating these actions by the prior Board and reserves its rights to challenge the validity of these actions.

On January 8, 2016, *DATATRAK* held the 2015 annual shareholder meeting and elected three new directors from Arosa's slate to Class I of the Board of Directors.

On February 23, 2016, *DATATRAK* elected Alex Tabatabai to serve as Chairman of the Board and as Audit Committee Chair. Jack Jacobs was also elected to serve as Chair of the Compensation and Nominating and Governance Committees.

On February 23, 2016, *DATATRAK* appointed James R. Ward as Interim President and CEO to replace the previous CEO who was terminated for cause.

On March 28, 2016, the Company elected to list on the OTC Pink Sheets instead of the OTCQX in order to reduce its OTC fees and legal expenses.

On March 28, 2016, the Board terminated CFO Jennifer Mabe and VP of Legal Affairs Varnesh Sritharan.

On March 28, 2016, the Board appointed Julia Henderson as CFO and Treasurer. The Board has determined that the Company does not need a replacement to the position of VP of Legal Affairs, which will no longer exist. The Company plans to use outside legal counsels to handle all of the Company's legal matters.

Legal Proceedings

On June 6, 2011, *DATATRAK* served a complaint for patent infringement on Medidata Solutions, Inc. ("Medidata") for unauthorized use of *DATATRAK*'s intellectual property, as described in U.S. Patent No. 7,464,087 (the "'087 Patent"), in the Medidata Rave® platform. (*See* Civil Action No. 1:11-CV-00458, U.S. District Court for the Northern District of Ohio, the "'087 Case.") The patented technologies cover methods and systems for unifying data from a plurality of heterogeneous databases with each having business-context related data and a data access mechanism. In its answer to the complaint, Medidata denied the allegations of infringement and counterclaimed to invalidate *DATATRAK*'s '087 Patent. On October 28, 2011 Medidata requested *ex parte* reexamination of the patent-in-suit by the U.S. Patent & Trademark Office ("USPTO"), challenging the validity of the '087 Patent's claims, and moved to stay the '087 Case pending same. The Court granted Medidata's motion to stay, and the Company subsequently received notice from the USPTO that Medidata's request for *ex parte* reexamination of the '087 Patent was granted. In May 2012, the Company received a final office action from the USPTO rejecting the claims of the '087 Patent. In July 2012, the Company filed a notice of appeal with the Board of Patent Appeals and Interferences ("BPAI"), to contest such office action, and an Oral Hearing was held on December 4, 2013 before the BPAI. On March 6, 2014, the BPAI reversed the prior rejection of 47 of the 52 claims in the '087 Patent and affirmed the rejection of the remainder. On August 6, 2014, the Company received a Notice of Intent to Issue Ex Parte Reexamination Certificate in the '087 Reexamination, indicating that the patentability of claims 6-52 of the '087 Patent (6 of which were amended slightly) would be confirmed, and a Reexamination Certificate to that effect issued

on September 4, 2014. On September 5, 2014, the Company filed a Notice of Conclusion of Reexamination in the '087 Case and on September 9, 2014 the U.S. District Court for the Northern District of Ohio lifted its stay, permitting the '087 Case to resume. As directed, *DATATRAK* and Medidata submitted a case management plan that was accepted by the Court on October 7, 2014 and subsequently amended on January 27 and August 21, 2015. Discovery and the parties' exchange of various contentions and claim constructions pursuant to local patent rules have proceeded since. On August 13, 2015, Medidata filed a motion to dismiss the Company's complaint under the authority of the Supreme Court's decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. (2014). Following briefing, the Court granted the motion on November 6, 2015, dismissing the case without having reached the merits of *DATATRAK*'s infringement contentions against Medidata's Rave and CTMS products.

On or about March 31, 2015, the Company was served with a complaint filed by Medidata in U.S. District Court in New Jersey alleging infringement of U.S. Patent Nos. 8,620.677 and 8,738,397. (*See* Case No. 2:15-CV-02159-KSH-CLW, U.S. District Court for the District of New Jersey.) On May 20, 2015, the Company filed a motion to dismiss Medidata's complaint under the authority of the Supreme Court's decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

On or about January 6, 2016, *DATATRAK* and Medidata announced a settlement agreement to resolve all existing patent litigation between the parties. Under the terms of the settlement agreement, the parties agreed to dismiss the claims against each other in the lawsuits pending in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of New Jersey. Neither party made any payment as part of the settlement. *DATATRAK* and Medidata also agreed to mutual covenants not to sue with respect to the patents-in-suit and related patents.

On November 10, 2015, *DATATRAK* postponed the annual shareholder meeting schedule for November 11, 2015 and under the direction of the previous Board initiated a lawsuit against Alex Tabatabai and Arosa Investment Management, LLC (collectively, "Arosa"). (See Case No. CV-15-854059, Cuyahoga County, Ohio Common Pleas Court). *DATATRAK* asserted various claims in connection with the director election and annual shareholder meeting involving the three out of five seats open for election on the *DATATRAK* Board of Directors. On November 25, 2015, Arosa asserted counterclaims and individual and shareholder derivative third-party claims against *DATATRAK* and five then- *DATATRAK* directors, Laurence P. Birch, Timothy G. Biro, James M. Karis, Jerome H. Kaiser, Nicholas Loiacono, as well as Andrew T. Pitler, who Arosa claimed was unlawfully appointed to *DATATRAK*'s board, and direct claims against *DATATRAK* and Mr. Birch. Arosa asserted various claims regarding the *DATATRAK* board unlawfully delaying the Board of Directors election that Arosa's slate of director candidates had won going into the scheduled November 11, 2015 annual shareholder meeting.

On January 8, 2016, the 2015 *DATATRAK* annual shareholders' meeting was held following two postponements, and Arosa's slate prevailed by receiving approximately 62% of shareholder votes cast. Following the election, Arosa, Tabatabai, *DATATRAK*, Biro, Karis, Kaiser, Loiacono, and Pitler (collectively, the "Settling Parties") commenced settlement discussions in an effort to avoid additional litigation expenses. As a result of these discussions, Kaiser, Karis, and Pitler agreed to resign from *DATATRAK*'s Board of Directors and Arosa agreed to a mutual release and dismissal with prejudice of all claims among the Settling Parties. None of the Settling Parties made any payment as part of the settlement.

The settlement has been preliminarily approved by the Court, as required by law, and awaits final approval from the Court pending a brief period in which no *DATATRAK* shareholders filed an objection to the settlement other than Mr. Birch, who was terminated for cause as CEO on February 23, 2016. The claims asserted by Arosa and *DATATRAK* against Mr. Birch are not being released or dismissed as part of the settlement due to the inability of the Settling Parties to reach reasonable terms with Mr. Birch. On March 16, 2016, Mr. Birch filed certain papers with the Court that may reflect his intention to challenge his termination for cause. *DATATRAK* believes that these claims are without merit and will vigorously defend its rights. The Company expects that it will seek claims against Mr. Birch for various breaches of duties and misconduct by him during his tenure at *DATATRAK*.

In addition to the foregoing, in the ordinary course of business, the Company is involved in ordinary, routine legal proceedings. Additionally, certain of the Company's revenues may be subject to sales and use tax in certain jurisdictions. The Company has assessed its positions, and is of the opinion that the ultimate resolution of such matters will not have a material adverse effect on the results of operations, cash flows or the financial position of the Company.

Except as described above, the Company has no required disclosures for Items 1 thru 11 of this section.

B. Business of the Issuer

The Company currently competes in the Digital Clinical, or dClinical, Solutions industry, providing technology enabled data management applications for the clinical trials industry (as a SaaS vendor). The Company has evolved since inception, and as of 1997, has devoted the majority of its efforts to leveraging the evolution of technology to develop and improve solution offerings to address the needs of the clinical research industry. *DATATRAK* has also focused on establishing the market presence necessary to compete in this evolving sector. The Company intends to invest in the development and enhancement of the *DATATRAK ONE*® cloud-based, *unified dClinical*(TM) software solution. Research and development expenses were $1,289,000, $1,286,000 and $1,612,000 in 2015, 2014 and 2013, respectively. The primary and secondary SIC codes are 7374 and 7372, respectively.

Overview of the Clinical Research Industry

DATATRAK customers are companies that facilitate the completion of clinical trials requirements across all Phases, from Pre-Clinical to Post-Marketing in the pharmaceutical, biopharma, biotechnology and medical device industries. These industries are driven by regulatory requirements which mandate new drugs and medical devices must be adequately tested in clinical trials prior to approval and after the introduction to the general population. The Post-Marketing Phase captures additional instances of reaction that may not have been encountered in the trial process.

Competitive pressures are forcing the companies who develop the drugs and devices that will be tested to become more efficient in order to meet financial returns while prioritize patient safety. Reducing the cost and timeline to safely complete the requirements of a clinical trial are one source of savings to improve their return on investment. The evolution of social media to serve as a gathering point for like-patients to share their experiences has created a new opportunity for researchers, potentially reducing the trial recruitment timeframe. Sponsors of clinical trials have attempted to create process efficiencies, control costs and expand capacity by increasing their outsourcing of clinical research activities.

Regulatory Matters

The FDA maintains regulations and guidance documents on the use of computer systems in clinical trials relating to standard operating procedures, data entry, system design, security, system dependability and controls, personnel training, records inspection and certification of electronic signatures. Based on its review, the Company believes that its software products comply with such regulations and guidance documents. Any release of FDA guidance that is significantly inconsistent with the design of its software may cause the Company to incur substantial costs to remain in compliance with FDA guidance and regulations. The Company continues to monitor the FDA regulations and guidance documents to ensure compliance.

In addition to FDA regulations and guidance documents, the Company also complies with International Conference on Harmonization ("ICH") Regulations guidance for good clinical practices. This guidance has been developed by the ICH and has been subject to consultation by regulatory parties, in accordance with the ICH process. The regulatory bodies consist of representatives from the European Union, Japan and the U.S.

The Health Insurance Portability and Accountability Act of 1996 (hereinafter "HIPAA") and all amendments under the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act") applies to health care providers, health plans and health care clearinghouses which are defined as "covered entities" under HIPAA. Pursuant to HIPAA, covered entities are required to protect the confidentiality, integrity and availability of certain electronic patient information they collect, maintain, use or transmit. Business associates of covered entities and their subcontractors, who get access to protected health information, are now also required to comply with the privacy and security requirements of HIPAA. *DATATRAK* itself is neither a "covered entity" nor a "business associate" as defined under HIPAA although certain of our customers may be directly regulated under HIPAA and may be prohibited from using our products and services in a manner that are inconsistent with any such customer's HIPAA compliance requirements. Notwithstanding, *DATATRAK* has taken steps, including encryption techniques, to ensure the confidentiality of all electronic patient information that is captured and transmitted through the use of its software.

The Company is in compliance with the U.S.-EU Safe Harbor Framework and the U.S.-Swiss Safe Harbor Framework. This certification ensures continued data flows from all twenty-seven member states of the European Union and Switzerland as *DATATRAK* is compliant with the European Commission's Directive on Data Protection.

Employees

As of February 29, 2016, *DATATRAK* had 54 total employees, consisting of 52 full-time employees and 2 part-time employees. None of the Company's employees are represented by a union, and relations with the employees are considered to be satisfactory.

The Company has employment agreements with certain executives. The Company appointed to the role of Interim President and CEO James R. Ward upon termination of the former President and CEO, Laurence P. Birch, on February 23, 2016. Mr. Ward was the founder and CEO of ClickFind, which was acquired by *DATATRAK* and is a key component of *DATATRAK*'s underlying technology. Mr. Ward has agreed to be an "at will" employee and receive only $1 per month as compensation. The Company may subsequently enter into an employment agreement with Mr. Ward. The Company had an employment agreement with its former CEO, who was terminated as of February 23, 2016. The Company also had employment agreements with its former CFO and former VP of Legal Affairs. Those contracts were terminated for cause as of March 28, 2016 and under the terms of the agreements no further payments are believed to be owed by the Company. The Company has appointed Julia Henderson as CFO and Treasurer. While the Company has not entered into an employment agreement with Ms. Henderson, it plans to do so subsequently during 2016. The Company does not, at this time, plan to replace the VP of Legal Affairs.

The Company carried a life insurance policy, for which the Company was the beneficiary, on the former CEO. Subsequent to Mr. Birch's termination, the life insurance policy was surrendered. The Company also had a life insurance policy on former VP of Sales, which was cancelled during 2015. The Company does not plan to obtain another life insurance policy on the Interim CEO or any other of its personnel at this time.

ITEM IX: The Nature of the Products or Services Offered

***DATATRAK* Software and Services**

During the performance of clinical trials, a variety of technology applications can be used for the collection, management and storage of information. Many of these applications perform limited but important functions that contribute to the overall successful accomplishment of clinical research. Because of the fragmentation of the clinical trial process, the specific functionalities of individual technology applications have advanced using a system of integrated single point solutions rather than an overall product suite, existing under a single platform, architecture and corporate offering. As the demand for multiple applications throughout the clinical trial process increases, the Company believes sponsors of clinical research will gravitate from technologies that integrate data collected and residing in several disparate applications to one that houses multiple applications under a single software architecture and corporate structure. This would represent a simplified approach from the workflow process of clinical trials itself and would also yield contracting advantages by optimizing vendor management.

The Company's products were originally developed to provide data to sponsors of clinical research trials faster and more efficiently than other competing systems, including paper-based solutions. Automating data entry and review procedures under a single architecture can save time in the drug development and medical device approval process, and possibly result in enhanced patient safety. The *DATATRAK* system consists of numerous modules designed for custom configurability to each clinical research process. The Company initially provides a set of electronic case report forms specific to the protocol of each clinical trial. Each patient's casebook is available for data entry by the respective research site participating in the clinical trial via a secure connection over the Internet. Once clinical trial data has been collected and entered, the clinical trial sponsor, or other contracted vendor, can review the data remotely from any internet connected device. As the data is reviewed and cleansed of all entry errors, the system generates standard and ad-hoc reports to facilitate the data cleaning process and to monitor patient safety. Finally, the software's export feature allows completed data and reports to be transmitted directly to a clinical trial sponsor's in-house database or for FDA submission – all in real-time.

The *DATATRAK ONE® Unified Experience*™ software suite provides the following capabilities: CTMS; EDC, including medical coding; digitized electrocardiograms; image collection, viewing and storing capabilities; interactive response technologies, including randomization and clinical supply management; safety case management; clinical trial design, including mid-study changes; clinical file repository for data and study assets; content-based training supported by a learning management system ("LMS"), and workgroup collaboration capabilities. Additional enhancements in late 2014 provided analysis and reporting functionality across solutions, specifically *UX EDC*™ and *UX RTSM*™ through the Cross-Study toolset. Extensive work was completed in 2015 on the next generation CTMS solution, *UX CTMS 360*™, which again leverages cross solution functionality in reporting and analysis. The Company believes the new solution will transform how the industry measures return on investment ("ROI") on software purchases, opening the door for continued increase in multi-solution purchases by current and potential clients.

DATATRAK built its multi-component, comprehensive solution through a single, unified clinical research platform leveraging a single database architecture and expanded this concept to include services delivery from the *DATATRAK* Clinical and Consulting Services ("DCCS") group. The Company delivers a complete portfolio of software products designed to accelerate the reporting of clinical research data from sites to sponsors and ultimately regulatory authorities more efficiently than loosely integrated technologies. The *DATATRAK ONE®* unified software solution, deployed worldwide through its cloud offering, supports pre-clinical and Phase I – Phase IV drug and device studies in multiple languages throughout the world.

DATATRAK Clinical and Consulting Services, or DCCS, offers support to our clients in the Preclinical and Phase I – Phase IV trials. Starting with the final protocol, DCCS can conduct most clinical data management services from study start-up through study close-out. In 2015, *DATATRAK* discontinued Clinical Data Manager ("CDM") services that were seen as competitive with our client base. The *DATATRAK* Project Management team tracks study deliverables, including interim data transfers if required by the client, or data cuts, data locks and ad-hoc requests. As the study comes to a close, DCCS assists in the finalization or 'locking' of the database and performs the study data archival. In addition to clinical trial specific services, DCCS also offers clinical and technology consulting as well as rescue study and migration expertise.

DATATRAK has partner and enterprise transfer programs to empower customers to design, deploy and manage their clinical trials independently through the Company's cloud-based delivery. *DATATRAK* has found that customers desire to be as independent as possible in the performance of their clinical trials. This trend is another growth aspect of the industry that is believed to be gaining momentum.

Customers and Marketing

DATATRAK customers are largely comprised of clinical trial sponsors and CROs. The Company markets its software and services through a sales staff located in the United States with partners in the Pan Asian continent who act as resellers. *DATATRAK* marketing efforts have included selective participation in industry meetings and trade shows to promote its products and services, and the Company uses email, marketing automation, a responsive-design website, content marketing including Case Studies, Blog, White Papers and Press Releases, webinars, social media, print advertising, and inside sales to build awareness of its capabilities and reach potential clients.

The Company's marketing and sales efforts have been focused on building reference accounts with key customers and leveraging these relationships into new divisions of its current customers while growing new customers through maintaining a high level of satisfaction in the delivery of its *DATATRAK ONE®* solution on a global basis.

Since 2007, NTT DATA has represented the *DATATRAK ONE®* software suite in the Japanese market as a value-added reseller, designing, deploying and managing clinical trials. In 2012, *DATATRAK* and NTT DATA expanded their relationship into the Chinese market. In 2014, *DATATRAK* and NTT DATA entered into a new global reseller agreement, again expanding the partnership. The new terms are in effect through the year 2020.

The extent to which the Company relies on revenue from any one customer varies from period to period, depending upon, among other things, its ability to generate new business, and the timing and size of clinical trials. In recent years, the Company has successfully broadened its revenue base and is less dependent on major customers.

The table below sets forth the percentage of revenue generated from customers who accounted for 10% or more of *DATATRAK*'s revenue during 2015, 2014 and 2013.

	Year ended December 31,		
Customer	**2015**	**2014**	**2013**
Client A	*	*	12%
Client B	*	11%	11%
Client C	*	*	12%

* Less than 10% of revenue.

Contracts

DATATRAK recognizes revenue in accordance with SEC Staff Accounting Bulletin Topic 13, "*Revenue Recognition*," and the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605, "*Revenue Recognition Multiple-Element Arrangements*." The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery of the product or service has occurred; the fee is fixed or determinable; and collectability is probable.

DATATRAK's non-enterprise contracts provide a fixed price for each element to be delivered, and revenue is recognized as each multiple-element is delivered. In the case of multiple-element arrangements, the Company does enter into agreements that combine both professional services and application services. These revenues qualify as separate units of accounting in accordance with Accounting Standards Update ("ASU") No. 2009-13 because they have value to the customer on a standalone basis. *DATATRAK*'s application services are frequently sold without professional services which indicate that they have standalone value. Professional services are also frequently sold separately by the Company or other vendors, which also indicate standalone value. The Company determines the price of individual elements included in multiple-element arrangements using objective, reliable evidence of fair value. This evidence is based on the vendor-specific price per element for which the Company would sell an item on a standalone basis.

DATATRAK recognizes revenue based on the performance or delivery of the following specified services or components of its contracts in the manner described below:

- Enterprise agreement revenue is recognized as services are performed, which is typically consistent with ratable recognition over the life of the contract.
- Licensing revenue (patient, points, randomization, inventory, safety case manager and user licensing) is recognized ratably over the life of the license agreement.
- Hosting revenue is recognized ratably over the term of the trial.
- Project management and data management (design, testing, quality assurance, consulting, report and export) service revenue is recognized proportionally over the life of a contract as services are performed, based on the contractual billing rate for those services.
- Data item revenue is earned based on a price per data unit as data items are entered into *DATATRAK*'s unified software suite.
- Classroom training services revenue is recognized as classroom training is completed, at rates based on the length of the training program.
- Internet-based training services revenue is recognized on a per user basis as self-study courses are completed and successfully passed.
- Help Desk revenue is recognized based on a monthly price per registered user or site under the contract.

- Clinical Trial Management System revenue is recognized based on a monthly price per authorized user, clinical trial and base fee under the contract.

- Clinical Data Management revenue is recognized proportionally over the life of a contract as services are performed based on the contractual billing rate for those services.

Services provided by *DATATRAK* that are in addition to those provided for in its contracts are billed on a fee for service basis as services are completed. Costs associated with contract revenue are recognized as incurred. Costs that are paid directly by the Company's clients, and for which the Company does not bear the risk of economic loss, are excluded from revenue. The termination of a standard contract will not typically result in a material adjustment to the revenue or costs previously recognized.

Competition

DATATRAK competes in the dClinical solutions market leveraging a single database or 'unified' architecture to deliver an optimized clinical trial experience, simplifying the management of data. The Company believes the capabilities of the software functionality, design tools, and real-time data delivered through user configured reporting tools are equal to or exceed those available in the market. The Company believes its greatest strengths include its delivery of a cloud-based, unified clinical research platform combined with DCCS expert services that are offered across the client organization and globe, to efficiently manage the expanding complexity of clinical trials. The *DATATRAK* vision is to be the clinical enterprise solution to safely accelerate every drug, every biologic and every device *from Concept to Cure®*.

The Company targets multiple client profiles, from those who are currently using paper-based trial data management solutions to enterprise solutions for the largest Pharma, CRO, Biotech, and Device makers in the industry. Although the electronic clinical trials industry has matured and technology-based solutions have become more widely implemented by the industry as a whole, the paper-based method of collecting clinical trial data is still a viable competitor in many regions. In addition, technology applications in this and every industry are quickly evolving, leveraging the latest technological innovations to continuously improve the user experience and end result. At times, the Company also competes with both internal initiatives at its customers as well as those in the CRO industry.

Major *DATATRAK* competitors include other end-to-end clinical trial software vendors and clinical trial data service companies. The *DATATRAK* ONE® unified software suite offers a variety of solutions built utilizing single database architecture: EDC, IRT, CTMS, safety, medical coding, digitized electrocardiograms, images and workgroup collaboration capabilities. *DATATRAK* offers each of these solutions individually, in groups, or as a full suite. Each solution has one or more distinct single point solution or multi-product competitors in the clinical trial market space. Sponsors of clinical research have a variety of choices with which to satisfy each of these capabilities for their clinical trials from many different organizations. The result, however, can lead to increased internal complexity managing multiple vendors, software platforms, and database content. Double data entry, moving data between systems, and managing trial change orders across disparate systems can result in increased trial risk.

Many current and potential future competitors have or may have greater financial and technical resources, greater name recognition and more extensive customer bases that could be leveraged, thereby gaining market share or product acceptance to our detriment. The Company may not be able to capture or establish the market presence necessary to effectively compete in this sector of the clinical research industry. Clinical trial sponsors may also continue to contract with individual or integrated vendors instead of utilizing the unified platform offered by *DATATRAK*.

DATATRAK is aware of other systems that may compete directly with one or more of the software product offerings included in the *DATATRAK* ONE® unified software suite. There are other companies that have developed or may be in the process of developing technologies that can become the basis for competitive products. Some of those technologies may have an entirely different approach or means of accomplishing the desired results as product offerings from *DATATRAK*. Either existing or new competitors may also develop products that are superior to or that otherwise achieve greater market acceptance than the Company's software. In addition, the Company believes that certain large companies in the information technology industry may be forming alliances and attempting to capitalize on the data delivery options offered by the Cloud. To the extent that the *DATATRAK* approach to clinical

data capture and management may gain market acceptance, larger companies in the information technology industry may develop competing technology to its detriment.

Potential Liability and Insurance

DATATRAK's services are supported by telecommunications equipment, software, operating protocols and proprietary applications for high-speed transmission of large quantities of data among multiple locations. In such operations, it is possible that data files may be lost, altered or distorted. The Company's software and its future enhancements or adaptations may contain undetected design faults and software defects that, despite testing, are discovered only after the system has been deployed and used by customers. Such faults or errors could cause delays or require design modifications on the Company's part. In addition, clinical pharmaceutical and medical device research requires the review and handling of large amounts of patient data. Potential liability may arise from a breach of contract or a loss of or unauthorized release of clinical trial data. Contracts with *DATATRAK*'s customers are designed to limit its liability for damages resulting from errors in the transportation and handling of patient data. Nevertheless, the Company may still be subject to claims for data losses in the transportation and handling of data over its information technology network.

If *DATATRAK* were forced to undertake the defense of, or were found financially responsible for, claims based upon the foregoing or related risks, it could incur significant costs relating to these claims, and its financial resources could be diminished. The Company maintains an errors and omissions professional liability insurance policy to cover claims in an amount up to $15,000,000 that may be brought against it. This coverage may not be adequate, and insurance may not continue to be available to the Company in the future.

Intellectual Property

Intellectual property rights are important to *DATATRAK*'s ongoing operations and future opportunities. The Company has sought and secured intellectual property protection for certain of its data handling technologies under U.S. Patent Nos. 7,464,087 (the "'087 Patent"), 8,234,294 (the "'294 Patent") and 8,856,172 (the "'172 Patent"), and has other patent applications pending in the U.S. and other jurisdictions. As noted above in the "Legal Proceedings" section, the '087 Patent was asserted in litigation against an alleged infringer. That litigation has since been settled. The Company's software and business processes embody numerous trade secrets which the Company protects through various physical and technical security measures, as well as through its agreements. Modules of its product suite, related manuals, help files, training materials and other written and graphical content are subject to copyright protection and terms of its license and subscription agreements. The *DATATRAK* ® brand is at the heart of a family of registered and common law trademarks and service marks (including, more recently, *DATATRAK ONE*®) that identify and distinguish the Company's software and services in the market. The Company sells its services and licenses the use of its software and the right to market *DATATRAK* brand products and services subject to contract provisions intended to provide appropriate protection to these valuable intellectual property assets.

For further information on intellectual property protection, please refer to the Legal Proceedings section under Business Development in Item VIII. Nature of the Issuer's Business.

Available Information

DATATRAK's internet address is www.datatrak.com.

ITEM X. The Nature and Extent of the Issuer's Facilities

Properties

As of December 31, 2015, the Company was leasing approximately 4,300 square feet of office space in Mayfield Heights, Ohio. This space is used for its headquarters and U.S. operations. In addition, *DATATRAK* has U.S. based operations in Chicago, Illinois, where the Company leases approximately 14,000 square feet of office space; Bryan, Texas, where the Company leases approximately 2,300 square feet of office space; Cary, North Carolina where the Company leases approximately 6,400 square feet of office space and Plymouth, Minnesota, where the Company

leases approximately 441 square feet of office space. Subsequent to year end, the Company entered into an assignment agreement for the office space in Cary, NC which is effective April 5, 2016. Also subsequent to year end, the lease term for the Plymouth, MN office space expired and was not renewed. The Company is exploring options to mitigate the expense of the Chicago office by potentially subleasing it or seeking other opportunities.

(Remainder Of This Page Intentionally Left Blank)

PART D. MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

ITEM XI. The Name of the Chief Executive Officer and Members of the Board of Directors

A. Officers and Directors

Following the Annual Meeting of Shareholders held on January 8, 2016, the Company's shareholders elected James R. Ward, Alex Tabatabai and Jack H. Jacobs to serve on its Board of Directors. On February 23, 2016, *DATATRAK* settled the litigation with its shareholder and proxy election participant Tabatabai Investment Management LLC (formally known as Arosa Investment Management LLC) and Alex Tabatabai, which has received preliminary court approval and remains subject to final court approval. Also on February 23, 2016, the Company elected Mr. Tabatabai to serve as Chairman of the Board of Directors. In connection with the settlement, Messrs. Kaiser, Karis and Pitler resigned from the Company's Board of Directors. Further, on February 23, 2016 the Board of Directors terminated Laurence P. Birch as CEO and James R. Ward was immediately appointed as Interim CEO and President to fill the vacancy.

Due to the significance of these changes, the Company is presenting the name, age and positions of the Company's Chairman, Board Committee Chairs, CEO, CFO and members of the Board of Directors, as of April 8, 2016:

Name	Age	Position
Alex Tabatabai.....	34	Chairman of the Board of Directors Chairman of the Audit Committee
Jack H. Jacobs	69	Director Chairman of the Compensation Committee Chairman of the Nominating & Governance Committee
James R. Ward.....	55	Interim Chief Executive Officer and President Director
Julia Henderson	44	Chief Financial Officer and Treasurer

Each of the individuals can be reached at the Company's business address:
5900 Landerbrook Dr., Suite 170 Mayfield Heights, Ohio 44124

Alex Tabatabai. Mr. Tabatabai has been a Director since January 8, 2016 and Chairman of the Board since February 23, 2016. He is the managing member of Tabatabai Investment Management LLC (f/k/a Arosa Investment Management LLC) since 2014. He is a value-oriented investor who believes in applying a common sense approach to analyzing businesses for their intrinsic value, which is the discounted value of all future distributions. Prior to his current firm, Tabatabai was a managing member of Fernbank Partners LLC from 2010 thru 2014, which also focused on value-oriented fundamental investing with a contrarian approach. From 2008-2010 he worked at Penta Investment Advisers Ltd, a multi-billion dollar fundamental analysis style hedge fund. Tabatabai earned a masters of law in taxation and a juris doctorate from Georgetown University Law School and Loyola Law School, respectively. He earned a bachelor of science in business administration from the University of Southern California with an emphasis studied in the entrepreneurial program at the Lloyd Grief Program at the USC Marshall School of Business.

Jack H. Jacobs. Mr. Jacobs has been a Director since January 8, 2016. He has been a principal of The Fitzroy Group, Ltd., a firm that specializes in the development of residential real estate in London and invests both for its own account and in joint ventures with other institutions, for the over 20 years. He has held the McDermott Chair of Politics at West Point since 2005 and has served as an NBC military analyst since 2002. Mr. Jacobs was a co-founder and Chief Operating Officer of AutoFinance Group Inc., one of the firms to pioneer the securitization of debt instruments, from 1988 to 1989; the firm was subsequently sold to KeyBank. He was a Managing Director of Bankers Trust Corporation, a diversified financial institution and investment bank, where he ran foreign exchange options worldwide and was a partner in the institutional hedge fund business. Mr. Jacobs' military career included two tours of duty in Vietnam where he was among the most highly decorated soldiers, earning three Bronze Stars, two Silver Stars and the Medal of Honor, the nation's highest combat decoration. He retired from active military

duty as a Colonel in 1987. Mr. Jacobs has been a member of the board of directors of Paragon Technologies, Inc., a public company, since 2012. From 2007 to 2012, Mr. Jacobs served as a member of the Board of Directors of Xedar Corporation, a public company; from June 2006 to 2009, he was a director of Visual Management Systems, a private company; and he was a director of BioNeutral Group, Inc., a public company, until 2009. Mr. Jacobs was previously a director of Premier Exhibitions, Inc., a public company. Mr. Jacobs is Vice Chairman of the Medal of Honor Foundation and a member of the Board of Trustees of the USO of New York. Mr. Jacobs is the author of the book "If Not Now, When?: Duty and Sacrifice in America's Time of Need." Mr. Jacobs received a Bachelor of Arts and a Master's degree from Rutgers University.

James R. Ward. Mr. Ward has been a Director since January 8, 2016 and Interim Chief Executive Officer since February 23, 2016. An internet entrepreneur responsible for developing one of the first web-based development platforms in 1994, Mr. Ward has been a technology consultant since 2009 creating collaborative financial systems including a global market investment system that manages over $100M annually. Prior to that, he was Executive Vice President of Market and Client Strategy of *DATATRAK* during 2008 and the Executive Vice President of Research and Development of *DATATRAK* from 2006 to 2008. From 2000 to 2006, he was CEO and President of ClickFind Inc., which was acquired by *DATATRAK* in 2006. He was CEO and President of Real Time Internet Services Inc. from 1994 to 2000. In 1997, Mr. Ward established Managed Network Solutions which was sold in 2001 to become a Tier IV disaster recovery and business continuity company in Bryan, Texas with data centers in Houston and Dallas, Texas. Prior to that he worked at Texas A&M University as the Assistant Director to a market research center conducting economic consulting and SAS econometric and bio statistical analysis. Additionally, Mr. Ward conducted economic and technology consulting from 1992 to 2002 in the Caribbean Basin, Latin America and Europe. Mr. Ward has a Bachelor of Science Degree in Agricultural Business with a minor in Business Administration from Sul Ross State University and a Master of Science Degree in Agricultural Economics from New Mexico State University.

Julia Henderson. Ms. Henderson has been the CFO and Treasurer since March 28, 2016. She has worked at *DATATRAK*'s Cleveland headquarters since August 2005. Since October 2012, she served as the Controller, reporting directly to the CFO and responsible for most of the Finance Department's day to day activities. In her capacity as Controller, Ms. Henderson worked closely with the Company's auditors at BDO and other outside advisors. From 2010 to 2012, she served as the Accounting Manager and from 2005 to 2010, as a Staff Accountant. Prior to *DATATRAK*, Ms. Henderson was a Senior Accountant at Concentrics Research from 2002 to 2005, which involved active clinical and marketing research studies in the pharmaceutical industry. Prior to Concentrics Research, she was a Senior Accountant at West Pharmaceutical Services from 1999 to 2002. From 1996 to 1999, Ms. Henderson was an accountant at Collaborative Clinical Research, *DATATRAK*'s original company, where she handled various financial tasks for the site management organization. Prior to Collaborative, she served as an Associate Accountant and Internal Auditor for Acme-Cleveland Corporation from 1993 to 1996. Ms. Henderson graduated with a Bachelors' Degree in Accounting from John Carroll University in 1993. She is a Certified Public Accountant and a Certified Global Management Accountant as well as a member of the Ohio Society of CPAs and the AICPA.

(Remainder Of This Page Intentionally Left Blank)

The table below sets forth information regarding the compensation received during the years ended December 31, 2015 and 2014 and the securities held at each year then ended for the current and former executives and directors.

Name and Principal Position	Year	Salary	Bonus	All Other Compensation	Common Shares Owned	Common Share Options (1)
Alex Tabatabai, *Chairman of the Board* (2)(4)	2015 2014	— —	— —	— —	161,023 —	— —
Jack H. Jacobs, *Director* (2)	2015 2014	— —	— —	— —	— —	— —
James R. Ward, *Interim CEO and Director* (2)	2015 2014	— —	— —	— —	56,159 56,159	— —
Julia Henderson, *Chief Financial Officer and Treasurer* (5)	2015 2014	$105,033 $96,437	$5,000 $10,000	— —	2,760 2,172	500 500
James M. Karis, *Former Director*	2015 2014	— —	— —	$13,000 $16,000	2,515 833	6,750 4,833
Timothy G. Biro, *Former Director*	2015 2014	— —	— —	$16,250 $19,000	4,197 3,345	18,363 18,363
Jerome H. Kaiser, *Former Chairman of the Board of Directors, Former Lead Independent Director, Former Director*	2015 2014	— —	— —	$13,060 $16,000	2,498 1,776	18,310 16,393
Andrew T. Pitler, *Former Director*(3)	2015 2014	— —	— —	— —	43,990 —	2,000 —
Laurence P. Birch, *Former Chief Executive Officer, Former Chairman of the Board, Former Director*	2015 2014	$369,159 $375,231	$338,446 $320,349	— —	131,253 110,671	100,442 96,442
Jennifer W. Mabe, *Former Chief Financial Officer*	2015 2014	$183,472 $181,809	$147,969 $196,348	— —	46,269 36,000	35,828 30,828
Varnesh Sritharan, *Former VP Legal Affairs*	2015 2014	$171,665 $172,867	$77,960 $110,723		27,016 22,600	24,224 21,724

(1) Details of the common share stock option grants during fiscal years 2015 and 2014, including aggregate equity compensation expenses, are set forth beginning on page F-16 of this Annual Report under the heading “Share-Based Payment Awards.”

(2) James R. Ward, Alex Tabatabai and Jack H. Jacobs received no salary, bonus or other compensation during the year ended December 31, 2015.

(3) Mr. Pitler’s appointment to the Board was contested by certain shareholders, including, but not limited to, Tabatabai Investment Management. Mr. Pitler resigned from the Board on or around February 23, 2016.

(4) Mr. Tabatabai's beneficially owned shares are beneficially owned by Tabatabai Investment Management LLC, of which he is a managing member.
(5) As of March 28, 2016, Julia Henderson was appointed CFO and Treasurer.

B. Legal/Disciplinary History

A former director, Timothy Biro, was convicted in 2009 of the felony of leaving the scene of an accident after striking and killing a bicyclist with an automobile. The director decided not to stand for re-election in the recent annual meeting elections and is no longer a director of the Company.

C. Disclosure of Family Relationships

None.

D. Disclosure of Related Party Transactions

During 2015, 2014 and 2013, the Company retained Stratego Partners LLC ("Stratego") to consult on insurance renewals. The Company paid $10,000 to Stratego in each of those years. The Company's former CEO, Mr. Birch, is a founder and was and may continue to be a partner of Stratego. Mr. Birch's wife is a current partner and active participant at Stratego. The Company has terminated its relationship with Stratego.

Due to the significant cash expenditures of the prior Board and management during 2015 the Company, in an abundance of caution, decided to obtain certain financing arrangements to enhance its cash balance and provide optimal financial circumstances so that the Company could achieve its business operation objectives for 2016 and beyond. The financing amounts are, in the Company's opinion, limited and one-time as the Company believes its cash position will increase substantially looking forward. The following items summarize the series of transactions the Company took to meet these requirements.

The Company will reimburse the expenses incurred by the prevailing new directors in the recent proxy contest and associated legal expenses. Mr. Tabatabai recused himself from the Board of Directors for this specific issue in order to avoid any conflicts of interest on behalf of Tabatabai Investment Management LLC. Mr. Tabatabai agreed to have the reimbursement accepted in the form of Common Stock from the Company at the request of the Company and multiple shareholders. The expenses are approximately $300,000 and the shares issued are at market prices.

DATATRAK has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be at the market price.

E. Disclosure of Conflicts of Interest

During 2015, the Company retained independent outside legal counsel ("Investigating Lawyers") to conduct an investigation into allegations of misconduct by the former CEO & Chairman, Laurence P. Birch, and report their independent findings and conclusions. The Investigating Lawyers reported during 2015 that certain breaches of fiduciary duties, duties of loyalties, conflicts of interest policies and other company policies were violated by certain individuals, including but not limited to Mr. Birch and former CFO, Jennifer Mabe. These, along with other reasons, led to the Company terminating Mr. Birch and Ms. Mabe for cause. The investigation by the Investigating Lawyers caused the Company to incur significant legal expenses that hurt 2015 operating results and will negatively impact

2016 operating results. The Company continues to evaluate the matter to take actions it believes are in the best interests of the Company and its shareholders.

ITEM XII. Financial Information for the Issuer's Most Recent Fiscal Period

The December 31, 2015 audited financial statements are attached to this Annual Report, and incorporated herein, beginning on page F-1.

ITEM XIII. Similar Financial Information for the Two Preceding Fiscal Years

The audited financial statements for the required periods are attached to this Annual Report, and incorporated herein, beginning on page F-1. The audit letter for the year ended December 31, 2014 is included in the financial statements set forth in the Annual Report, filed with OTCQX on March 13, 2015, and such report is incorporated herein by reference.

ITEM XIV. Beneficial Owners

The following persons beneficially owned 5% or more of *DATATRAK* stock as of December 31, 2015:

Tabatabai Investment Management LLC (f/k/a Arosa Investment Management LLC)	540 N. Dearborn St. #101257 Chicago, IL 60610	161,023 Common Shares
William Coates	5116 Stonewater Loop College Station, TX 77845	93,002 Common Shares, which includes 38,679 Vested Common Share Options
Laurence P. Birch	437 W. Roslyn Place Chicago, IL 60614	218,528 Common Shares, which includes 87,275 Vested Common Share Options*

*****Mr. Birch's Common Shares and options may be the subject of claims sought by the Company against Mr. Birch to disgorge or return shares or options wrongfully awarded to him.

ITEM XV. The Name, Address, and Telephone Number of Each of the Following Outside Providers that Advise the Issuer on Matter Relating to Operations, Business Development and Disclosure

1. Investment Banker: Healthcare Growth Partners, LLC 105 York St. Suite 230 Elmhurst, IL 60126 (312) 445-8750 (Relationship terminated in 2016)
2. Promoters: None
3. Counsel: Calfee Halter & Griswold LLP The Calfee Building, 1405 East Sixth St. Cleveland, OH 44114 (216) 622-8200; Akerman LLP, 1 SE 3rd Ave #28, Miami, FL 33131 (305) 374-5600; Thompson Hine LLP 3900 Key Center, 127 Public Square Cleveland, OH 44114 (216) 566-5500 (Relationship established in 2016); Ogletree Deakins 127 Public Square #4100 Cleveland, OH 44114 (216) 241-6100 (Relationship established in 2016).
4. Auditor: BDO USA, LLP 330 N. Wabash Ave. Suite 3200, Chicago, IL 60611 (312) 856-9100
5. Public Relations Consultant: None
6. Investor Relations Consultant: Alpha IR 311 South Wacker Dr., Suite 2390 Chicago, IL 60606 (312) 445-2870 (Relationship terminated in 2016)
7. Other Advisors:
    a. Tax Advisor: DiCillo & Associates, Inc. 7500 Town Centre Dr. Suite 500 Broadview Hts, OH 44147
    b. Internal Controls Auditor: MaxQualData 1700 West Market St. Suite 200 Akron, OH 44313

ITEM XVI. Management's Discussion and Analysis or Plan of Operation

A. Plan of Operation

Not required.

B. Management's Discussion and Analysis of Financial Condition

General

DATATRAK International, Inc. is a leading technology and services company delivering global eClinical solutions for the clinical trials industry. The *DATATRAK* vision is to be the clinical enterprise solution to safely accelerate every drug, every biologic and every device *from Concept to Cure*®. Customers use *DATATRAK* software to collect, review, transfer and store clinical trial data electronically in a secure environment. *DATATRAK* customers are companies in the pharmaceutical, biotechnology, contract research organization ("CRO") and medical device industries. The Company's services support clients in accelerating the completion of clinical trials more efficiently and safely by providing improved data quality and real time access to information on a global scale.

The Company recently experienced a significant change in leadership at the Board and Management level. The new Board leadership has enacted significant and impactful expense reductions and operational goals that will aim to make *DATATRAK* profitable. The new leadership also aims to have our Company achieve at least the average industry sales growth on an annual basis.

The Company has a concentration of a small number of customers that made up a significant portion of its revenue over the past three years. Revenue from the three largest customers as a percentage of *DATATRAK*'s total revenue for each year was 23%, 29% and 35% in the years 2015, 2014 and 2013, respectively. However, there were no customers that generated 10% or more of revenue individually.

The Company engaged an outside consultant to test the key and non-key internal financial controls during the year ended December 31, 2015. The consultant's final report showed no deficiencies noted as a result of the testing of the key internal controls.

Financial Performance

The Company's revenue decreased 10% for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease in revenue is due to a variety of factors, including a lengthening sales cycle, drug program sponsor delays, the extension of an enterprise license agreement, which required *DATATRAK* to recognize the new contract revenue over a longer period of time, thereby affecting short-term revenue, and the tapering off of a significant long-term contract that has been completed. *DATATRAK* is evolving the focus of its sales model to enhance long-term stability through enterprise license agreements. The change in focus affects revenue growth in the short-term as evidenced by the decrease for the year ended December 31, 2015. However, it is enhancing long-term stability as evidenced by the 3% increase in backlog and the book-to-bill ratio of 2.68 at December 31, 2015 compared to 2.4 at December 31, 2014. The 5-year agreement with a global device manufacturer announced in August 2015 mitigated some of the above mentioned reasons for the decrease in revenue and provided a significant short-term influx of cash to continue to fund growth initiatives. However, several large contract cancellations in the fourth quarter of 2015 offset the growth in backlog that was seen throughout the first three quarters of 2015. There were several reasons for the cancellations, however, none included performance issues with *DATATRAK* products or services. The majority of the cancellations were due to a change in clinical trial priorities by the Sponsor. Direct costs decreased by 6% during this same time period as a result of outsourcing certain clinical data management work and lower ISP costs. The Company's gross margin decreased to 79% for the year ended December 31, 2015 compared to 80% for the year ended December 31, 2014 due to lower revenue. SG&A expenses increased by $565,000, or 6%, to $10,574,000 from $10,009,000 for the year ended December 31, 2015 and 2014, respectively. The increase was primarily due to higher legal costs, including substantial year-over-year expenses related to patent defense discussed in Note 15 - Contingencies, increased rent expense due to the opening of the Chicago office and the prior board and prior management's significant spending in the recent proxy contest. These cost increases were partially offset by the decline of employee costs, including bonus and recruitment, and travel due to lower

headcount. As a result, *DATATRAK* 's loss from operations for year ended December 31, 2015 was $(2,883,000) compared to a loss from operations of $(1,280,000) for the year ended December 31, 2014.

In order to address any working capital needs the Company may face during 2016, *DATATRAK* has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Company Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be priced at market prices.

Backlog

Backlog consists of future value from authorization letters to commence services, statements of work, technology and services agreements, change orders and other customer contracts, billed and unbilled. At December 31, 2015, the Company's backlog increased by 3%, to $26,682,000 from $25,978,000 at December 31, 2014. New contract sales, including change orders and study expansions, totaled $14,376,000 for the year ended December 31, 2015 compared to new contract sales of $17,542,000 for the year ended December 31, 2014. The year-over-year increase in backlog was a result of new contracts, including new enterprise agreements and expansions of existing enterprise agreements, change orders and study expansions. However, the increases were offset by several contract cancellations that occurred during the year, most significantly in the fourth quarter of 2015. There were several reasons for the cancellations, however, none included performance issues with *DATATRAK* products or services. The majority of the cancellations were due to a change in clinical trial priorities by the Sponsor.

DATATRAK had disclosed in 2014 and prior that it had experienced significant trial delays from certain clients. As of December 31, 2014, the four trials with the same client that were valued at $1,010,000 and had been delayed for 7 years, were removed from backlog. All contracts are subject to possible delays or cancellation or can change in scope in a positive or negative direction. Approximately 82% of the Company's December 31, 2015 backlog is subject to being cancelled or delayed at any time. Therefore, current backlog is not necessarily indicative of the Company's future quarterly or annual revenue. Historically, backlog has not always been an accurate predictor of the Company's short-term revenue.

Critical Accounting Policies

The Company has identified the most critical accounting policies upon which its financial status depends. Critical accounting policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies were identified to be those related to revenue recognition, deferred revenue, accounts receivable, software development costs, stock-based compensation, and income taxes.

Revenue Recognition and Deferred Revenue

DATATRAK recognizes revenue in accordance with SEC Staff Accounting Bulletin Topic 13, "*Revenue Recognition*," and FASB ASC 605, "*Revenue Recognition Multiple-Element Arrangements*." The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery of the product or service has occurred; the fee is fixed or determinable; and collectability is probable.

DATATRAK's non-enterprise contracts provide a fixed price for each element to be delivered, and revenue is recognized as each multiple-element is delivered. In the case of multiple-element arrangements, the Company does enter into agreements that combine both professional services and application services. These revenues qualify as separate units of accounting in accordance with ASU No. 2009-13 because they have value to the customer on a

standalone basis. *DATATRAK*'s application services are frequently sold without professional services which indicate that they have standalone value. Professional services are also frequently sold separately by the Company or other vendors, which also indicate standalone value. The Company determines the price of individual elements included in multiple-element arrangements using objective, reliable evidence of fair value. This evidence is based on the vendor-specific price per element for which the Company would sell an item on a standalone basis.

DATATRAK recognizes revenue based on the performance or delivery of the following specified services or components of its contracts in the manner described below:

- Enterprise agreement revenue is recognized as services are performed, which is typically consistent with ratable recognition over the life of the contract.

- Licensing revenue (patient, points, randomization, inventory, safety case manager and user licensing) is recognized ratably over the life of the license agreement.

- Hosting revenue is recognized ratably over the term of the trial.

- Project management and data management (design, testing, quality assurance, consulting, report and export) service revenue is recognized proportionally over the life of a contract as services are performed, based on the contractual billing rate for those services.

- Data item revenue is earned based on a price per data unit as data items are entered into *DATATRAK*'s unified software suite.

- Classroom training services revenue is recognized as classroom training is completed, at rates based on the length of the training program.

- Internet-based training services revenue is recognized on a per user basis as self-study courses are completed and successfully passed.

- Help Desk revenue is recognized based on a monthly price per registered user or site under the contract.

- Clinical Trial Management System revenue is recognized based on a monthly price per authorized user, clinical trial and base fee under the contract.

- Clinical Data Management revenue is recognized proportionally over the life of a contract as services are performed based on the contractual billing rate for those services.

Services provided by *DATATRAK* that are in addition to those provided for in its contracts are billed on a fee for service basis as services are completed. Costs associated with contract revenue are recognized as incurred. Costs that are paid directly by the Company's clients, and for which the Company does not bear the risk of economic loss, are excluded from revenue. The termination of a standard contract will not typically result in a material adjustment to the revenue or costs previously recognized.

Deferred revenue represents cash advances received in excess of revenue earned on contracts. Payment terms vary with each contract but may include an initial payment at the time the contract is executed, with future payments dependent upon the completion of certain contract phases or targeted milestones. In the event of contract cancellation, the Company is entitled to payment for all work performed through the point of cancellation. Likewise, in the event of contract cancellation prior to earning revenue equal to or greater than the initial payment, generally the Company is not required to refund the unused portion.

Deferred revenue not subject to potential refund as of December 31, 2015 totaled $5,673,000. The Company's deferred revenue balance including the long-term portion was $6,177,000 at December 31, 2015 of which $504,000 was subject to refund, compared to $6,171,000 at December 31, 2014 of which $648,000 was subject to refund.

(Remainder Of This Page Intentionally Left Blank)

Accounts Receivable

The Company generally invoices its customers on a monthly basis with payment terms of net 30 days from invoice date. The accounts receivable amount is recorded net of an estimated reserve for doubtful accounts. The Company has a history of favorable collections and had a reserve for uncollectible accounts of $15,000 at December 31, 2015. The reserve decreased compared to the prior year due to two accounts the Company determined to be bad debt totaling $26,000 at December 31, 2014. These accounts were written off during 2015. The Company's average collection period was 41 days as of December 31, 2015 compared to 40 days as of December 31, 2014. The net accounts receivable balance was $889,000 and $1,143,000 at December 31, 2015 and 2014, respectively.

Software Development Costs

Development costs incurred in the research and development of new software products, enhancements to existing software products and maintenance activities are accounted for in accordance with FASB ASC 350-40, *"Accounting for Cost of Internal-Use Software, Including Enterprise Software."* Post-implementation stage activities such as maintenance or modifications that do not result in additional functionality are expensed as incurred. Enhancements that enable the software to perform tasks that it was previously incapable of performing are to be capitalized based on the assigned fair value. If the project contains both elements of upgrades that provide additional functionality and maintenance, cost is allocated based on relative fair values. If the cost cannot be allocated between maintenance and upgrades on a reasonable basis, all cost is expensed as incurred.

The Company capitalized software development costs that provided additional functionality of $477,000 during the year ended December 31, 2015 compared to $265,000 for the year ended December 31, 2014 and $55,000 for the year ended December 31, 2013.

Research and development expenses included in selling, general and administrative expenses were $1,289,000, $1,286,000 and $1,612,000 in 2015, 2014 and 2013, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, "*Stock Compensation,*" using the "modified prospective" method. On May 14, 2013, the Company's Board of Directors approved the 2013 Omnibus Equity Plan ("2013 Omnibus Plan"), thereby replacing the 2011 Omnibus Equity Plan ("2011 Omnibus Plan") as the primary share-based incentive award program for covered employees and directors. The 2011 Omnibus Plan was the primary share-based incentive award program from its approval on August 10, 2011 until the approval of the 2013 Omnibus Plan. Prior to the 2011 Omnibus Plan, the 2009 Omnibus Equity Plan (the "2009 Omnibus Plan") was the Company's primary share-based incentive award program for covered employees and directors from its approval on August 26, 2009 until the approval of the 2011 Omnibus Plan. Common Share options have been awarded under the 2013 Omnibus Plan, the 2011 Omnibus Plan and the 2009 Omnibus Plan. The Company used the Black-Scholes option valuation model to calculate the fair value of stock options granted.

On March 19, 2013, the Company valued restricted share grants to certain officers and key employees in lieu of the payment of bonus amounts under the 2012 Cash Incentive Plan. Based on the closing stock price on March 19, 2013, 50,560 restricted shares were awarded to certain officers and key employees outside of the 2011 Omnibus Plan. These shares are subject to certain restrictions, including a provision that the participant's shares shall be forfeited if such participant ceases to be employed by the Company prior to the one-year anniversary of the grant. Subsequent to the grant, a former key employee terminated his employment with *DATATRAK*, thereby forfeiting 1,519 of the restricted shares valued on March 19, 2013.

At the May 14, 2013 Annual Meeting of Shareholders, the Company's shareholders approved a resolution authorizing the Board of Directors to amend the Company's Sixth Amended and Restated Articles of Incorporation, as amended (the "Articles"), to implement a reverse stock split of the Company's Common Shares at a ratio of 1-for-12. As a result, the Board of Directors was authorized to effect the approved reverse stock split by filing an amendment to the Articles with the Ohio Secretary of State. On May 14, 2013, the Board of Directors authorized

the filing of an amendment to the Articles to effect the reverse stock split. The reverse stock split was effective at the close of business on June 3, 2013, and thereafter the Company's Common Shares began trading on the OTCQX Markets on a split-adjusted basis. The reverse stock split itself did not have any economic effect on the shareholders or on those holding Common Share options, except to the extent the reverse stock split resulted in fractional shares. All share references included herein have been adjusted as if the change took place before the date of the earliest transaction reported.

On May 14, 2013, the Company's Board of Directors approved the 2013 Omnibus Plan, which is intended to serve as the primary equity incentive compensation plan for the Company. Shares totaling 85,000 were authorized under the 2013 Omnibus Plan. On such date, the Board also approved Common Share option awards effective as of the close of business on May 17, 2013 of (i) 31,667 to certain officers and key employees, and (ii) 6,250 in the aggregate, to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. Due to the departure of one key employee during 2014, options of 6,667 were forfeited. During 2015, another key employee terminated employment and forfeited 1,250 options. The exercise price for such option awards was $9.60 per share, the closing trading price as of the date of grant.

Restricted stock units previously awarded under the Company's 2011 Omnibus Plan vested on January 2, 2014. The Compensation Committee of the Board of Directors decided that the restricted stock units were to be paid in Common Shares, net of applicable taxes. Therefore, only 30,141 restricted Common Shares were awarded.

On March 18, 2014, the Company valued restricted share grants to certain officers and key employees in lieu of the payment of bonus amounts under the 2013 Cash Incentive Plan. Based on the closing stock price on March 18, 2014, 20,748 restricted shares were awarded to certain officers and key employees outside of the 2013 Omnibus Plan. These shares are subject to certain restrictions, including a provision that the participant's shares shall be forfeited if such participant ceases to be employed by the Company prior to the one-year anniversary of the grant. Subsequent to the grant, a former key employee terminated employment with *DATATRAK*, thereby forfeiting 181 of the restricted shares valued on March 18, 2014.

On August 13, 2014, the Company's Board of Directors approved Common Share option awards pursuant to the 2013 Omnibus Equity Plan, effective as of the close of business on August 18, 2014 of (i) 48,667 to certain officers and key employees, and (ii) 6,417 in the aggregate, to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. Due to the departure of two key employees in 2014 subsequent to the grant, 9,500 options were forfeited. There were subsequent departures in 2015 that caused the forfeit of an additional 6,000 options in the aggregate. The exercise price for such option awards was $6.55 per share, the closing trading price as of the date of grant.

On November 12, 2014, the Company's Board of Directors approved Common Share option awards pursuant to the 2013 Omnibus Plan effective as of the close of business on November 17, 2014 of 3,000 to certain key employees. The exercise price for such option awards was $5.90 per share, the closing trading price as of the date of grant.

On March 17, 2015, the Company valued restricted share grants to certain officers and key employees in lieu of the payment of bonus amounts under the 2014 Cash Incentive Plan. Based on the closing stock price on March 17, 2015, 46,127 restricted shares were awarded to certain officers and key employees outside of the 2013 Omnibus Plan. These shares are subject to certain restrictions, including a provision that the participant's shares shall be forfeited if such participant ceases to be employed by the Company prior to the one-year anniversary of the grant.

The following items discussed are the subject of ongoing litigation and disputes between the Company and certain former officers and shareholders. The current board is reviewing the actions taken on and after November 10, 2015 and may challenge, rescind or take the position that such actions were ultra vires and void. Please note that the following items only cover a general discussion of the actions purported to be taken by the prior board solely to fulfill our disclosure obligations for the OTC and do not confirm or bind the Company to potentially invalid action of the Board on or after November 10, 2015. On November 11, 2015, the Company's purported Board of Directors purportedly approved Common Share option awards pursuant to the 2013 Omnibus Equity Plan and the 2011 Omnibus Equity Plan, purportedly effective as of the close of business on November 17, 2015 of (i) 30,000 to certain officers and key employees, and (ii) 7,334 in the aggregate to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. One key employee terminated employment

after the grant, thereby forfeiting 500 options. The exercise price for such option awards was $4.40 per share, the closing trading price as of the date of grant. On November 17, 2015, the Company purportedly valued restricted share grants to non-employee Directors in lieu of the payment of 75% of the quarterly cash amounts purportedly due under the Director Compensation Plan. Based on the closing stock price on November 17, 2015, 2,938 restricted shares were purportedly awarded to non-employee Directors outside of the 2013 Omnibus Plan.

Purportedly effective December 29, 2015, the Board of Directors purportedly amended the 2013 Omnibus Equity Plan to set forth an additional circumstance that would be considered a Change in Control under the 2013 Omnibus Equity Plan. Under the purported Omnibus Plan Amendment, a "Change in Control" may be defined to include the event that, during any period of 24 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority of the directors comprising the Board, unless the election or appointment of each new director (over such period) was approved or recommended by the vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. A similar determination as to what constitutes a Change in Control purportedly may also be made with respect to certain restricted stock agreements. Potentially due to recent Board resignations, various awards may have vested, but the Company expects that it may challenge this or deem it invalid. This may potentially be reflected in the Company's filing for the first quarter of 2016.

Income Taxes

The Company follows FASB ASC 740. This accounting standard requires that the liability method be used in accounting for income taxes. Under this accounting method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that apply in the periods in which the deferred tax asset or liability is expected to be realized or settled. A valuation allowance is provided for deferred tax assets for which realization currently is more likely than not. Quarterly income taxes are recorded at the effective rate, based on annual forecasted income. The Company currently is in a three-year cumulative loss position of $4.7 million and overall cumulative loss position totaling approximately $41 million. As a result, the Company recorded a full valuation reserve against its net deferred tax assets in 2009 and the full valuation reserve remained on the books throughout 2015.

In accordance with FASB ASC 740-10, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being recognized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As of December 31, 2015, 2014 and 2013, the Company had no uncertain income tax positions that require disclosure.

Results of Operations

The following table shows, for the periods indicated, selected items from *DATATRAK*'s Consolidated Statements of Operations, expressed as a percentage of revenue.

	Year Ended December 31,		
	2015	2014	2013
Revenue	100.0%	100.0%	100.0%
Direct costs	20.9	20.0	18.4
Gross profit	79.1	80.0	81.6
Selling, general and administrative expenses	104.1	88.7	86.3
Stock compensation	2.0	2.2	2.7
Depreciation and amortization	1.9	0.7	0.6
Loss from operations	(28.9)	(11.6)	(8.0)
Other expense, net	(0.2)	(0.1)	0.0
Re-branding with new ticker symbol	0.0	0.0	6.8
Loss before income taxes	(29.1)	(11.7)	(1.2)
Income tax expense	0.0	0.0	0.0
Net loss	(29.1)	(11.7)	(1.2)

Year ended December 31, 2015 compared with year ended December 31, 2014

Revenue for the year ended December 31, 2015 decreased $1,051,000, or 10%, to $9,960,000, as compared to $11,011,000 for the year ended December 31, 2014. During 2015, *DATATRAK* recorded revenue related to 160 contracts compared to 174 contracts during 2014. For the year ended December 31, 2015, $8,164,000 of revenue was the result of contracts that were in backlog at December 31, 2014 and $1,796,000 was the result of new business signed since January 1, 2015. For the year ended December 31, 2014, $8,517,000 of revenue was the result of contracts that were in backlog at December 31, 2013 and $2,494,000 was the result of new business signed since January 1, 2014.

The Company recorded $3,406,000 in revenue during the year ended December 31, 2015 compared to $3,413,000 during the year ended December 31, 2014 from significant multi-year enterprise license agreements. While revenue continued to be negatively impacted by the extension of an enterprise license agreement, which required *DATATRAK* to recognize the revenue over a longer period of time, and the tapering off of a significant long-term contract that has been completed, increases in other agreements and the signing of the 5-year agreement with a global device manufacturer that was recently announced mitigated the overall decrease. *DATATRAK* is purposefully changing the focus of its sales model to drive long-term stability through enterprise license agreements. The change in focus is affecting revenue growth in the short-term as evidenced by the decrease for the year ended December 31, 2015; however, it is enhancing long-term stability as evidenced by the increase in backlog. The Company will continue to recognize the remaining, non-refundable, aggregate deferred revenue on the enterprise license agreements ratably, or in line with the acceleration of points contained in the license agreement, over the remaining lives of each respective license period. The enterprise license agreements totaled $30.2 million of original contract value.

In 2015, no customer individually generated 10% or more of *DATATRAK*'s total revenue, compared to the one customer that individually generated 11% of *DATATRAK*'s total revenue in 2014.

New contract sales, including change orders and study expansions, totaled $14,376,000 for the year ended December 31, 2015 compared to $17,541,000 for the year ended December 31, 2014. The decrease in new contract sales was a result of the lower value of trial-by-trial and enterprise agreements signed during 2015 compared to 2014. As the value of enterprise agreements increase, so does the lead time required to close the contract. Longer lead times on the enterprise agreements, as well as higher component of overall sales and timing of revenue recognition associated with these agreements, contributed to slower revenue growth. The Company will continue to focus efforts on signing enterprise agreements as they bring greater stability to the revenue streams over a longer period of time compared to trial-by-trial contracts.

Direct costs of revenue decreased 6%, from $2,200,000 for the year ended December 31, 2014, to $2,078,000 for the year ended December 31, 2015. The $122,000 decrease is due to outsourcing certain clinical data management work and lower ISP costs. The Company's gross margin was 79% for the year ended December 31, 2015 compared to 80% for the year ended December 31, 2014.

SG&A expenses include all administrative personnel costs, sales and software development costs, stock compensation and all other expenses not directly chargeable to a specific contract. SG&A expenses increased by $565,000, or 6%, to $10,574,000 from $10,009,000 for the year ended December 31, 2015 and 2014, respectively. The increase was primarily due to higher legal costs, including substantial year-over-year expenses related to patent defense discussed in Note 15 - Contingencies, as well as increased rent expense due to the opening of the Chicago office and the prior board and prior management's significant expenses associated with the recent proxy contest. These cost increases were partially offset by the decline of employee costs, including bonus and recruitment, and travel due to lower headcount.

Depreciation and amortization expense increased by $108,000 from $82,000 for the year ended December 31, 2014 compared to $190,000 for the year ended December 31, 2015. The increase was due to the capitalization of software development costs and assets purchased or acquired through capital leases.

Non-cash charges were $441,000 for the year ended December 31, 2015 compared to $321,000 for the year ended December 31, 2014. The year-over-year increase in non-cash charges was due to depreciation, which was

caused by more asset purchases and capitalization of software development, the loss on disposal of assets and higher stock compensation.

Year ended December 31, 2014 compared with year ended December 31, 2013

Revenue for the year ended December 31, 2014 increased $110,000, or 1%, to $11,011,000, as compared to $10,901,000 for the year ended December 31, 2013. During 2014, *DATATRAK* recorded revenue related to 174 contracts compared to 156 contracts during 2013. For the year ended December 31, 2014, $8,517,000 of revenue was the result of contracts that were in backlog at December 31, 2013 and $2,494,000 was the result of new business signed since January 1, 2014. For the year ended December 31, 2013, $9,233,000 of revenue was generated from contracts that were in backlog at December 31, 2012 and $1,668,000 was the result of new business signed since January 1, 2013.

The Company recorded $3,413,000 in revenue during the year ended December 31, 2014 compared to $3,483,000 during the year ended December 31, 2013 from significant multi-year enterprise license agreements. Included in the total for the year ended December 31, 2014 and 2013, was $109,000 and $182,000, respectively, of revenue due to accelerated usage of an enterprise agreement by a customer. The Company will continue to recognize the remaining, non-refundable, aggregate deferred revenue on the enterprise license agreements ratably, or in line with the acceleration of points contained in the license agreement, over the remaining lives of each respective license period. The enterprise license agreements totaled $24.2 million of original contract value.

During the year ended December 31, 2014, *DATATRAK* recognized $202,000 of revenue which was reclassified from deferred revenue. The deferred revenue was the result of upfront payments received from a customer for studies which never took place. There was no such revenue recognized for the year ended December 31, 2013.

In 2014, one customer individually generated 11% of *DATATRAK*'s total revenue, compared to the three customers that individually generated 10% or more of *DATATRAK*'s total revenue, or 35% on a combined basis, in 2013.

New contract sales, including change orders and study expansions, totaled $17,541,000 for the year ended December 31, 2014 compared to new contract sales of $15,308,000 for the year ended December 31, 2013. The increase in new contract sales was a result of a growth in the value of both enterprise agreements and trial-by-trial contracts signed during 2014 compared to the previous year. Even though new contract sales have increased significantly on a year-over-year basis, revenue has not grown at the same rate given the higher component of enterprise agreements and timing of the revenue recognition associated with these agreements.

Direct costs of revenue increased 10%, from $2,007,000 for the year ended December 31, 2013, to $2,200,000 for the year ended December 31, 2014. The $193,000 increase is primarily the result of higher headcount to support *DATATRAK*'s clinical and consulting services business. Despite these additional costs, the Company's gross margin remained relatively stable at 80% for the year ended December 31, 2014 compared to 82% for the year ended December 31, 2013. The focus on efficient, effective operations and controlled growth allowed the Company to increase costs while maintaining a high gross margin.

SG&A expenses include all administrative personnel costs, sales and software development costs, stock compensation and all other expenses not directly chargeable to a specific contract. SG&A expenses increased by $302,000, or 3%, to $10,010,000 from $9,708,000 for the year ended December 31, 2014 and 2013, respectively. The increase was in primarily due to higher employee costs, related to recruitment efforts and the accrual of management incentive plan awards, and consulting costs due to the initiation of several internal projects relating to infrastructure improvements to better support customers, marketing activities to improve focus on customer care, and sales support. These increases were partially offset by a decline in travel.

Depreciation and amortization expense increased by $22,000 from $60,000 for the year ended December 31, 2013 compared to $82,000 for the year ended December 31, 2014. The increase was due to the capitalization of software development costs and assets purchased or acquired through capital leases.

Non-cash charges were $447,000 for the year ended December 31, 2014 compared to $358,000 for the year ended December 31, 2013. The increase related to a rise in depreciation and stock compensation expense and a loss on disposal of equipment.

Liquidity and Capital Resources

The Company's principal sources of cash are existing cash and cash flow from operations. Contracts with customers usually require a portion of the contract amount to be paid at the time the contract is initiated. Additional payments are generally received monthly as work on the contract progresses. The Company records all amounts received as a liability (deferred revenue) until work has been completed and revenue is recognized. Cash receipts do not necessarily correspond to costs incurred or revenue recognized. *DATATRAK's* primary cash needs are to fund normal working capital requirements.

The Company's financial assets included cash equivalents in the form of highly liquid money market funds with maturities of three months or less. The Company only invested in treasuries or commercial paper that are of A1/P1 quality or higher. Cash equivalents totaled $449,000 at December 31, 2014. There were no cash equivalents as of December 31, 2015.

DATATRAK has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Company Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be priced at market prices.

Cash Flow

A summary of operating, investing and financing cash flow activities are shown in the following table for the twelve month periods ended December 31, 2015 and 2014 (rounded to the nearest thousand):

	12 Months Ended December 31,	
	2015	2014
Cash Flow Summary:		
(Used in) provided by operating activities	$ (1,390,000)	$ 1,011,000
Used in investing activities	(568,000)	(587,000)
Used in financing activities	(197,000)	(220,000)
(Decrease) increase in cash and cash equivalents	$ (2,155,000)	$ 204,000
Cash balance at beginning of period	3,510,000	3,306,000
Cash balance at end of period	$ 1,355,000	$ 3,510,000

The Company's net cash flows from operations was $(1,390,000) for the year ended December 31, 2015 compared to $1,011,000 for the year ended December 31, 2014. The $2,401,000 decrease in cash flow from operations was primarily due to the $1,606,000 increase in the net loss during the year ended December 31, 2015 compared to the year ended December 31, 2014, which was caused by a year-over-year decrease in revenue, significant spending by the former board and former management in the delay of the shareholder director elections and significant legal costs incurred during 2015. Operating assets and liabilities decreased by $915,000 during the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly due to the decrease in deferred revenue changes year-over-year, which was partially offset by increases in changes in accounts receivable, accounts payable, accrued expenses and prepaid items. The net cash flow from operations was positively impacted

by a $120,000 increase in non-cash items, which includes depreciation, stock compensation expense and loss on disposal of assets, from the year ended December 31, 2015 to the year ended December 31, 2014.

The Company's net change in cash flow from investing activities was $19,000 due to a letter of credit secured by a certificate of deposit in the amount of $300,000 in connection with the lease of office space in Chicago, IL during the year ended December 31, 2014. The increase was partially offset by a rise in the capitalization of software development costs and equipment purchases of $(281,000) year-over-year.

Net cash of $(197,000) was used in financing activities for the year ended December 31, 2015 compared to $(220,000) used during the year ended December 31, 2014. Financing activities for the year ended December 31, 2014 included cash outlays of $(223,000) for the repayment of capital lease related debt and notes payable, partially offset by cash inflows of $26,000 from the Employee Stock Purchase Plan. In the year ended December 31, 2014, $(270,000) was used for the repayment of capital lease related debt and notes payable, which was partially offset by the Employee Stock Purchase Plan created cash inflows of $50,000.

As a result of the changes above, the cash balance at December 31, 2015 was $1,355,000 compared to $3,510,000 at December 31, 2014.

DATATRAK's "days sales outstanding" was 41 days at December 31, 2015 compared to 40 days at December 31, 2014. Trade accounts receivable (net of allowance for doubtful accounts of $15,000 and $36,000, respectively) was $896,000 at December 31, 2015 and $1,143,000 at December 31, 2014.

The Company intends to continue to invest in the development, enhancement and testing of the *DATATRAK ONE*® unified clinical research platform. Research and development costs for the year ended December 31, 2015 were $1,289,000 compared to $1,286,000 for the year ended December 31, 2014.

Management believes *DATATRAK* will have available funds in order to meet its short-term working capital requirements for at least the next 12 months. However, we must note that the prior board and former CEO did spend a significant amount of the Company's assets on delaying and attempting to win the recent shareholder director election and on other non-recurring events such as the patent litigation and the investigation of the former CEO and his alleged misconduct. At December 31, 2015, the Company had working capital of $(2,362,000) compared to working capital of $1,202,000 as of December 31, 2014. In order to address any working capital needs the Company may face during 2016, *DATATRAK* has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Company Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be priced at market prices.

Furthermore, *DATATRAK* continuously evaluates its cost structure to timely match its cost structure with anticipated revenue and backlog. Although the Company has recently made strategic investments in its infrastructure in order to support longer-term growth, *DATATRAK* will continue to carefully evaluate its cost structure and implement cost cutting measures if its revenue and sales trend performance falls below its minimum expectations. In such an event, *DATATRAK* may also require additional short-term funding. The Company may need to raise additional funds to offset delays or cancellations of existing contracts, insufficient generation of new contracts, or to cover liquidity needs beyond 2016. *DATATRAK* may raise additional funds by selling debt or equity securities, by entering into strategic relationships or through other arrangements. Additional capital may not be available on acceptable terms, if at all. To the extent that additional equity capital is raised, it could have a dilutive effect on the existing shareholders.

Contractual Obligations

The table below shows the contractual cash obligations, expressed in thousands, at December 31, 2015.

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	$ 3,506	$ 319	$ 752	$ 634	$ 1,801
Debt and capital lease obligations	135	97	38	—	—
Total contractual cash obligations	$ 3,641	$ 416	$ 790	$ 634	$ 1,801

Inflation

To date, the Company believes that the effects of inflation have not had a material adverse effect on its results of operations or financial condition.

C. Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, sales or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

PART E. ISSUANCE HISTORY

ITEM XVII. List of Securities Offerings and Shares Issued for Services in the Past Two Years

There have been no securities offerings in the past two fiscal years.

PART F. EXHIBITS

ITEM XVIII. Material Contracts

Please see the attached Exhibit index.

ITEM XIX. Articles of Incorporation and Bylaws

Please see the attached Exhibit index.

ITEM XX. Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

(Remainder Of This Page Intentionally Left Blank)

ITEM XXI. Certifications

I, James R. Ward, Interim Chief Executive Officer and President, *DATATRAK* International, Inc., certify that:

1. I have reviewed this annual disclosure statement of *DATATRAK* International, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement;

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 8, 2016

/s/ James R. Ward
James R. Ward,
Interim Chief Executive Officer and President

ITEM XXI. Certifications (continued)

I, Julia Henderson, Chief Financial Officer, *DATATRAK* International, Inc., certify that:

1. I have reviewed this annual disclosure statement of *DATATRAK* International, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement;

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 8, 2016

/s/ Julia Henderson
Julia Henderson
Chief Financial Officer, Treasurer (Principal Financial Officer)

DATATRAK International, Inc. and Subsidiaries
ANNUAL REPORT
DECEMBER 31, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
***DATATRAK* International, Inc. and Subsidiaries**	
Report of Independent Public Accounting Firm	F - 2
Consolidated Balance Sheets at December 31, 2015 and 2014	F - 3
Consolidated Statements of Operations for each of the three years in the period ended December 31, 2015	F - 4
Consolidated Statements of Shareholders' Deficit for each of the three years in the period ended December 31, 2015	F - 5
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2015	F - 6
Notes to Consolidated Financial Statements	F - 7

Quarterly results of operations for the years ended December 31, 2015 and 2014, are included in Note 14 of the Consolidated Financial Statements

Independent Auditor's Report

Board of Directors
DATATRAK International, Inc.
Mayfield Heights, Ohio

We have audited the accompanying consolidated financial statements of *DATATRAK* International, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for each of the three years ended December 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of *DATATRAK* International, Inc. and Subsidiaries, as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Chicago, Illinois
April 8, 2016

CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,354,857	$ 3,510,499
Accounts receivable, net	895,723	1,143,045
Deferred tax asset – current	95,000	171,600
Deferred tax asset valuation allowance – current	(95,000)	(171,600)
Prepaid expenses and other current assets	303,171	671,023
Total current assets	2,553,751	5,324,567
Property and equipment		
Equipment	448,376	851,477
Software, net of impairment	2,650,173	2,412,557
Leasehold improvements	55,433	9,025
	3,153,982	3,273,059
Less: accumulated depreciation and amortization	2,233,864	2,764,164
Property and equipment, net	920,118	508,895
Other assets		
Certificate of deposit	300,724	300,000
Deferred tax asset - noncurrent	14,414,900	13,306,000
Deferred tax asset valuation allowance - noncurrent	(14,414,900)	(13,306,000)
Deposit	56,975	51,688
Total other assets	357,699	351,688
Total assets	$ 3,831,568	$ 6,185,150
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 484,666	$ 167,144
Notes payable — current	96,875	62,050
Accrued expenses	1,212,629	1,671,064
Deferred revenue	3,121,597	2,222,734
Total current liabilities	4,915,767	4,122,992
Long-term liabilities		
Notes payable — long-term	37,647	67,701
Deferred revenue — long-term	3,055,826	3,947,977
Total long-term liabilities	3,093,473	4,015,678
Shareholders' deficit		
Serial Preferred shares, without par value; authorized 1,000,000 shares; none issued	—	—
Common shares/Additional paid in capital, without par value, authorized 25,000,000; issued 1,532,337 shares as of December 31, 2015 and 1,463,001 as of December 31, 2014; outstanding 1,514,718 shares as of December 31, 2015 and 1,440,849 shares as of December 31, 2014	83,577,223	82,932,715
Treasury shares, 17,619 shares as of December 31, 2015 at cost and 22,152 shares as of December 31, 2014 at cost	(18,515,503)	(18,545,713)
Accumulated deficit	(69,239,392)	(66,340,522)
Total shareholders' deficit	(4,177,672)	(1,953,520)
Total liabilities and shareholders' deficit	$ 3,831,568	$ 6,185,150

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2015	2014	2013
Revenue	$ 9,959,704	$ 11,010,792	$ 10,900,711
Direct costs	2,078,246	2,199,756	2,006,564
Gross profit	7,881,458	8,811,036	8,894,147
Selling, general and administrative expenses	10,327,197	9,770,275	9,409,835
Stock compensation expense	247,534	239,186	297,798
Depreciation and amortization	189,863	81,796	59,891
Loss from operations	(2,883,136)	(1,280,221)	(873,377)
Other income (expense):			
Interest income	2,325	1,405	3,955
Interest expense	(14,742)	(14,018)	(9,480)
Other	(3,317)	—	750,000
Loss before income taxes	(2,898,870)	(1,292,834)	(128,902)
Income tax expense	—	—	—
Net loss	$ (2,898,870)	$ (1,292,834)	$ (128,902)
Net loss per share:			
Net loss per share, basic and diluted	$ (1.93)	$ (0.90)	$ (0.10)
Weighted-average shares outstanding, basic and diluted	1,498,717	1,430,644	1,345,955

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Common Shares/Additional Paid in Capital		Treasury Shares			
	Number of Shares	Stated Amount	Number of Shares	Cost	Accumulated Deficit	Total
Balance at January 1, 2013	1,418,036	$ 82,273,329	133,131	$ (19,272,669)	$ (64,918,786)	$ (1,918,126)
Stock-based compensation		285,975		11,823		297,798
Employer Stock Purchase Plan			(11,883)	67,017		67,017
401K match			(21,167)	114,303		114,303
Management bonus			(49,041)	300,131		300,131
Net loss					(128,902)	(128,902)
Balance at December 31, 2013	1,418,036	$ 82,559,304	51,040	$ (18,779,395)	$ (65,047,688)	$ (1,267,779)
Stock-based compensation	30,141	230,357		8,829		239,186
Employer Stock Purchase Plan			(8,321)	50,029		50,029
401K match	14,824	143,054				143,054
Management bonus			(20,567)	174,824		174,824
Net loss					(1,292,834)	(1,292,834)
Balance at December 31, 2014	1,463,001	$ 82,932,715	22,152	$ (18,545,713)	$ (66,340,522)	$ (1,953,520)
Stock-based compensation	2,938	243,003		4,531		247,534
Employer Stock Purchase Plan			(4,533)	25,679		25,679
401K match	20,271	140,884				140,884
Management bonus	46,127	260,621				260,621
Net loss					(2,898,870)	(2,898,870)
Balance at December 31, 2015	1,532,337	$ 83,577,223	17,619	$ (18,515,503)	$ (69,460,416)	$ (4,177,672)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2015	2014	2013
Operating Activities			
Net loss	$ (2,898,870)	$ (1,292,834)	$ (128,902)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	189,863	81,796	59,891
Loss on the disposal of assets	3,317	—	—
Stock-based compensation	247,534	239,186	297,798
Changes in operating assets and liabilities:			
Accounts receivable	247,322	(58,668)	367,797
Prepaid expenses and other current assets	556,353	(85,054)	227,387
Accounts payable and accrued expenses	257,928	381,508	(140,175)
Deferred revenue	6,712	1,745,544	(217,704)
Net cash (used in) provided by operating activities	(1,389,841)	1,011,478	466,092
Investing Activities			
Purchases of property and equipment	(91,111)	(22,140)	(46,487)
Capitalization of software development costs	(477,464)	(264,741)	(55,162)
Proceeds from the disposal of equipment	1,075	—	—
Certificate of deposit investment	(724)	(300,000)	—
Net cash used in investing activities	(568,224)	(586,881)	(101,649)
Financing Activities			
Payments of long-term debt and notes payable	(223,256)	(269,979)	(248,513)
Proceeds from ESPP	25,679	50,029	67,017
Net cash used in financing activities	(197,577)	(219,950)	(181,496)
(Decrease) increase in cash and cash equivalents	(2,155,642)	204,647	182,947
Cash and cash equivalents at beginning of year	3,510,499	3,305,852	3,122,905
Cash and cash equivalents at end of year	$ 1,354,857	$ 3,510,499	$ 3,305,852
Cash paid during the year for interest	$ 16,351	$ 11,876	$ 9,691
Supplemental Schedule of Noncash Activities			
Noncash financing			
Oracle note payable	—	—	115,970
Insurance note payable	192,410	176,461	162,392
Dell leases	(2,665)	(9,931)	(9,634)
Bonuses paid in stock	260,621	174,824	300,131
401(k) match paid in stock	140,884	143,054	114,303

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015, 2014 and 2013
(Amounts presented are rounded to the nearest thousand)

1. Description of Business

Description of Business

DATATRAK International, Inc. ("*DATATRAK*" or the "Company") is a leading technology and services company delivering global eClinical solutions for the clinical trials industry. The Company's services support clients in the clinical pharmaceutical, biotechnology, contract research organization ("CRO") and medical device research industries by accelerating the completion of clinical trials more efficiently and safely by providing improved data quality and real time access to information on a global scale. The Company has three wholly-owned subsidiaries, *DATATRAK*, Inc., CF Merger Sub, Inc. ("Merger Sub") and DTRAK, Inc. that are inactive holding companies with no employees that do not provide any services to the Company or its customers. The insolvency proceedings for DATATRAK Deutschland GmbH ended on May 27, 2013 and Deutschland GmbH was deleted from the commercial register effective November 13, 2013. The Company established a UK entity to support the European sales activities during 2014. *DATATRAK* Technologies Limited is a private limited company registered in England and Wales under number 8870946, registered office: One New Change, London, EC4M 9AF, England. Although *DATATRAK* Technologies Limited is an active company, it has no employees and does not provide any services.

2. Going Concern

The Company has experienced continuous net losses, negative cash flows from operations and working capital deficiencies. In order to address any working capital needs the Company may face during 2016, *DATATRAK* has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Company Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be priced at market prices.

DATATRAK continuously evaluates its cost structure to timely match its cost structure with anticipated revenue and backlog. Although the Company has recently made strategic investments in its infrastructure in order to support longer-term growth, *DATATRAK* will continue to carefully evaluate its cost structure and implement cost cutting measures if its revenue and sales trend performance falls below its minimum expectations. In such an event, *DATATRAK* may also need to raise additional capital in order to fund its operations, or to cover liquidity needs beyond 2016. To address its financing requirements, the Company will seek financing through debt and equity financings and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

3. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition and Deferred Revenue

DATATRAK recognizes revenue in accordance with SEC Staff Accounting Bulletin Topic 13, "*Revenue Recognition,*" and FASB ASC 605, "*Revenue Recognition Multiple-Element Arrangements*." The Company recognizes revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery of the product or service has occurred; the fee is fixed or determinable; and collectability is probable.

DATATRAK's non-enterprise contracts provide a fixed price for each element to be delivered, and revenue is recognized as each multiple-element is delivered. In the case of multiple-element arrangements, the Company does enter into agreements that combine both professional services and application services. These revenues qualify as separate units of accounting in accordance with ASU No. 2009-13 because they have value to the customer on a standalone basis. *DATATRAK*'s application services are frequently sold without professional services which indicate that they have standalone value. Professional services are also frequently sold separately by the Company or other vendors, which also indicate standalone value. The Company determines the price of individual elements included in multiple-element arrangements using objective, reliable evidence of fair value. This evidence is based on the vendor-specific price per element for which the Company would sell an item on a standalone basis.

DATATRAK recognizes revenue based on the performance or delivery of the following specified services or components of its contracts in the manner described below:

- Enterprise agreement revenue is recognized as services are performed, which is typically consistent with ratable recognition over the life of the contract.
- Licensing revenue (patient, points, randomization, inventory, safety case manager and user licensing) is recognized ratably over the life of the license agreement.
- Hosting revenue is recognized ratably over the term of the trial.
- Project management and data management (design, testing, quality assurance, consulting, report and export) service revenue is recognized proportionally over the life of a contract as services are performed, based on the contractual billing rate for those services.
- Data item revenue is earned based on a price per data unit as data items are entered into *DATATRAK*'s unified software suite.
- Classroom training services revenue is recognized as classroom training is completed, at rates based on the length of the training program.
- Internet-based training services revenue is recognized on a per user basis as self-study courses are completed and successfully passed.
- Help Desk revenue is recognized based on a monthly price per registered user or site under the contract.
- Clinical Trial Management System revenue is recognized based on a monthly price per authorized user, clinical trial and base fee under the contract.
- Clinical Data Management revenue is recognized proportionally over the life of a contract as services are performed based on the contractual billing rate for those services.

Services provided by *DATATRAK* that are in addition to those provided for in its contracts are billed on a fee for service basis as services are completed. Costs associated with contract revenue are recognized as incurred. Costs that are paid directly by the Company's clients, and for which the Company does not bear the risk of economic loss, are excluded from revenue. The termination of a standard contract will not typically result in a material adjustment to the revenue or costs previously recognized.

Deferred revenue represents cash advances received in excess of revenue earned on contracts. Payment terms vary with each contract but may include an initial payment at the time the contract is executed, with future payments dependent upon the completion of certain contract phases or targeted milestones. In the event of contract cancellation, the Company is entitled to payment for all work performed through the point of cancellation. Likewise,

in the event of contract cancellation prior to earning revenue equal to or greater than the initial payment, generally the Company is not required to refund the unused portion.

Deferred revenue not subject to potential refund as of December 31, 2015 totaled $5,673,000. The Company's deferred revenue balance including the long-term portion was $6,177,000 at December 31, 2015 of which $504,000 was subject to refund, compared to $6,171,000 at December 31, 2014 of which $648,000 was subject to refund.

Concentration of Credit Risk

The Company is subject to credit risk through accounts receivable and cash equivalents. The Company does not require collateral and its accounts receivable are unsecured. The cash equivalents are placed with high credit-quality financial institutions. The Company limits the amount of credit exposure in any one institution or type of investment instrument.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2015 approximated $1.1 million.

Cash Equivalents

The Company's investments or financial assets include cash equivalents in the form of highly liquid money market funds with maturities of three months or less. The Company follows the provisions of FASB ASC 820, *"Fair Value Measurements and Disclosures,"* as required for financial assets and liabilities. The investments are recorded at fair-value and are classified under a three level hierarchy based upon inputs market participants would use when pricing a financial asset in accordance with FASB ASC 820. All the Company's cash equivalents totaling $449,000 at December 31, 2014 had quoted market prices which are the highest priority (e.g., Level 1) investment input. The Company had no cash equivalents as of December 31, 2015.

Accounts Receivable

The Company generally invoices its customers on a monthly basis with payment terms of net 30 days from invoice date. The accounts receivable amount is recorded net of an estimated reserve for doubtful accounts. The Company has a history of favorable collections and had a reserve for uncollectible accounts of $15,000 at December 31, 2015 and $36,000 at December 31, 2014. The reserve increased in 2014 due to two accounts the Company determined to be bad debt totaling $26,000. These accounts were written off during 2015. The Company's average collection period was 41 days as of December 31, 2015 compared to 40 days as of December 31, 2014. The net accounts receivable balance was $896,000 and $1,143,000 at December 31, 2015 and 2014, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciable assets consist of office and computer equipment, software and leasehold improvements. Depreciation and amortization on office and computer equipment and software are computed using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful life or the lease term. Depreciation and amortization expense related to depreciable assets, including assets recorded under capital leases, was $190,000, $82,000 and $60,000 for 2015, 2014 and 2013, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, *"Stock Compensation,"* using the "modified prospective" method. On May 14, 2013, the Company's Board of Directors approved the 2013 Omnibus Equity Plan ("2013 Omnibus Plan"), thereby replacing the 2011 Omnibus Equity Plan ("2011 Omnibus Plan") as the primary share-based incentive award program for covered employees and directors. The 2011 Omnibus Plan was the primary share-based incentive award program from its approval on August 10, 2011 until the approval of the 2013 Omnibus Plan. Prior to the 2011 Omnibus Plan, the 2009 Omnibus Equity Plan (the "2009 Omnibus Plan") was the Company's primary share-based incentive award program for covered

employees and directors from its approval on August 26, 2009 until the approval of the 2011 Omnibus Plan. Common Share options have been awarded under the 2013 Omnibus Plan, the 2011 Omnibus Plan and the 2009 Omnibus Plan. The Company used the Black-Scholes option valuation model to calculate the fair value of stock options granted.

At the May 14, 2013 Annual Meeting of Shareholders, the Company's shareholders approved a resolution authorizing the Board of Directors to amend the Company's Sixth Amended and Restated Articles of Incorporation, as amended (the "Articles"), to implement a reverse stock split of the Company's Common Shares at a ratio of 1-for-12. As a result, the Board of Directors was authorized to effect the approved reverse stock split by filing an amendment to the Articles with the Ohio Secretary of State. On May 14, 2013, the Board of Directors authorized the filing of an amendment to the Articles to effect the reverse stock split. The reverse stock split was effective at the close of business on June 3, 2013, and thereafter the Company's Common Shares began trading on the OTCQX Markets on a split-adjusted basis. The reverse stock split itself did not have any economic effect on the shareholders, or on those holding Common Share options, except to the extent the reverse stock split resulted in fractional shares. All share references included herein have been adjusted as if the change took place before the date of the earliest transaction reported.

Common Shares and Common Share options awarded to non-employee Directors are fully vested and compensation costs are completely expensed on the grant date. Compensation expense for share-based incentive awards granted to employees vest over the assigned vesting period and related compensation costs are amortized ratably over the vesting period. Stock compensation expense was $248,000, $239,000, and $298,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The Company's unamortized compensation cost, related to non-vested stock options and restricted Common Shares, at December 31, 2015, 2014 and 2013 was $265,000, $365,000 and $293,000, respectively. The unamortized cost of $265,000 at December 31, 2015 is expected to be amortized in the amounts of $141,000, $88,000 and $36,000 in 2016, 2017 and 2018, respectively.

Income Taxes

The Company follows FASB ASC 740. This accounting standard requires that the liability method be used in accounting for income taxes. Under this accounting method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that apply in the periods in which the deferred tax asset or liability is expected to be realized or settled. A valuation allowance is provided for deferred tax assets for which realization currently is not more likely than not. Quarterly income taxes are recorded at the effective rate, based on annual forecasted income. The Company currently is in a three-year cumulative loss position of $4.7 million and overall cumulative loss position totaling approximately $41 million. As a result, the Company recorded a full valuation reserve against its net deferred tax assets in 2009 and the full valuation reserve remained on the books throughout 2015.

In accordance with FASB ASC 740-10, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likelihood of being recognized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As of December 31, 2015, 2014 and 2013, the Company had no uncertain income tax positions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that might affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Advertising Costs

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising expenses were $363,000, $356,000 and $401,000 for 2015, 2014 and 2013, respectively.

Software Development Costs

Development costs incurred in the research and development of new software products, enhancements to existing software products and maintenance activities are accounted for in accordance with FASB ASC 350-40, *"Accounting for Cost of Internal-Use Software, Including Enterprise Software."* Post-implementation stage activities such as maintenance or modifications that do not result in additional functionality are expensed as incurred. Enhancements that enable the software to perform tasks that it was previously incapable of performing are to be capitalized based on the assigned fair value. If the project contains both elements of upgrades that provide additional functionality and maintenance, cost is allocated based on relative fair values. If the cost cannot be allocated between maintenance and upgrades on a reasonable basis, all cost is expensed as incurred.

The Company capitalized software development costs that provided additional functionality of $477,000 during the year ended December 31, 2015 compared to $265,000 for the year ended December 31, 2014 and $55,000 for the year ended December 31, 2013.

Research and development expenses included in selling, general and administrative expenses were $1,289,000, $1,286,000 and $1,612,000 in 2015, 2014 and 2013, respectively.

Recently Issued Accounting Standards

In May 2014, FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606),"* as amended by ASU 2015-14, which established a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as real estate, construction and software industries. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The statement is effective for public entities for annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of ASU 2014-09 on the consolidated financial statements and has not yet determined the method by which the standard will be adopted in 2018.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "*Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*", which will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Currently, there is no guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments in this Update provide that guidance. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt", (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this update are effective for the first annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact of adopting this update on its financial statements.

In November 2015, FASB issued ASU No. 2015-17, "*Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.*" ASU 2015-17 eliminates the guidance in Topic 740, Income Taxes, that required an entity to separate deferred tax liabilities and assets between current and noncurrent amounts in a classified balance sheet. The amendments require that all deferred tax liabilities and assets of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and presented as a single noncurrent amount in a classified balance sheet. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. ASU 2015-17 is not expected to have a material impact on the Company's financial statements.

In February 2016, FASB issued ASU 2016-02, "*Leases.*" ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the potential impact of the adoption of ASU 2016-02 on the Company's consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events through April 8, 2016. On February 23, 2016, *DATATRAK* announced a settlement of litigation with its shareholder and director election participant Tabatabai Investment Management LLC (f/k/a Arosa Investment Management LLC) and Alex Tabatabai, which remains subject to final court approval. *DATATRAK* also announced that it had finalized changes to its board of directors. In connection with the settlement reached among *DATATRAK*, Tabatabai Investment Management, Alex Tabatabai, Timothy Biro, James Karis, Jerome Kaiser, Nicholas Loiacono, and Andrew Pitler, Messrs. Kaiser, Karis and Pitler have resigned from *DATATRAK* 's board of directors effective upon the execution of the settlement agreement on February 23, 2016. The litigation between Alex Tabatabai and Tabatabai Investment Management LLC and *DATATRAK*'s former Chairman, Laurence P. Birch, remains pending and is not affected by this settlement. The Company is responsible for Mr. Tabatabai's legal fees.

As of February 23, 2016, the Board of Directors removed Laurence P. Birch from his position as *DATATRAK*'s CEO and appointed James R. Ward to the position of Interim CEO and President. Mr. Ward agreed to receive only $1/month of cash compensation until the Board negotiates and approves an employment agreement with him in due course. The Company and other parties continue to negotiate with Laurence P. Birch to resolve outstanding and potential litigation with the goal of reaching a settlement to conclude all legal issues relating to *DATATRAK*'s recent leadership change.

As of March 18, 2016, *DATATRAK* entered into an assignment agreement for its office space in Cary, NC. The assignment is effective as of April 5, 2016.

On March 28, 2016, the Company elected to list on the OTC Pink Sheets instead of the OTCQX in order to reduce its OTC fees and legal expenses.

On March 28, 2016, the Board terminated Jennifer Mabe as the CFO and Varnesh Sritharan as the VP of Legal Affairs.

On March 28, 2016, the Board appointed Julia Henderson as CFO and Treasurer. The Board has determined that the Company does not need a replacement to the position of VP of Legal Affairs, which will no longer exist. The Company plans to use outside legal counsels to handle all of the Company's legal matters.

DATATRAK has entered into a convertible promissory note ("Note") with Tabatabai Investment Partners LP, a related party, which is controlled by Mr. Tabatabai. The Note provides for monthly draws on the first day of each month through March 31, 2017 when the cash balance of the Company is less than a minimum threshold amount. The maximum monthly draw is limited to the difference between the minimum threshold amount and the

Company's cash balance, up to an aggregate of $750,000. The Note carries an interest rate of twelve percent on outstanding draws and matures on June 30, 2017. The Note permits the repayment of draws and interest to be in the Company's Common Stock at market prices.

The Company has entered into a Stock Purchase Agreement ("SPA") with Tabatabai Investment Partners LP, to issue Company Common Stock in exchange for receiving $250,000 by or before April 8, 2016. The Common Stock issued shall be priced at market prices.

On April 5, 2016, the Board of Directors approved an amendment to the Rights Agreement increasing the threshold of beneficial share ownership from 15% to 25% and removing the special exception for former CEO, Laurence P. Birch.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

4. Accounts Receivable

Accounts receivable consist of the following:

	December 31,	
	2015	2014
Trade accounts receivable	$ 904,000	$ 1,180,000
Other	7,000	(1,000)
Allowance for doubtful accounts	(15,000)	(36,000)
	$ 896,000	$ 1,143,000

5. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2015	2014
Payroll and other employee costs	$ 396,000	$ 1,244,000
Professional fees	405,000	189,000
Other	412,000	238,000
	$ 1,213,000	$ 1,671,000

6. Income Taxes

Due to its utilization of net operating loss carryforwards, the Company had no state or local income tax expense in 2015, 2014 and 2013.

A reconciliation of income tax (benefit) at the U.S. federal statutory rate to the effective income tax rate is as follows:

	Year Ended December 31,		
	2015	2014	2013
Income tax (benefit) at the United States statutory rate	$ (986,000)	$ (440,000)	$ (44,000)
Change in valuation allowance	957,000	396,000	(2,246,000)
U.S. net operating loss adjustment	7,000	17,000	34,000
Foreign net operating loss adjustment	—	—	2,227,000
Non-deductible permanent differences	22,000	27,000	29,000
Income tax (benefit) at the effective income tax rate	$ —	$ —	$ —

Due to uncertainty regarding the realization of the deferred tax asset resulting from its cumulative operating losses through 2015, as well as the closing of the office of our German subsidiary in 2008, the Company provided for a full valuation allowance against all of its net deferred tax assets at December 31, 2015 and 2014, respectively. The German subsidiary was dissolved effective November 13, 2013, which resulted in the elimination of the German net operating loss and the corresponding German valuation allowance.

At December 31, 2015, the Company had a net operating loss carryforward of approximately $41,396,000 for United States income tax purposes. An equity transaction completed on January 7, 2002 has limited the Company's net operating loss carryforwards, incurred prior to that date, to a maximum amount of approximately $1,000,000 per year, under Section 382 of the Internal Revenue Code. All of the Company's United States net operating loss carryforwards will begin expiring in the year 2018 and will be fully expired in the year 2035. Future utilization of the net operating losses could be further limited due to Section 382 limitations. The Company also had a net operating loss carryforward of approximately 5,155,000 euro for German income tax purposes with no expiration date. The German liquidation proceedings were completed May 27, 2013 and the German subsidiary was deleted from the commercial registry on November 13, 2013. Therefore, the German net operating loss carryforward (5,155,000 euro or $2,227,000) and the corresponding full valuation allowance were written off during the fourth quarter of 2013.

The significant components of the Company's deferred tax assets, stated in U.S. dollars, are as follows:

	December 31, 2015	December 31, 2014
Deferred tax assets:		
U.S. net operating loss carryforwards	$ 14,075,000	$ 13,020,000
Alternative minimum tax credit carryforward	123,000	123,000
Foreign tax credit	116,000	116,000
Allowances and accruals	20,000	171,000
Restricted stock	9,000	—
Depreciation and amortization	92,000	48,000
	14,435,000	13,478,000
Valuation allowance	(14,435,000)	(13,478,000)
Gross deferred tax assets recorded	—	—
Gross deferred tax liabilities recorded	—	—
Net deferred tax recorded	$ -0-	$ -0-

At December 31, 2015, a valuation allowance of approximately $14,435,000 remains against *DATATRAK*'s deferred tax assets, which consist primarily of net operating loss carryforwards for U.S. income taxes. Of the $14,435,000 total allowance, approximately $14,075,000 is recorded against the portion of *DATATRAK*'s deferred tax assets that represent net operating loss carryforwards for U.S. income taxes. The remaining $360,000 valuation allowance is provided for other non-current deferred tax assets.

As of December 31, 2015, and 2014, the Company had no uncertain income tax positions.

The tax years 2012 through 2015 remain subject to U.S. tax examination.

In May 2014, FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606),"* which established a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as real estate, construction and software industries. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The statement is effective for public entities for annual periods beginning after December 15, 2017. *DATATRAK* does not expect the new standard to have a material impact to its tax position. The Company is in the process of evaluating the potential impact of ASU 2014-09 on the financial statements and has not yet determined the method by which the standard will be adopted in 2018.

7. Long-term Debt

Long-term debt at December 31, 2015 and 2014 is summarized below:

	2015	2014

Capital lease agreement with Dell Financial Services, LLC	$ 90,000	$ 116,000
Oracle note payable	6,000	14,000
Insurance note payable	39,000	—
Total debt	135,000	130,000
Less current maturities	97,000	62,000
Long-term debt	$ 38,000	$ 68,000

The Dell Financial Services, LLC Agreements were for the purchase of certain computer equipment. The terms of the lease agreements require *DATATRAK* to make 36 monthly payments, including accrued interest, in the following amounts: $792 beginning in March 2013 and ending in February 2016; $650 beginning in December 2013 and ending in November 2016; $537 beginning in January 2014 and ending in December 2016; $2,760 beginning in November 2014 and ending in September 2017; $291 beginning in June 2015 and ending in May 2018; and $586 beginning in July 2015 and ending in June 2018. All leases include bargain purchase options at the end of the lease term.

The Company entered into a financing agreement with Oracle Credit Corporation for payment of the Company's Oracle licensing and support premiums. The note bears interest at 21.9% and is due in four quarterly installments of $2,000, including accrued interest, beginning in January 2016 and ending in August 2016.

The Company entered into a financing agreement with AFCO for payment of a portion of the Company's annual insurance premiums. The note bears interest at 3.9% and is due in monthly installments of $19,587, including accrued interest, beginning in May 2015 and ending in February 2016.

8. Operating Leases

The Company leases certain office equipment and space, some of which are under month-to-month agreements. Rent expense relating to these operating leases was $524,000, $327,000 and $291,000 in 2015, 2014 and 2013, respectively. Future minimum lease payments for the Company under non-cancelable operating leases as of December 31, 2015 are as follows:

Year Ending December 31,	Amount
2016	$ 319,000
2017	372,000
2018	380,000
2019	313,000
2020 and remainder	2,122,000
Total	$ 3,506,000

9. Shareholders' Deficit

Reserved Shares

At December 31, 2015, the Company had reserved 308,795 Common Shares for the exercise of Common Share options under previously established share option plans. Of the 308,795 reserved shares, 35,434 shares are reserved for future grants under the Company's previously established share option plans. Since the 2013 Omnibus Plan is intended to serve as the primary equity incentive compensation plan for the Company, the 35,434 Common Share options that could have been granted pursuant to the Company's previously established share option plans are not expected to be granted.

In addition, at December 31, 2015, the Company had reserved a total of 85,000 Common Shares including 12,081 for future awards and 72,919 for the exercise of outstanding stock options pursuant to the 2013 Omnibus Plan. See Note 10 for further details.

Shareholder Rights Plan

Effective September 5, 2007, in connection with the adoption of the rights agreement between the Company and National City Bank, as Rights Agent, dated September 5, 2007 (the "Rights Agreement"), the Board of Directors

declared a dividend of one preferred share purchase right (a "Right") for each outstanding Common Share, payable to the Company's shareholders of record as of September 17, 2007 (the "Record Date"). Following the reverse stock split that was affected in June 2013, each Right now entitles the registered holder of the Common Shares on the Record Date to buy twelve one-hundredths of a share of Series A Junior Participating Preferred stock (a "Preferred Share") at an exercise price of $11.70, subject to adjustment as provided in the Rights Agreement.

The Rights are not exercisable until the earlier to occur of (i) ten (10) days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the Company's outstanding Common Shares or (ii) ten (10) business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the Company's outstanding Common Shares (the earlier of such dates being called the "Distribution Date").

Effective as of March 12, 2013, the Board of Directors approved an amendment to the Company's shareholder rights plan whereby Mr. Laurence P. Birch, the Company's then CEO, was excluded from the defined term "Acquiring Person" under the shareholder rights plan so long as he beneficially owns less than 20% of the Company's Common Shares then outstanding and remained the Company's CEO. Mr. Birch's employment with the Company was terminated on February 23, 2016. Consequently, since he no longer serves as the Company's CEO, Mr. Birch will not be considered an "Acquiring Person" so long as he does not become the beneficial owner of (i) any Common Shares in addition to the number of Common Shares he beneficially owned as of the date he ceased to serve as CEO, or (ii) 15% or more of the Common Shares then outstanding, in the event, as of the date he ceased to serve as CEO or at any time thereafter, Mr. Birch beneficially owns less than 15% of the Common Shares then outstanding.

Until the Rights are exercised, the holder has no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. Except as provided for in the Rights Agreement, the Rights shall not be traded separately from the Common Shares and will expire on the earliest of (i) the close of business on September 5, 2017, (ii) the time at which the Rights are redeemed or (iii) the time at which such Rights are exchanged. Pursuant to the Rights Agreement, the purchase price payable and number of Preferred Shares issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution upon the occurrence of certain events such as a stock dividend on, or a subdivision, combination or reclassification of the Preferred Shares.

On April 5, 2016, the Board of Directors approved an amendment to the Rights Agreement increasing the threshold of beneficial share ownership from 15% to 25% and removing the special exception for former CEO, Laurence P. Birch.

10. Share-Based Payment Awards

The following is a discussion of various equity awards granted during the years ended December 31, 2015, 2014 and 2013.

The 2013 Omnibus Plan

On May 14, 2013, the Company's Board of Directors approved the 2013 Omnibus Plan, which is intended to serve as the primary equity compensation plan for the Company. Common Shares totaling 85,000 were authorized under the 2013 Omnibus Plan. The Omnibus Plan gives the Compensation Committee of the Board of Directors flexibility to grant a wide variety of share-based incentive awards by taking into account such factors as the type and level of employee, relevant business and performance goals and the prevailing tax and accounting treatments.

On December 29, 2015, the former Board to amend the 2013 Omnibus Equity Plan to set forth an additional circumstance that would be considered a Change in Control under the 2013 Omnibus Equity Plan. The new Board of Directors expects that it may challenge the validity and/or enforceability of this agreement. Under the Omnibus Plan Amendment, a "Change in Control" is now defined to include the event that, during any period of 24 consecutive calendar months, individuals who at the beginning of such period constitute the Board cease for any reason to

constitute at least a majority of the directors comprising the Board, unless the election or appointment of each new director (over such period) was approved or recommended by the vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period. Due to recent Board resignations, various awards may have vested in the first quarter of 2016. This may be reflected in the Company's filing for the first quarter of 2016.

Restricted Stock Awards

There have been no restricted stock awards granted under the 2013 Omnibus Plan to date.

Key Employee Stock Option Awards

The Board approved Common Share option awards under the 2013 Omnibus Plan effective as of the close of business on May 17, 2013 of 27,083 to certain officers and key employees. The Common Share option awards have a 10-year contractual life, a strike price of $9.60 and vest over a three-year period. After the grant, one key employee who received stock options left the Company, forfeiting an aggregate of 6,667 of the options granted.

The Board approved Common Share option awards under the 2013 Omnibus Plan effective as of the close of business on August 18, 2014 of (i) 48,667 to certain officers and key employees, and (ii) 6,417 in the aggregate, to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. The Common Share option awards have a 10-year contractual life, a strike price of $6.55. The Common Share option award to certain officers and key employees vest over a three-year period, while the Common Share option awards to the non-employee Directors are fully vested at the date of grant. After the grant, six key employees who received option awards left the Company, forfeiting an aggregate of 16,000 of the options granted.

The Board approved Common Share option awards under the 2013 Omnibus Plan effective as of the close of business on November 17, 2014 of 3,000 to certain key employees. The Common Share option awards have a 10-year contractual life, a strike price of $5.90 and vest over a three-year period.

The Board approved Common Share option awards under the 2013 Omnibus Plan effective as of the close of business on November 17, 2015 of (i) 8,419 to certain key employees, and (ii) 2,000 to a non-employee Director as his initial option award in connection with his appointment to the Board. The Common Share option awards have a 10-year contractual life and a strike price of $4.40. The Common Share option award to certain officers and key employees vest over a three-year period, while the Common Share option awards to the non-employee Director is fully vested at the date of grant.

The following table summarizes the status of the key employee Common Share option awards as of December 31, 2015 and changes for the year then ended:

	Director Options	Key Employee Options	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
Outstanding at January 1, 2015	6,417	62,583	69,000	7.42		9.3 years
Granted	2,000	8,419	10,419	4.40		
Exercised	-0-	-0-	-0-	-0-		
Cancelled	-0-	(6,500)	(6,500)	6.55		
Outstanding at December 31, 2015	8,417	64,502	72,919	$ 7.07	$ -0-	8.5 years
Vested or expected to vest at December 31, 2015	8,417	64,502	72,919	$ 7.07	$ -0-	8.5 years
Exercisable at December 31, 2015	8,417	-0-	8,417	$ 7.63	$ -0-	8.2 years

Stock compensation expense related to the 2015, 2014 and 2013 Director, officer and key employee grants of stock options was $142,000, $93,000 and $39,000 for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, there was $178,000 of unrecognized compensation cost related to the non-vested executive officer and key employee option awards. The Company expects to recognize all this cost by November 2018 when all the options are expected to be fully vested.

The 2011 Omnibus Plan

On August 10, 2011, the Company's Board of Directors approved the 2011 Omnibus Plan, which served as the primary equity compensation plan for the Company prior to the approval of the 2013 Omnibus Plan. Common Shares totaling 136,250 were authorized under the 2011 Omnibus Plan.

Restricted Stock Units

The Company awarded retention bonuses to certain officers and key employees in the form of restricted stock units which were effective after the close of business on August 16, 2011. An aggregate of 46,851 restricted stock units, with a fair value of $330,000, were granted under the Company's 2011 Omnibus Plan. Due to the departure of a key employee during 2013, 6,033 restricted stock units were forfeited. The remaining restricted stock units vested on January 2, 2014. The Compensation Committee of the Board of Directors decided that the restricted stock units were to be paid in Common Shares, net of applicable taxes. Therefore, only 30,141 restricted Common Shares were awarded. The Company recognized $0, $0 and $105,000 of expense related to the restricted stock units for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, respectively.

Director and Key Employee Stock Option Awards

In connection with the adoption of the 2011 Omnibus Plan, the Board approved Common Share option awards effective as of the close of business on August 16, 2011 of (i) 34,167 Common Shares, in the aggregate, to certain officers and key employees, and (ii) 5,417 Common Shares in the aggregate, to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. The Common Share option awards have a 10-year contractual life and a strike price of $6.24. The officer and key employees' awards vest over a three-year period, while the non-employee Director awards were fully vested upon grant. Subsequent to the grant, two key employees who received option awards left the Company, forfeiting an aggregate of 5,000 of the options granted.

The Board approved Common Share option awards under the 2011 Omnibus Plan on August 17, 2012 of (i) 26,667 Common Shares, in the aggregate, to certain officers and key employees, and (ii) 6,250 Common Shares in the aggregate, to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. The Common Share option awards have a 10-year contractual life and a strike price of $6.12. The officer and key employees' awards vest over a three-year period, while the non-employee Director awards were fully vested upon grant. Subsequent to the grant, two key employees who received option awards left the Company, forfeiting an aggregate of 3,334 of the options granted.

The Board approved Common Share option awards under the 2011 Omnibus Plan effective as of the close of business on May 17, 2013 of (i) 4,583 Common Shares to key employees and (ii) 6,250 Common Shares to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. The Common Share option awards have a 10-year contractual life and a strike price of $9.60. The officer and key employees' awards vest over a three-year period, while the non-employee Director awards were fully vested upon grant. Subsequent to the grant, a key employee who received an option award left the Company, forfeiting 1,250 of the options granted.

The Board approved Common Share option awards under the 2011 Omnibus Plan effective as of the close of business on November 17, 2015 of (i) 21,081 to certain officers and key employees, and (ii) 5,334 to non-employee Directors as their annual share awards pursuant to the Company's Director compensation program. The Common Share option awards have a 10-year contractual life and a strike price of $4.40. The Common Share option award to certain officers and key employees vest over a three-year period, while the Common Share option awards to non-employee Directors are fully vested at the date of grant.

The following table summarizes the status of the Director and key employee Common Share option awards as of December 31, 2015 and changes for the year then ended:

	Director Options	Key Employee Options	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
Outstanding at January 1, 2015	17,917	61,250	79,167	$ 6.65		7.2 years
Granted	5,334	21,081	26,415	4.40		
Exercised	-0-	-0-	-0-	-0-		
Cancelled	-0-	(5,417)	(5,417)	6.98		

Outstanding at December 31, 2015	23,251	76,914	100,165	$ 6.04	$ -0-	7.2 years
Vested or expected to vest at December 31, 2015	23,251	76,914	100,165	$ 6.04	$ -0-	7.2 years
Exercisable at December 31, 2015	23,251	54,724	77,975	$ 6.43	$ -0-	6.5 years

Stock compensation expense related to the 2015, 2013, and 2012 Director, officer and key employee grants of stock options was $63,000, $97,000 and $115,000 for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, there was $87,000 of unrecognized compensation cost related to the non-vested executive officer and key employee option awards. The Company expects to recognize all this cost by November 2018 when all the options are expected to be fully vested.

The 2009 Omnibus Plan

Restricted Stock Awards

There have been no restricted stock awards granted under the 2009 Omnibus Plan to date.

Director and Key Employee Stock Option Awards

In January 2010, the Board approved a grant of 31,025 Common Share option awards for officers and certain key employees. Of the 31,025 total options granted, 15,190 grants were awarded to officers and 15,835 to key employees. All 31,025 options have a 10-year contractual life, a strike price of $4.20 per share, and vested over a three-year period. After the grant, one of the officers and a key employee who received option awards left the Company, forfeiting an aggregate of 8,871 of the options granted. During 2013, an additional 4,362 stock options granted were forfeited due to the departure of another key employee who was granted stock options. Another key employee left the Company in 2015, forfeiting 1,745 option awards.

In August 2010, the Board approved a grant of 55,000 Common Share option awards for officers, key employees and Directors. Of the 55,000 total options granted, 13,125 were awarded to officers, 36,875 to key employees and 5,000 to non-employee Directors. All 55,000 options have a 10-year contractual life and a strike price of $11.40 per share. The Common Share option awards for officers and key employees vested over a three-year period. The Common Share option awards for non-employee Directors were fully vested upon grant. After the grant, two key employees who received Common Share option awards left the Company, forfeiting an aggregate of 3,750 of the options granted. During 2011, three other key employees who received Common Share option awards left the Company, forfeiting an aggregate of 2,500 of the options granted. Another key employee who was granted Common Share option awards left the Company in 2013, forfeiting an aggregate of 6,250 of the options granted. During 2015, one key employee left the Company forfeiting 1,458 Common Share option awards.

In October 2010, the Board approved a grant of 4,167 options to a key employee upon commencement of his employment with the Company. The 4,167 options have a 10-year contractual life, a strike price of $9.60 per share, and a three-year vesting period.

The following table summarizes the status of the Director and key employee Common Share option awards for the year ended December 31, 2015:

	Director Options	Key Employee Options	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
Outstanding at January 1, 2015	34,716	113,997	148,713	$ 5.61	$ 147,000	4.9 years
Granted	-0-	-0-	-0-	-0-		
Exercised	-0-	-0-	-0-	-0-		
Cancelled	-0-	(3,203)	(3,203)	7.48		
Outstanding at December 31, 2015	34,716	110,794	145,510	$ 5.57	$ -0-	3.9 years
Vested or expected to vest at December 31, 2015	34,716	110,794	145,510	$ 5.57	$ -0-	3.9 years
Exercisable at December 31, 2015	34,716	110,794	145,510	$ 5.57	$ -0-	3.9 years

Stock compensation expense related to the 2010 Director, officer and key employee grants of stock options was $74,000 for the year ended December 31, 2013. There was no stock compensation expense for the years ended December 31, 2015 or 2014. As of December 31, 2015, there was no unrecognized compensation cost as all key employee option awards were fully vested.

The 2005 Omnibus Plan

Restricted Stock Awards

Pursuant to the 2005 Omnibus Plan, restricted Common Shares have historically been granted to key employees. There were no such grants in 2015, 2014 or 2013 and none remain unvested at December 31, 2015.

The Company recognizes compensation expense related to restricted stock awards on a straight-line basis over the vesting periods. There has been no compensation expense recognized related to restricted stock awards for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, there was no unrecognized compensation cost related to non-vested restricted stock awards.

Director and Key Employee Stock Option Awards

The following table summarizes the status of the Director and key employee Common Share option awards for the year ended December 31, 2015:

	Director Options	Key Employee Options	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
Outstanding at January 1, 2015	17,436	9,167	26,603	$ 4.80	$ 128,000	3.8 years
Granted	-0-	-0-	-0-	-0-		
Exercised	-0-	-0-	-0-	-0-		
Cancelled	-0-	(417)	(417)	4.44		
Outstanding at December 31, 2015	17,436	8,750	26,186	$ 4.80	$ -0-	2.8 years
Vested or expected to vest at December 31, 2015	17,436	8,750	26,186	$ 4.80	$ -0-	2.8 years
Exercisable at December 31, 2015	17,436	8,750	26,186	$ 4.80	$ -0-	2.8 years

The Director Common Share options are fully vested and the key employee options vested one-third per year. There was no stock compensation expense related to the key employee option grants recognized for the years ended December 31, 2015, 2014, and 2013. As of December 31, 2015, there was no unrecognized compensation cost as all key employee option awards were fully vested.

Share Option Plan (pre- 2005 Omnibus Plan)

The Amended and Restated Outside Director Stock Option Plan (the "Director Plan") provided for the granting of options to purchase Common Shares to outside directors of the Company. All compensation expense related to these Common Share options has been previously recognized by the Company. Options fully vested one year following the grant date. All options granted under the Director Plan expired ten years after the grant date. At December 31, 2015 there were no options outstanding under the Director Plan.

There was no compensation expense recognized related to these share options plans for the years ended December 31, 2015, 2014 and 2013.

There were no options granted under these share option plans and there were no options exercised during 2015, 2014 or 2013. Options totaling 781 with a weighted average of $90.72 expired in 2014. There were 1,952 options that expired in 2013 with a weighted average of $26.66.

Awards out of Treasury Shares

In February 2013, the Company made a discretionary matching contribution to each eligible employee's 401(k) account in restricted Common Shares of *DATATRAK*'s stock with a value at the time of grant equal up to 3% of

employee's salaries. The total number of restricted shares granted in connection with such match was 21,167 and the value of the Common Shares was $114,000. See Note 11 for additional details regarding the 401(k) plan.

On March 19, 2013, the Company valued restricted share grants to certain officers and key employees in lieu of the payment of bonus amounts under the 2012 Cash Incentive Plan. Based on the closing stock price on March 19, 2013, 50,560 restricted shares were awarded to certain officers and key employees outside of the 2011 Omnibus Plan. These shares are subject to certain restrictions, including a provision that the participant's shares shall be forfeited if such participant ceases to be employed by the Company prior to the one-year anniversary of the grant. Subsequent to the grant, a former key employee terminated his employment with *DATATRAK*, thereby forfeiting 1,520 of the restricted shares valued on March 19, 2013.

On March 18, 2014, the Company valued restricted share grants to certain officers and key employees in lieu of the payment of bonus amounts under the 2013 Cash Incentive Plan. Based on the closing stock price on March 18, 2014, 20,748 restricted shares were awarded to certain officers and key employees outside of the 2013 Omnibus Plan. These shares are subject to certain restrictions, including a provision that the participant's shares shall be forfeited if such participant ceases to be employed by the Company prior to the one-year anniversary of the grant. Subsequent to the grant, a former key employee terminated employment with *DATATRAK*, thereby forfeiting 181 of the restricted shares valued on March 18, 2014.

Employee Stock Purchase Plan (ESPP)

The Board of Directors and the shareholders of *DATATRAK* International, Inc. approved the *DATATRAK* International, Inc. 2010 Employee Stock Purchase Plan (the "ESPP") at the 2010 Annual Meeting. The ESPP allows employees an opportunity to purchase shares of *DATATRAK* stock at a 15% discounted price. The Company recognized $5,000, $9,000 and $12,000 of stock compensation expense during the years ended December 31, 2015, 2014 and 2013, respectively, in connection with the ESPP. The total number of shares issued out of treasury shares in connection with the ESPP in 2015, 2014 and 2013 were 4,533, 8,321 and 11,883, respectively.

Stock Option Valuation Method and Weighted Average Assumptions

The Company estimates the fair-value of stock options using the Black-Scholes valuation model. Significant assumptions used in the model are: (i) expected volatility based on the historical volatility of the common stock prices, (ii) risk-free interest rate based on the U.S. Treasury yield curve in effect at the time of the grant and (iii) expected term of the option based on past history of the average time from the grant date to the option exercise date.

The fair-value of stock option awards were calculated at their respective grant dates using the Black-Scholes model which incorporated the following assumptions:

	December 31, 2015	December 31, 2014	December 31, 2013
Expected volatility	137.9%	151.70% and 127.4%	149.9%
Risk-free interest rate	2.02%	2.04%	1.32%
Expected term (in years)	7 years	7 years	7 years
Expected dividend yield	0.0%	0.0%	0.0%
Forfeiture rate	20%	16%	17%

The Company began granting options under the 2013 Omnibus Plan in the second quarter of 2013. The Board of Directors granted options under the 2011 Omnibus Plan from the third quarter of 2011 through the second quarter of 2013. The prior board to grant options again in the fourth quarter of 2015, however, the new Board of Directors expects that it may challenge the validity of this action. Options were granted under the 2009 Omnibus Plan from the third quarter of 2009 through the second quarter of 2011.

11. Retirement Savings Plan

The Company sponsors The *DATATRAK* International, Inc. Retirement Savings Plan (the "Plan") as defined by Section 401(k) of the Internal Revenue Code of 1986, as amended. The Plan covers substantially all United States employees who elect to participate. Participants may contribute their annual compensation into a variety of mutual fund options. Matching and profit sharing contributions by the Company are discretionary. The Company made a discretionary contribution in 2015, 2014 and 2013 to each eligible employees' 401(k) account in restricted Common Shares of *DATATRAK*'s stock with a value equal to 3% of eligible employee's salaries, not to exceed the amount contributed by the employee. The total number of restricted shares granted in connection with such match was 20,271, 14,824, and 21,167, respectively, for discretionary contributions awarded in the year ended December 31, 2015, December 31, 2014 and December 31, 2013, respectively. During 2015, the Company accrued a 3% match, not to exceed the amount contributed by the employee, for all active participants in the plan. The 2015 match will be payable in authorized, but previously unissued shares to the employee's 401(k) account in the first quarter of 2016.

12. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share.

	Year Ended December 31,		
	2015	2014	2013
Net loss used in the calculation of basic and diluted loss per share	$ (2,899,000)	$ (1,293,000)	$ (129,000)
Denominator for basic net loss per share — weighted-average common shares outstanding	1,499,000	1,431,000	1,346,000
Effect of dilutive common share options and warrants	—	—	—
Denominator for diluted net loss per share	1,499,000	1,431,000	1,346,000
Basic and diluted net loss per share	$ (1.93)	$ (0.90)	$ (0.10)
Weighted-average common share options and warrants excluded from the computation of diluted net loss per share because they would have an anti-dilutive effect on net loss per share	121,000	82,000	79,000

13. Segment Information

The Company operates in one business segment: the dClinical solutions business.

Enterprise-Wide Disclosures

Geographic Information

The Company operates in the United States.

Major Customers

The following sets forth the percentage of revenue generated by customers who accounted for 10% or more of the Company's revenue during each of the periods presented:

	Year ended December 31,		
Customer	2015	2014	2013
Client A	*	*	12%
Client B	*	11%	11%
Client C	*	*	12%

* Less than 10% of revenue.

The accounts receivable balance with major customers as of December 31, 2015 and December 31, 2014 was $0 and $3,000, respectively.

14. Quarterly Data (Unaudited)

Selected quarterly data is as follows (in thousands, except per share data):

	Year Ended December 31, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 2,489	$ 2,345	$ 2,639	$ 2,487
Gross profit	1,924	1,805	2,104	2,048
Loss from operations	(1,015)	(1,391)	(264)	(213)
Net loss	(1,018)	(1,394)	(268)	(219)
Basic net loss per share	(0.70)	(0.92)	(0.18)	(0.14)
Diluted net loss per share	(0.70)	(0.92)	(0.18)	(0.14)

* Due to rounding, the quarterly basic and diluted net loss per share do not add to the full year basic and diluted net loss per share of $(1.93) for the year ended December 31, 2015.

	Year Ended December 31, 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 2,674	$ 2,827	$ 2,694	$ 2,815
Gross profit	2,162	2,256	2,127	2,266
(Loss) income from operations	(287)	(375)	(397)	(221)
Net income (loss)	(290)	(379)	(400)	(224)
Basic net income (loss) per share*	(0.21)	(0.26)	(0.28)	(0.16)
Diluted net income (loss) per share*	(0.21)	(0.26)	(0.28)	(0.16)

* Due to rounding, the quarterly basic and diluted net loss per share do not add to the full year basic and diluted net loss per share of $(0.90) for the year ended December 31, 2014.

15. Contingencies

On June 6, 2011, *DATATRAK* served a complaint for patent infringement on Medidata Solutions, Inc. ("Medidata") for unauthorized use of *DATATRAK*'s intellectual property, as described in U.S. Patent No. 7,464,087 (the "'087 Patent"), in the Medidata Rave® platform. (*See* Civil Action No. 1:11-CV-00458, U.S. District Court for the Northern District of Ohio, the "'087 Case.") The patented technologies cover methods and systems for unifying data from a plurality of heterogeneous databases with each having business-context related data and a data access mechanism. In its answer to the complaint, Medidata denied the allegations of infringement and counterclaimed to invalidate *DATATRAK*'s '087 Patent. On October 28, 2011 Medidata requested *ex parte* reexamination of the patent-in-suit by the U.S. Patent & Trademark Office ("USPTO"), challenging the validity of the '087 Patent's claims, and moved to stay the '087 Case pending same. The Court granted Medidata's motion to stay, and the Company subsequently received notice from the USPTO that Medidata's request for *ex parte* reexamination of the '087 Patent was granted. In May 2012, the Company received a final office action from the USPTO rejecting the claims of the '087 Patent. In July 2012, the Company filed a notice of appeal with the Board of Patent Appeals and Interferences ("BPAI"), to contest such office action, and an Oral Hearing was held on December 4, 2013 before the BPAI. On March 6, 2014, the BPAI reversed the prior rejection of 47 of the 52 claims in the '087 Patent and affirmed the rejection of the remainder. On August 6, 2014, the Company received a Notice of Intent to Issue Ex Parte Reexamination Certificate in the '087 Reexamination, indicating that the patentability of claims 6-52 of the '087 Patent (6 of which were amended slightly) would be confirmed, and a Reexamination Certificate to that effect issued on September 4, 2014. On September 5, 2014, the Company filed a Notice of Conclusion of Reexamination in the '087 Case and on September 9, 2014 the U.S. District Court for the Northern District of Ohio lifted its stay, permitting the '087 Case to resume. As directed, *DATATRAK* and Medidata submitted a case management plan that was accepted by the Court on October 7, 2014 and subsequently amended on January 27 and August 21, 2015. Discovery and the parties' exchange of various contentions and claim constructions pursuant to local patent rules have proceeded since. On August 13, 2015, Medidata filed a motion to dismiss the Company's complaint under the authority of the Supreme Court's decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. (2014). Following briefing, the Court granted the motion on November 6, 2015, dismissing the case without having reached the merits of *DATATRAK*'s infringement contentions against Medidata's Rave and CTMS products.

On or about March 31, 2015, the Company was served with a complaint filed by Medidata in U.S. District Court in New Jersey alleging infringement of U.S. Patent Nos. 8,620.677 and 8,738,397. (*See* Case No. 2:15-CV-02159-KSH-CLW, U.S. District Court for the District of New Jersey.) On May 20, 2015, the Company filed a motion to dismiss Medidata's complaint under the authority of the Supreme Court's decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

On or about January 6, 2016, *DATATRAK* and Medidata announced a settlement agreement to resolve all existing patent litigation between the parties. Under the terms of the settlement agreement, the parties agreed to dismiss the claims against each other in the lawsuits pending in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of New Jersey. Neither party made any payment as part of the settlement. *DATATRAK* and Medidata also agreed to mutual covenants not to sue with respect to the patents-in-suit and related patents.

On November 10, 2015, *DATATRAK* postponed the annual shareholder meeting schedule for November 11, 2015 and under the direction of the previous Board initiated a lawsuit against Alex Tabatabai and Arosa Investment Management, LLC (collectively, "Arosa"). (See Case No. CV-15-854059, Cuyahoga County, Ohio Common Pleas Court). *DATATRAK* asserted various claims in connection with Arosa's proxy contest involving three seats on the *DATATRAK* Board of Directors. On November 25, 2015, Arosa asserted counterclaims and individual and shareholder derivative third-party claims against *DATATRAK* and five then- *DATATRAK* directors, Laurence P. Birch, Timothy G. Biro, James M. Karis, Jerome H. Kaiser and Nicholas A. Loiacono, as well as Andrew T. Pitler, who Arosa claimed was unlawfully appointed to *DATATRAK*'s board, and direct claims against *DATATRAK* and Mr. Birch. Arosa asserted various claims of unlawfully delaying the Board of Directors election that Arosa's slate of director candidates had won going into the scheduled November 11, 2015 annual shareholder meeting.

On January 8, 2016, the 2015 *DATATRAK* annual shareholders' meeting was held following two postponements, and Arosa's slate prevailed by receiving approximately 62% of shareholder votes cast. Following the election, Arosa, Tabatabai, *DATATRAK*, Biro, Karis, Kaiser, Loiacono, and Pitler (collectively, the "Settling Parties") commenced settlement discussions in an effort to avoid additional litigation expenses. As a result of these discussions, Kaiser, Karis, and Pitler agreed to resign from *DATATRAK*'s Board of Directors and Arosa agreed to a mutual release and dismissal with prejudice of all claims among the Settling Parties. None of the Settling Parties made any payment as part of the settlement.

The settlement has been preliminarily approved by the Court, as required by law, and awaits final approval from the Court pending a brief period in which no *DATATRAK* shareholders objected to the settlement other than Mr. Birch, who was terminated as CEO on February 23, 2016. The claims asserted by Arosa and *DATATRAK* against Mr. Birch are not being released or dismissed as part of the settlement due to the inability of the Settling Parties to reach reasonable terms with Mr. Birch. On March 16, 2016, Mr. Birch filed certain papers with the Court that may reflect his intention to challenge his termination for cause. *DATATRAK* believes that these claims are without merit and will vigorously defend *DATATRAK*'s rights. The Company expects that it will seek claims against Mr. Birch for various breaches of duties and misconduct by him during his tenure at *DATATRAK*.

In addition to the foregoing, in the ordinary course of business, the Company is involved in ordinary, routine legal proceedings. Additionally, certain of the Company's revenues may be subject to sales and use tax in certain jurisdictions. The Company has assessed its positions, and is of the opinion that the ultimate resolution of such matters will not have a material adverse effect on the results of operations, cash flows or the financial position of the Company.

(Remainder Of This Page Intentionally Left Blank)

DATATRAK International, Inc. and Subsidiaries
ANNUAL REPORT
DECEMBER 31, 2015
Exhibit Index

Exhibit No.	Description	Page
2.1	Agreement and Plan of Merger among *DATATRAK* International, Inc., CF Merger Sub, Inc., ClickFind, Inc., each of the shareholders of ClickFind, Inc and Jim Bob Ward, dated February 13, 2006	(10)
3.1	Sixth Amended and Restated Articles of Incorporation	(1)
3.2	Third Amended and Restated Code of Regulations	(2)
3.3	Amendment to the Third Amended and Restated Code of Regulations	(2)
3.4	Amendment to the Third Amended and Restated Code of Regulations	(1)
3.5	Amendment to the Third Amended and Restated Code of Regulations	(14)
4.1	Specimen Certificate of the Company's Common Shares, without par value	(5)
4.3	Registration Rights Agreement among *DATATRAK* International, Inc. and the Cash and Securities Recipients, dated February 13, 2006	(10)
4.4	Rights Agreement, dated September 5, 2007, by and among the Company and National City Bank, as Rights Agent, which includes the Form of Rights Certificate as Exhibit A and the summary of Rights as Exhibit B	(13)
4.6	Form of Warrant, dated March 19, 2007	(12)
4.7	Amendment to the Shareholder Rights Plan	(24)
10.1	Amended and Restated 1996 Outside Directors' Stock Option Plan*	(4)
10.2	Amendment No. 1 to the Amended and Restated 1996 Outside Directors' Stock Option Plan*	(2)
10.3	Amendment No. 2 to the Amended and Restated 1996 Outside Directors' Stock Option Plan*	(2)
10.4	Amendment to the Amended and Restated 1996 Outside Directors' Stock Option Plan*	(2)
10.5	*DATATRAK* International, Inc. 2005 Omnibus Equity Plan*	(9)
10.6	Amendment No. 1 to the *DATATRAK* International, Inc. 2005 Omnibus Equity Plan*	(14)
10.7	Amendment No. 2 to the *DATATRAK* International, Inc. 2005 Omnibus Equity Plan*	(15)
10.8	Amended and Restated 1996 Key Employees' and Consultants Stock Option Plan*	(4)
10.9	Amendment No. 1 to the Amended and Restated 1996 Key Employees' and Consultants Stock Option Plan*	(2)
10.10	Amendment No. 2 to the Amended and Restated 1996 Key Employees' and Consultants Stock Option Plan*	(2)
10.11	Amendment No. 3 to the Amended and Restated 1996 Key Employees' and Consultants Stock Option Plan*	(2)
10.12	Amendment to the Amended and Restated 1996 Key Employees' and Consultants Stock Option Plan*	(2)
10.13	Amended and Restated Outside Director Stock Option Plan*	(8)
10.14	Form of Indemnification Agreement*	(3)
10.15	Form of Non-Qualified Stock Option Agreement for Employees under the 2005 Omnibus Equity Plan	(15)
10.16	*DATATRAK* International, Inc. Retirement Savings Plan*	(6)
10.17	Limited Software License Agreement between *DATATRAK* International, Inc. and Jim Bob Ward, dated February 13, 2006	(10)
10.18	Security Agreement with KeyBank National Association and related Demand Master Promissory Note, each dated August 31, 2006	(11)
10.19	Securities Purchase Agreement by and among the Company and the Purchasers named on Schedule A(3) thereto, dated March 16, 2007	(12)
10.20	2009 Omnibus Equity Plan*	(16)
10.21	Form of the Stock Option Award Agreement for Employees under the 2009 Omnibus Equity Plan*	(18)
10.22	Form of the Stock Option Award Agreement for Directors under the 2009 Omnibus Equity Plan*	(18)
10.23	Description of the 2009 Cash Incentive Program*	(17)

10.24	The *DATATRAK* International, Inc. 2011 Omnibus Equity Plan*	(20)
10.25	The *DATATRAK* International, Inc. restricted stock agreement form for shares issued May 19, 2011*	(20)
10.26	The *DATATRAK* International, Inc. Restricted Share Unit Agreement*	(21)
10.27	Form of the Stock Option Award Agreement for Employees under the 2011 Omnibus Equity Plan*	(22)
10.28	Form of the Stock Option Award Agreement for Non-employee Directors under the 2011 Omnibus Equity Plan*	(22)
10.29	The *DATATRAK* International, Inc. Restricted Stock Agreement dated March 20, 2012*	(23)
10.30	2013 Omnibus Equity Plan*	(25)
10.31	Form of the Stock Option Award Agreement for Employees under the 2013 Omnibus Equity Plan*	(25)
10.32	Form of the Stock Option Award Agreement for Non-employee Directors under the 2013 Omnibus Equity Plan*	(25)
10.33	The *DATATRAK* International, Inc. employment agreement with Laurence P. Birch*	(19)
10.34	The *DATATRAK* International, Inc. employment agreement with Jennifer W. Mabe (Fox)*	
10.35	Purported Amendment to the employment agreement with Laurence P. Birch**	(30)
10.36	Purported Amendment to the employment agreement with Jennifer W. Mabe**	(30)
10.37	Purported Amendment to the 2013 Omnibus Equity Plan**	(30)
10.38	Form of Restricted Stock Agreement dated November 17, 2015**	(30)
14.1	Code of Business Conduct and Ethics	(11)
14.2	Financial Code of Ethics	(7)

* Management compensatory plan or arrangement.
** Included herein.

(1) Incorporated herein by reference to the Company's Form 10-Q for the quarter ended June 30, 2003 (File No. 000-20699).

(2) Incorporated herein by reference to the Company's Form 10-K for the year ended December 31, 2002 (File No. 000-20699).

(3) Incorporated herein by reference to the Company's Form S-1 Registration Statement filed on March 8, 1996, as amended by Amendment No. 1 filed on May 10, 1996 and as amended by Amendment No. 2 filed on June 10, 1996 (File No. 333-2140).

(4) Incorporated herein by reference to the Company's Form S-8 Registration Statement filed on November 13, 1996 (File No. 333-16061).

(5) Incorporated herein by reference to the Company's Form 10-K for the year ended December 31, 2004 (File No. 000-20699).

(6) Incorporated herein by reference to the Company's Form S-8 Registration Statement filed on April 30, 1997 (File No. 333-26251).

(7) Incorporated herein by reference to the Company's Form 10-K for the year ended December 31, 2003 (File No. 000-20699).

(8) Incorporated herein by reference to the Company's Form 10-Q for the quarter ended June 30, 2004 (File No. 000-20699).

(9) Incorporated herein by reference to the Company's current report on Form 8-K dated July 22, 2005 (File No. 000-20699).

(10) Incorporated herein by reference to the Company's current report on Form 8-K dated February 13 2006 (File No. 000-20699).

(11) Incorporated herein by reference to the Company's Form 10-K for the year ended December 31, 2006 (File No. 000-20699).

(12) Incorporated herein by reference to the Company's current report on Form 8-K dated March 20, 2007 (File No. 000-20699).

(13) Incorporated herein by reference to the Company's current report on Form 8-K dated September 11, 2007 (File No. 000-20699).

(14) Incorporated herein by reference to the Company's Form 10-Q for the quarter ended June 30, 2008 (File No. 000-20699).

(15) Incorporated herein by reference to the Company's Form 10-Q for the quarter ended September 30, 2008 (File No. 000-20699).

(16) The *DATATRAK* International, Inc. 2009 Omnibus Equity Plan was attached as *Appendix A* to the Annual Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on July 28, 2009 and is incorporated herein by reference.

(17) Incorporated herein by reference to the Company's Quarterly Report filed on August 17, 2009.

(18) Incorporated herein by reference to the Company's Annual Report filed on March 31, 2010.

(19) Incorporated herein by reference to the Company's Quarterly Report filed on August 13, 2010.

(20) Incorporated herein by reference to the Company's Quarterly Report filed on August 12, 2011.

(21) Incorporated herein by reference to the Supplemental Information filed on November 14, 2011 as an Exhibit to the Company's Quarterly Report filed on November 10, 2011.

(22) Incorporated herein by reference to the Company's Annual Report filed on March 16, 2012.

(23) Incorporated herein by reference to the Company's Quarterly Report filed on May 10, 2012.

(24) Incorporated herein by reference to the Company's Quarterly Report filed on May 15, 2013.

(25) Incorporated herein by reference to the Company's Quarterly Report filed on August 12, 2013.

(26) Incorporated herein by reference to the Company's Annual Report filed on March 14, 2014.

(27) Incorporated herein by reference to the Company's Quarterly Report filed on May 14, 2014.

(28) Incorporated herein by reference to the Company's Quarterly Report filed on August 14, 2014.

(29) Incorporated herein by reference to the Company's Quarterly Report filed on November 13, 2014.

(30) As of April 8, 2016, the Company expects that it may challenge the enforceability of one or more of these agreements.

(PURPORTED) FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

NOTE: As of April 8, 2016, the Company expects that it may challenge the enforceability of this agreement)

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is entered into as of December 29, 2015 by and between DATATRAK INTERNATIONAL, INC., an Ohio corporation with its principal place of business at 5900 Landerbrook Drive, Suite 170, Mayfield Heights, OH 44124 (the "Company"), and LAURENCE P. BIRCH ("Employee"), and amends the Employment Agreement made and effective as of July 1, 2010 by and between the Company and Employee (as amended, the "Agreement").

WITNESSETH:

WHEREAS, the Company and Employee desire to modify the terms of the Agreement as further set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in the Agreement and herein, the Company and Employee agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

2. The fourth sentence of Section 9.6 of the Agreement is hereby amended to delete the "and" prior to clause (vi) thereof and to insert the following at the end of the sentence:

> ", and (vii) reimbursement from the Company for the monthly Consolidated Omnibus Reconciliation Act of 1985 ("COBRA") premium paid by Employee for himself and his dependents until the earlier of: (A) the one (1) year anniversary of the date of his termination of employment; and (B) the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (vii) of this Section 9.6 would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder ("PPACA"), the parties agree to reform clause (vii) of this Section 9.6 in a manner as is necessary to comply with PPACA)."

3. The third sentence of Section 9.7 of the Agreement is hereby amended to delete the "and" prior to clause (vi) thereof and to insert the following at the end of the sentence:

> ", and (vii) reimbursement from the Company for the monthly COBRA premium paid by Employee for himself and his dependents until the earlier of: (A) the one (1) year anniversary of the date of termination of his employment; and (B) the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (vii) of this Section 9.7 would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under PPACA, the parties agree to reform clause (vii) of this Section 9.7 in a manner as is necessary to comply with PPACA)."

4. The first sentence of Section 9 of the Agreement is hereby amended to read in its entirety as follows:

"This Agreement shall commence on the effective date indicated below and shall continue for a period of one (1) year (the **"Initial Term"**), unless sooner terminated as provided in Sections 9.1, 9.2, 9.3, 9.5, 9.6, 9.7 or 9.9 of this Agreement."

5. Section 9 of the Agreement is hereby amended by inserting the following as a new Section 9.9, by renumbering existing Section 9.9 as Section 9.10 and by modifying the existing references to "Section 9.9" in the Agreement to read "Section 9.10":

"**9.9 BOARD CHANGE.** During the Term, notwithstanding anything in this Agreement which might imply the contrary (including, without limitation, Section 9.3), if the Company shall undergo a Board Change of Control (as hereinafter defined) and Employee's employment is not continued by the Company at any time subsequent to the Board Change of Control, Employee shall, upon such non-continuation of his employment, be entitled to receive (i) compensation owed as provided hereunder, (ii) any stock options that are vested under the Company's Stock Option Plan(s) (and shall have the right to exercise the vested stock options for a period of one (1) year following such non-continuation, provided that such extension does not cause the stock options to be subject to Section 409A of the Code), (iii) his salary through the date of such non-continuation and his Base Compensation for a period of one (1) year after such non-continuation paid in accordance with the Company's normal payroll practices, (iv) payment for any bonus or pro-rata bonus earned and due at the time of such non-continuation pursuant to the bonus plan(s) the Company may have in effect at the time of such non-continuation, (v) outplacement services from an agency to be selected by the Company in an amount not to exceed Ten Thousand Dollars ($10,000) payable in a single lump sum within sixty (60) days of such non-continuation, (vi) any other vested employee benefits to which Employee is entitled under the plans maintained, sponsored or established by the Company, and (vii) reimbursement from the Company for the monthly COBRA premium paid by Employee for himself and his dependents until the earlier of: (A) the one (1) year anniversary of the date of non-continuation of his employment; and (B) the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (vii) of this Section 9.9 would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under PPACA, the parties agree to reform clause (vii) of this Section 9.9 in a manner as is necessary to comply with PPACA). If payments of the bonus amounts under Base Compensation owed at the designated payment dates would jeopardize the ability of the Company to continue as a going concern, the payments will be treated as made upon the designated payment dates under this Agreement if the payments are made during the first taxable year of Employee in which the making of the payments would not have such effect. For purposes hereof, the term "Board Change of Control" shall mean, during any period of twenty-four (24) consecutive calendar months, individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority of the directors comprising the Board of Directors of the Company unless the election or appointment of each new director (over such period) was approved or recommended by the vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period."

6. Except as specifically set forth herein, the Agreement shall remain in full force and effect.

7. This Amendment shall be governed by and construed in accordance with the laws of the State of Ohio without giving effect to the conflict of law provisions thereof.

8. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

_____
Laurence P. Birch (Employee)

DATATRAK INTERNATIONAL, INC.

By: _____
Name:
Title:

(PURPORTED) FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

NOTE: As of April 8, 2016, the Company expects that it may challenge the enforceability of this agreement)

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is entered into as of December 29, 2015 by and between DATATRAK INTERNATIONAL, INC., an Ohio corporation with its principal place of business at 5900 Landerbrook Drive, Suite 170, Mayfield Heights, OH 44124 (the "Company"), and JENNIFER MABE (formerly known as Jennifer Fox) ("Employee"), and amends the Employment Agreement made and effective as of September 27, 2011 by and between the Company and Employee (as amended, the "Agreement").

WITNESSETH:

WHEREAS, the Company and Employee desire to modify the terms of the Agreement as further set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in the Agreement and herein, the Company and Employee agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

2. The first "WHEREAS" clause in the Recitals of the Agreement is hereby amended to read in its entirety as follows:

> "WHEREAS, the Company desires to retain Employee as its Chief Financial Officer and Treasurer, and Employee desires to be so retained; and"

3. The first sentence of Section 1 of the Agreement is hereby amended to read in its entirety as follows:

> "The Company employs Employee in the position of Chief Financial Officer and Treasurer."

4. The first paragraph of Section 8.5 of the Agreement is hereby amended by inserting "(a)" at the beginning of the paragraph and by modifying the references to "Section 8.5" in such paragraph to read "Section 8.5(a)".

5. Section 8.5 of the Agreement is hereby amended by inserting the following as a new Section 8.5(b):

> "(b) Employee may terminate her employment at any time during the Term for Good Reason. For purposes of this Agreement, "Good Reason" shall mean (i) any material reduction by the Board or the Chief Executive Officer of Employee's duties, responsibilities, base salary, title or position, (ii) any requirement that Employee report to a corporate officer or employee other than the Chief Executive Officer, (iii) a material diminution in the budget over which Employee retains authority or (iv) a material breach of the terms of this Agreement by the Company. Prior to any termination by Employee for Good Reason pursuant to this Section 8.5(b), no later than ninety (90) days following the existence of the acts or omissions constituting Good Reason hereunder, Employee shall provide the Board and the Chief Executive Officer with thirty (30) calendar days' written notice of the acts and/or omissions of the Company

which Employee asserts constitute Good Reason, and if, at the conclusion of that thirty (30) calendar day period, the Board and/or the Chief Executive Officer have not cured or corrected the alleged acts and/or omissions, then Employee may terminate her employment pursuant to this Section 8.5(b) (and such termination must occur no later than two years following the initial existence of the acts or omissions constituting Good Reason hereunder). In the event of such termination by Employee for Good Reason, Employee shall be entitled to receive (x) her salary through the date of such termination and for a period of twelve (12) months after such termination, (y) outplacement services from an agency to be selected by the Company in an amount not to exceed Ten Thousand ($10,000) Dollars and (z) reimbursement from the Company for the monthly Consolidated Omnibus Reconciliation Act of 1985 ("COBRA") premium paid by Employee for herself and her dependents until the earlier of: (A) the twelve (12) month anniversary of the date of her termination of employment; and (B) the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (z) of this Section 8.5(b) would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder ("PPACA"), the parties agree to reform clause (z) of this Section 8.5(b) in a manner as is necessary to comply with PPACA)."

6. The last sentence of Section 8.6 of the Agreement is hereby amended to read in its entirety as follows:

"In the event the Company exercises its right to terminate Employee other than for Cause, Death or Disability at any time during the Term of this Agreement as described in this Section 8.6, and/or gives notice of non-renewal prior to and/or during any Renewal Period as described in this Section 8.6, Employee shall at the time of such termination be entitled to receive (i) her salary through the date of such termination and for a period of twelve (12) months after such termination, (ii) outplacement services from an agency to be selected by the Company in an amount not to exceed Ten Thousand ($10,000) Dollars and (iii) reimbursement from the Company for the monthly COBRA premium paid by Employee for herself and her dependents until the earlier of: (A) the twelve (12) month anniversary of the date of termination of her employment; and (B) the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (iii) of this Section 8.6 would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under PPACA, the parties agree to reform clause (iii) of this Section 8.6 in a manner as is necessary to comply with PPACA)."

7. Section 8.7 of the Agreement is hereby amended to read in its entirety as follows:

"**8.7 CHANGE OF CONTROL.** If a Change of Control (as defined in this paragraph) shall occur during the Term of this Agreement and Employee's employment is not continued by the Company, purchaser or successor, as the case may be, Employee shall be entitled to receive (i) her salary through the date of such non-continuation and for a period of twelve (12) months after such non-continuation, (ii) outplacement services from an agency to be selected by the Company in an amount not to exceed Ten Thousand ($10,000) Dollars and (iii) reimbursement from the Company for the monthly COBRA premium paid by Employee for herself and her dependents until the earlier of: (A) the twelve (12) month anniversary of the date of non-continuation of her employment; and (B)

the date on which Employee becomes eligible to receive health insurance coverage from another employer (provided that if the Company's payments under clause (iii) of this Section 8.7 would violate the nondiscrimination rules applicable to non-grandfathered plans, or result in the imposition of penalties under PPACA, the parties agree to reform clause (iii) of this Section 8.7 in a manner as is necessary to comply with PPACA). For purposes hereof, the term "Change of Control" shall mean (A) the sale of all or substantially all of the assets of the Company, (B) the sale of a majority of the outstanding shares of capital stock of the Company entitled to vote in a single transaction or series of related transactions (except with respect to a public offering of the Company's shares of capital stock), (C) the consummation of a merger, consolidation or similar transaction involving the Company in which the holders of the Company's capital stock immediately prior to the transaction do not retain at least a majority of the voting power of the Company surviving the merger or its parent Company, (D) the complete liquidation or dissolution of the Company, or (E) during any period of twenty-four (24) consecutive calendar months, individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority of the directors comprising the Board of Directors of the Company unless the election or appointment of each new director (over such period) was approved or recommended by the vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period."

8. Except as specifically set forth herein, the Agreement shall remain in full force and effect.

9. This Amendment shall be governed by and construed in accordance with the laws of the State of Ohio without giving effect to the conflict of law provisions thereof.

10. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

_____
Jennifer Mabe (Employee)

DATATRAK INTERNATIONAL, INC.

By: _____
Name:
Title:

(PURPORTED) AMENDMENT NO. 1 TO THE DATATRAK INTERNATIONAL, INC. 2013 OMNIBUS EQUITY PLAN

NOTE: As of April 8, 2016, the Company expects that it may challenge the enforceability of this agreement)

This Amendment No. 1 (the "Amendment") to the DATATRAK International, Inc. 2013 Omnibus Equity Plan (as amended, the "Plan") was adopted and approved by the Board of Directors (the "Board of Directors") of DATATRAK International, Inc. (the "Company") as of December 29, 2015.

WHEREAS, the Company maintains the Plan, which was originally adopted and approved by the Board of Directors on May 14, 2013;

WHEREAS, Section 11.1 of the Plan provides that the Compensation Committee of the Board of Directors (the "Compensation Committee") may, in its sole and absolute discretion, determine what additional events (beyond those enumerated in the Plan) may constitute a "Change in Control" under the Plan;

WHEREAS, the Compensation Committee has recommended an amendment to the Plan in order to specifically enumerate that, under certain circumstances, a turnover in the Board of Directors that is not approved or recommended by existing directors shall constitute a "Change in Control" under the Plan, as more specifically set forth herein; and

WHEREAS, in order to further the purposes of the Plan and enhance the benefits provided to Plan participants, and at the recommendation of the Compensation Committee, the Board of Directors has determined that it is desirable to modify the definition of "Change in Control" for purposes of the Plan, as further set forth herein;

NOW, THEREFORE, pursuant to Section 13.1 of the Plan, the Board of Directors has amended the Plan as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Plan.

2. Section 11.1 of the Plan is hereby amended by inserting the following as a new clause (vi) and by renumbering existing clause (vi) as clause (vii):

> "(vi) during any period of twenty-four (24) consecutive calendar months, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least 50% of the Directors comprising the Board of Directors unless the election or appointment of each new Director (over such period) was approved or recommended by the vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period;"

3. Except as specifically set forth herein, the Plan shall remain in full force and effect.

DATATRAK INTERNATIONAL, INC.

(PURPORTED) RESTRICTED STOCK AGREEMENT

NOTE: As of April 8, 2016, the Company expects that it may challenge the enforceability of this agreement)

THIS RESTRICTED STOCK AGREEMENT (this "Agreement"), is entered into as of this 17th day of November, 2015 (the "Effective Date"), by and between DATATRAK International, Inc., an Ohio corporation (the "Company"), and _____ (the "Grantee").

WITNESSETH:

WHEREAS, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") has determined to award the Grantee restricted common shares ("Restricted Shares") of the Company, the vesting of which shall occur as described herein; and

WHEREAS, the Compensation Committee has determined that the award of Restricted Shares will be subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the Company and the Grantee agree as follows:

1. Grant of Restricted Shares. As of the Effective Date, the Company grants to the Grantee, upon the terms and conditions set forth in this Agreement and subject to the restrictions in Section 2, _____ (_____) Restricted Shares. The Restricted Shares are granted in accordance with, and subject to, all the terms, conditions and restrictions of this Agreement. The Grantee irrevocably agrees to, and accepts, the terms, conditions and restrictions of this Agreement on his own behalf and on behalf of any heirs, successors and assigns.

2. Restrictions. Except as otherwise provided in Section 10 hereof, the Grantee cannot sell, transfer, assign, hypothecate or otherwise dispose of the Restricted Shares or pledge it as collateral for a loan. In addition, the Restricted Shares will be subject to such other restrictions as the Compensation Committee deems necessary or appropriate.

3. Lapse of Restrictions on Stock. Except as provided in Section 5, the restrictions described in Section 2 shall lapse and be of no further force or effect with respect to each Restricted Share if the Grantee remains in the continuous employ of the Company until the first anniversary of the Effective Date.

4. Forfeiture. Except as provided in Section 5, if the Grantee's employment with the company is terminated for any reason prior to the first anniversary of the Effective Date, then the Grantee shall forfeit the Restricted Shares as of the date of his or her termination of employment, and the Grantee and all persons who might claim through the Grantee will have no further interests under this Agreement of any kind whatsoever.

5. Change in Control. Notwithstanding anything herein to the contrary, if a Change in Control has occurred or an event has occurred that the Board of Directors, in the good faith exercise of its discretion, determines to be a Change in Control prior to the vesting of the Grantee's interest in the Restricted Shares, the restrictions described in Section 2 will immediately lapse.

6. Issuance of Stock. As soon as practicable after lapse of the restrictions set forth in Section 2 hereof, the Company will deliver to the Grantee (or his or her beneficiary or beneficiaries) the common shares to which the Grantee is entitled free and clear of any restrictions (except any applicable securities law restrictions).

7. Tax Withholding. The Company shall withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy any applicable federal, state or local tax withholding requirements. The Company shall deliver withholding proceeds to the Internal Revenue Service and other taxing authorities.

8. Shareholder Rights. Prior to the lapse of the restrictions set forth in Section 2 hereof, the Grantee will be entitled to vote the Restricted Shares.

9. Section 83(b) Elections. The Grantee will not make an election under Section 83(b) of the Internal Revenue Code to recognize taxable ordinary income in the year the Restricted Shares are granted. The Grantee understands that by not making such an election, he or she will recognize taxable ordinary income at the time the restrictions lapse in an amount equal to the fair market value of the common shares at that time.

10. Designation of Beneficiary. By properly executing and delivering a designation of beneficiary form as may be required from time to time by the Compensation Committee, the Grantee may designate an individual or individuals as his or her beneficiary or beneficiaries. In the event that the Grantee fails to properly designate a beneficiary, his or her interests will pass to the person or persons in the first of the following classes in which there are any survivors: (i) spouse at the time of death; (ii) issue, *per stirpes*; (iii) parents; and (iv) the executor or administrator of estate. Except as the Compensation Committee may determine in its sole and exclusive discretion, a properly completed designation of beneficiary form shall be deemed to revoke all prior designations.

11. Non-Transferability and Legends. The Restricted Shares have not been registered for resale under the Securities Act of 1933, as amended (the "Act"), and may not be sold, transferred or otherwise disposed of unless a registration statement under the Act with respect to the Restricted Shares has become effective or unless the Grantee establishes to the satisfaction of the Company that an exemption from such registration is available. The Restricted Shares will bear a legend stating the substance of such restrictions, as well as any other restrictions the Compensation Committee deems necessary or appropriate.

12. Termination of Agreement. This Agreement will terminate on the earliest of: (i) the date the restrictions described in Section 2 lapse; or (ii) such date as may be designated by the Company's Board of Directors or Compensation Committee. Any terms or conditions of this Agreement that the Company determines are reasonably necessary to effectuate its purposes will survive the termination of this Agreement.

13. Miscellaneous Provisions.

a. Effect of Corporate Reorganization or Other Changes Affecting Number or Kind of Restricted Shares. The provisions of this Agreement will be applicable to the Restricted Shares and to any Restricted Shares or other securities which may be acquired by the Grantee as a result of a liquidation, recapitalization, reorganization, redesignation or reclassification, split-up, reverse split, merger, consolidation, share dividend, combination or exchange of Restricted Shares, exchange for other securities, a sale of all or substantially all assets or the like. The Compensation Committee shall appropriately adjust the number and kind of Restricted Shares under this Agreement to reflect such a change. As used in this Agreement, the term "Restricted Shares" will be deemed to include any such Restricted Shares or other securities.

b. Successors and Legal Representatives. This Agreement will bind and inure to the benefit of the Company and the Grantee, and their respective successors, assigns and legal representatives.

c. Integration. This Agreement constitutes the entire agreement between the Grantee and the Company with respect to the subject matter hereof, and may not be modified, amended, renewed or terminated, nor may any term, condition or breach of any term or condition be waived, except by a writing signed by the person or persons sought to be bound by such modification, amendment, renewal, termination or waiver. Any waiver of any term, condition or breach thereof will not be a waiver of any other term or condition or of the same term or condition for the future, or of any subsequent breach.

d. Notice. Any notice relating to this grant must be in writing.

e. No Employment Right Created. Nothing in this Agreement will be construed to confer upon the Grantee the right to continue in the employment or service of the Company, or to be employed or serve in any particular position therewith, or affect any right which the

Company may have to terminate the Grantee's employment or service with or without Cause.

f. Separability. In the event of the invalidity of any part or provision of this Agreement, such invalidity will not affect the enforceability of any other part or provision of this Agreement.

g. Section Headings. The section headings of this Agreement are for convenience and reference only and are not intended to define, extend or limit the contents of the sections.

h. Amendment, Waiver and Revocation of Terms. The Compensation Committee may waive any term or condition in this Agreement that could have been excluded on the date of grant. No such waiver will be deemed to be a waiver of similar terms under other agreements. The Compensation Committee may amend this Agreement to include or exclude any provision which could have been included in, or excluded from, this Agreement on the date of grant, but only with the Grantee's written consent. Similarly, the Compensation Committee may revoke this Agreement at any time except that, after execution of the Agreement, revocation may only be accomplished with the Grantee's written consent.