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To the Shareholders of *DATATRAK* International Inc.:

The financial results for the year ended December 31, 2015 are a culmination of what we stood against during the proxy contest last year. We would prefer to focus on the progress made in the first six months of 2016 rather than the bad decisions which lead to the loss of $(2,899,000) for the year ended December 31, 2015. The half-year results for 2016 provided us a profit of $458,000. This was primarily due to significant reductions in SG&A, which totaled $2,643,000, or 44%, for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. We campaigned on making *DATATRAK* profitable by simply cutting unnecessary excess costs and we delivered on our promise to shareholders, even though the new board was not able to begin implementing significant changes until late in the first quarter of 2016. We continue to clean up legacy items left by the prior board. There will be bumps in the road as we continue to resolve these issues, which may cause us to incur one-time increased expenses that may impact our bottom line in 2016 and possibly 2017. As those legacy issues are resolved, our recurring expenses should reach a normalized level.

It is important to note that our revenue for the first half of 2016 is slightly less compared to the first half of 2015. The decrease in revenue was due to the Company falling short of its sales goals during the latter half of 2015 and for the first half of 2016. It is no secret that the sales effort was challenged during this time period due to a depleted sales team and the leadership transition. Now that we have begun hiring sales staff and the transition is complete at both the board and management level, we expect a more focused and improved sales effort in future quarters. The sales cycle in our industry can require patience, so do not be discouraged if the positive sales results we desire take more than a quarter or two to appear on our financial statements.

Your board of directors is highly committed to *DATATRAK* and enthusiastic about making this Company truly great. We could not be more proud of our incredibly dedicated employees. Our new CEO and CFO have performed beyond the board's expectations despite the tremendous challenges this year. Our Company's new focus is on substance over form, where we measure objective outcomes. We have a "getting things done" attitude. We believe in straight talk when speaking to our shareholders and shun Wall Street sweet talk, using "investor relations" handlers, attending stock promotional events or anything of the sort. Our attitude is to build a business over the long-term, measured in years and not quarters. Our focus is on minding the shop and if we do that well, the stock price will take care of itself. We want you to look back ten years from now and appreciate *DATATRAK*'s wealth creation that began in 2016. When at the eleventh hour the Company needed a line of credit for working capital and growth initiatives, including new hires and delivering our Clinical Trial Management System (CTMS) product to market, Tabatabai Investment Partners LP, whose partners include your chairman, another director and our two board nominees, stepped up and financially supported the Company. Your board is highly invested in *DATATRAK* because your directors have increased their own investments in the Company. Your board is represented by *DATATRAK*'s largest shareholders, who made significant investments of their hard earned dollars in the Company. The two nominees to the board have a strong incentive to see *DATATRAK* succeed because they are personally invested in the Company alongside shareholders. The board's interests are highly aligned with all shareholders because our directors have put their 'money where their mouth is' and will share in shareholders' experiences of gains or losses. So far, the results speak for themselves, whether you look to the financial performance of the Company in the quarterly filings, employee morale, client retention and satisfaction or new client inquiries. Our Company is profitable and heading in the right direction under the stewardship of the new board and management team.

STATUS UPDATE ON PREVIOUSLY STATED GOALS FROM THE APRIL 8, 2016 CHAIRMAN'S LETTER

Goal: *Profitability is your board of directors' top priority for the fiscal year 2016. We are pleased to report that we have produced a financial plan and implemented cost cutting measures so that we project a year-end profit.*

Status: ***DATATRAK*** **reported profits for Q1 2016 and increased profits for Q2 2016, ahead of schedule.**

Goal: *The prior board's significant spending left behind a substantial fiscal mess for us to clean up, but your new directors like a good challenge and believe we are capable of the task at hand.*

Status: For the first six months of 2016, we reduced SG&A spending by 44%.

Goal: *Your new board plans to reduce excessive legal spending and employ more wisdom in avoiding legal disputes.*

Status: ***DATATRAK*****'s legal spend has significantly decreased in 2016, compared to 2015. We eliminated the position of VP Legal Affairs and streamlined our legal activities.**

Goal: *We believe that had DATATRAK been appropriately managed by its past stewards, it may have been able to… additionally earn as much as $2,000,000 in profits on $10,000,000 of revenues during 2015.*

Status: For the first six months of 2016, ***DATATRAK*** **has earned $458,000 of profits on $4,799,000 of revenue, representing a 9.5% net income margin. For the three months ended June 30, 2016, the Company earned $323,000 of profit on $2,402,000 of revenue, representing a 13.4% net income margin. It is worth noting that our changes only began to be meaningfully implemented near the end of Q1 2016, so that Q1 2016 contained significant expenses by the old board and management team that diminished Q1 profitability.**

Goal: *For example, the 2015 opening of the oversized Chicago office, in the hometown of the previous Chairman/CEO, was a poor decision that produced massive expenses that will not provide an appropriate return on investment for our Company.*

Status: ***DATATRAK*** **successfully sub-leased its Chicago office for the entire duration of the remaining lease (9 and a half years) to a creditworthy sub-tenant that will realize your Company an 81% recovery, which is above the normal sub-lease recovery rates in the Chicago area. We also achieved this ahead of schedule. The 81% rent recovery will go straight to our bottom line and provide extra resources to be reinvested into future value creation opportunities for the Company. We did have to incur a significant one-time brokerage fee in 2016.**

Goal: *As our Company gets its fiscal house in order, your board will revisit the issue of CEO compensation and also finding a suitable candidate to be a permanent CEO.*

Status: ***DATATRAK*** **made Jim Bob Ward its permanent CEO after he successfully served as Interim CEO during the leadership transition. Jim Bob has generously worked for many months with virtually no salary, and any future base compensation** ***DATATRAK*** **offers him will be significantly less than the prior CEOs, just as was the case with our recently promoted CFO, Julia Henderson. Despite the lower base compensation, your board has structured incentive bonuses for achieving important fiscal milestones that have the potential to reward our executives handsomely, but only if they deliver on creating real value for our Company and in turn our owners, the shareholders.**

Goal: *Golden parachutes… are instruments that self-confident and intellectually honest and competent business leaders shun and do not require to do their jobs.*

Status: Our new CEO and CFO did not seek nor have any form of golden parachutes. In fact, no one at ***DATATRAK*** **has a golden parachute. This speaks volumes about our peoples' self-confidence in their abilities and dedication to** ***DATATRAK.***

Goal: *Regardless, your Board has demonstrated in just a few weeks that it is willing to do what it takes to help the Company and enhance your investment. This will not be done with bankers or consultants that will charge their attendant fees and commissions.*

Status: We terminated all bankers and nearly all of the consultants the previous management and board hired. This included consultants to oversee other consultants as well as "consultants" whose contribution we could never truly understand. Instead, we used our brains to think and formulate pragmatic solutions for the challenges the Company faced. Not surprisingly, we are achieving better outcomes by simply collaborating and doing our jobs.

Goal: *…just imagine what our people will be able to accomplish as we begin to direct adequate resources towards sales and development.*

Status: *DATATRAK*'s largest shareholder, which includes members of the board of directors, stepped up to provide the Company with a letter of credit and financing at the eleventh hour when the Company and its auditors required it. The proceeds of these amounts are being used by *DATATRAK* to hire sales and other personnel, as well as to complete our major product release of CTMS during the fall of 2016.

Goal: *As we started off discussing, achieving profitability this year is priority number one. However, we want to remind our employees that we can both make money and have fun at the same time.*

Status: We are profitable through the first six months of 2016 and our senior management reports to the board that employee morale is high. We also are in the process of growing and are now hiring qualified and motivated employees!

KEY BOARD RESPONSIBILITIES

A corporate board's two main responsibilities are to (i) align, as best as possible, the incentives of management and employees to the goals of the Company and shareholders, and (ii) intelligently allocate resources to the best opportunities reasonably available to the Company, and in turn its owners, the shareholders. If the board sets the right incentives in management's compensation structures, executives have a tendency to follow the incentives and reach the goals set forth by the board.

Setting Management Compensation and Incentives

One of a board's essential functions is to set management compensation and incentives. Doing this must primarily consider the powerful concept of incentive caused bias. Incentive caused bias is the theory that people with a vested interest in something will tend to guide outcomes in the direction of their interest. Simply stated, the theory articulates that incentives influence the way people act. If the theory holds, then incentives can be changed in order to change the actor's behavior, and in turn operating outcomes. For example, if a board desires the business it oversees to become profitable, it could set the incentive for its management that if the company is profitable for the year, the executive will receive a compensation bonus. This would create a personal incentive to the executive receiving the bonus and, therefore, he or she would direct their efforts towards achieving the goal that would result in the receipt of the bonus.

The concept is simple, however, identifying the appropriate incentives can be difficult and requires independent thought and analysis, which is more an art than a science. Also, determining the measurability of the outcomes is an important factor because nebulous incentives that are difficult to measure may not sufficiently encourage the executive or cause confusion. Clearly measurable objectives will increase the odds that the set incentive is clearly understood by the executive and more likely to be in the back of his or her mind while they carry out their duties at the company.

"Simplicity is the ultimate sophistication," said Leonardo Di Vinci, and setting simple metrics is more useful than setting too many metrics to measure performance. Most executives directly influence and control a few critical corporate functions that can be measured with observable metrics. For example, a CFO will have control of key metrics such as expenses, cash flow or profitability. A sales executive may have control of customer retention and new sales. It is important for a board to spend time thinking about each executive's key functions that they exert influence and control over, which are also central to the ongoing success of the business operations. *This board* *function is so critical that outsourcing of it or not thoughtfully performing it is nothing short of a dereliction of duty by the board.*

Internal Capital Allocation Decisions

Another essential function of a board is making capital or resource allocation decisions for the corporation, and in turn on behalf of each and every one of its shareholders. This means that any corporate board is also serving as an investment manager for the company's resources. A board has a solemn duty to make sure that every dollar spent earns more than a dollar in future returns; at a minimum, those returns should increase the purchasing power of the recipient. In other words, investing is forgoing consumption now in order to have the ability to consume more at a later date.

At *DATATRAK*, your board is applying intelligent capital resource allocation by rigorously examining Company expenditures, which we view as investments or forgoing of consumption now in order to have the ability to consume more at a later date. This attitude caused us to slash wasteful expenditures that amounted to about 44% of the prior board's spending. In our assessment, this 44% of spending was not going to yield the Company an adequate return on investment. Most importantly, this significant reduction in spending was done without hurting the underlying business since most of it was frivolous or inured to the personal benefit of certain individuals. Work remains to continue reducing expenses and increase our cash flows and profitability. The Company had to obtain a line of credit to fund working capital needs and growth initiatives, such as hiring sales staff, which had become non-existent. Once we are generating a healthy amount of cash flow, we will be presented with another circumstance that will require the board to be intelligent investors: How will cash flows be used? The options, as discussed in the previous letter, are the following:

1. Reinvest in our operating business;
2. Make acquisitions;
3. Share buy-back;
4. Hoard cash for a rainy day; or
5. Pay a dividend.

This is a critical investment decision a board must make and, therefore, we want to share with you our method of logical analysis to determine the most pragmatic choice for our Company on behalf of our shareholders. Options 1, 2 and 3 are each decisions that should be viewed as investments being made, which must be analyzed comparatively to determine which provides the best return for the capital invested. This can be analyzed various ways, however, any sensible analysis must consider the expected return on required capital, duration, probability of loss, durable competitive advantage, capital intensity, worst case scenarios, and attractiveness of acquisition price compared to its underlying intrinsic value, just to name a few.

With regards to option 3, there are specific requirements for this to be a prudent use of capital and they are as follows:

1) If the business has sufficient cash to handle its operational and liquidity needs; and
2) If the company's stock is selling at a material discount to the company's conservatively calculated intrinsic business value.

It is prudent to refrain from deploying capital if options 1, 2 or 3 are not attractive. In fact, under those circumstances, an intelligent investor would simply hoard their cash and wait for a rainy day and/or opportunities that allow one to make bargain priced acquisitions or share buy-backs. Option 4 is often times the most prudent course of action. Just because one has cash, it does not mean that it must be spent. The most responsible businesspeople keep excess cash available for a rainy day. When tough times or bargain deals come along, cash is king. Cash is a call option on all opportunities.

If a board does not believe that options 1, 2 or 3 provide attractive opportunities for the shareholders' investment and there is simply too much cash on hand that the board does not believe it has any reasonable prospects of being able to utilize it for a rainy day or for bargain price opportunities, then the board may want to consider paying a dividend to shareholders if it believes that the shareholders will be able to find better investment opportunities on their own.

Currently, the board has decided that the best use of *DATATRAK*'s line of credit and future cash flows is option 1, investment in our business. We have invested by hiring a sales force, which our predecessors significantly depleted.

We are excited about rolling out CTMS and having a sales force to promote it. We have developed a three year road map to plan what development we should focus on based on feedback from clients. Your board's analysis concluded that the investment of a dollar today into growing our business will produce significantly more than a dollar of future benefit for our Company in the years to come.

RISK MINIMIZATION, NOT "RISK TAKER" ATTITUDE

We believe that good businesspeople are risk minimizers and, therefore, disagree with the conventional wisdom that says prudent business men and women have a "risk taker" attitude. At *DATATRAK*, your board and executives are constantly searching for areas of our business and our software products to make better, safer and less prone to failures of any sort. This applies to all departments, whether it is our finance department that is constantly stressing reducing any non-essential spending and ensuring we have ample liquidity for our business operations and obligations, to our product quality control team that is always looking for ways to increase the integrity of our products for our clients. *DATATRAK's corporate culture is cautious, conservative and prudent.* We are always proactively searching for opportunities to mitigate and minimize risks to our business, products, and clients. If we keep an eye on the downside and risks, the rewards and benefits will follow. Ultimately, good businesspeople seek to avoid mistakes first, instead of chasing a quick buck.

CONCLUDING REMARKS

At this years' annual meeting, you will be asked to vote for three director candidates to our board. One candidate, Dr. Eric J. Wilhem, is currently a member of our board. Eric's accomplishments and business acumen speak for themselves. If you have not had a chance to read his biography, please see our press release at the following site (http://www.datatrak.com/datatrak-announces-appointment-new-independent-director-2/). Eric immediately made a positive impact on our board with his insights into setting management incentives and making decisions on how to allocate our resources. In addition to Eric, *DATATRAK* has nominated two candidates for election to our board, Dr. Rizvan A. Mirza and Mr. Ben Tabatabai. Both have impressive science backgrounds in radiology and bioscience, respectively, including practicing medicine, biological research as well as involvement in academic settings.

All of us at *DATATRAK* are deeply appreciative of our true owners, the shareholders. *We realize that you work hard to earn your investment dollars and we at DATATRAK will work even harder to protect and grow your valuable investment.* We invite you to attend our 2016 Annual Meeting at our corporate headquarters in Mayfield Heights, Ohio on Thursday, December 1, 2016 at 10:00 a.m. Eastern Standard Time. Thanks to our Cleveland staff, we have arranged for a large conference room at the office park where our corporate headquarters are located. It will be a relaxed and friendly environment for our shareholders and employees to meet and learn more about their Company. Your board will start by making a presentation to provide an update of the year's activities. Afterwards, we will hold an open format Q&A session for shareholders and employees to ask their Chairman and CEO about the business. We hope as many shareholders as possible are able to attend and we look forward to seeing you in Cleveland.

Respectfully Submitted,

Alex Tabatabai

Alex Tabatabai
Chairman of the Board

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	December 31, 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	December 31, 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.

<u>The 2013 Omnibus Plan</u>

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.

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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)

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* 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.