

## **DATATRAK INTERNATIONAL, INC.**

### **AUDIT COMMITTEE CHARTER**

**(As Adopted on April 20, 2004)**

The Board of Directors (the “Board”) of DATATRAK International, Inc. (the “Company”) has constituted and established an Audit Committee (the “Committee”) with authority, responsibility and specific duties as described in this Audit Committee Charter. The Committee’s primary purpose is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

#### **Membership**

The Committee shall consist of three directors who are independent of management and free from any relationship that, in the opinion of the Board, and as evidenced by its appointment of such Committee members, would interfere with the exercise of independent judgment as Committee members. Each Committee member shall meet the definition of “independent” within the meaning of (i) the Nasdaq Stock Market listing standards, (ii) Section 10A(m)(3) of the Securities Exchange Act of 1934 (as amended), and any other applicable laws, rules and regulations, as amended from time to time.

Each Committee member shall be able to read and understand fundamental financial statements. The Committee shall include at least one member that has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the individual’s financial sophistication. Additionally, at least one Committee member, as determined by the Board, must be an “audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”).

The Board shall appoint one member of the Committee to serve as the Chairman of the Committee. The Board may fill vacancies on the Committee from time to time, and the Board may remove a Committee member from membership on the Committee at any time with or without cause.

#### **Principle Functions**

The Committee shall provide assistance to the directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the Company, and the quality and integrity of financial reports of the Company. In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to facilitate corporate accounting and reporting practices of the Company that are in accordance with all applicable requirements and that are of the highest quality. In carrying out its responsibilities, the Committee will:

### *Generally*

- Report regularly to the Board, including on issues related to the quality or integrity of financial statements and related portions of periodic reports filed with the SEC, legal and regulatory compliance and performance, and independence and qualifications of internal and independent auditors.
- Have direct access to, and complete and open communication with, the Company's senior management and internal and independent auditors. Have a clear understanding with the independent auditors that the independent auditors shall report directly to the Committee and be ultimately accountable to the Committee.
- Select, evaluate, and, where appropriate, replace the independent auditor (or to nominate the independent auditor to be proposed for shareholder approval in any proxy statement) and be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters.
- Establish and review clear hiring policies for employees or former employees of its independent auditor, and ensure that neither the Company's chief executive officer, chief financial officer, controller, nor any person serving in an equivalent position with the Company was employed by the independent auditor and participated in any capacity in the audit of the Company during the one year period preceding the date of the initiation of the audit.
- Review, advise and consent to management's appointment, termination, or replacement of the person responsible at the Company for its internal audit functions.
- Retain independent counsel, accountants or other advisors, as it determines necessary and without Board approval, to carry out its duties and conduct or authorize investigations into any matters within the scope of the Committee's responsibilities. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, the compensation of any independent advisors employed by the Committee and the Committee's ordinary administrative expenses that are necessary and appropriate to carry out its duties.

- Review and approve all related-party transactions, as defined in Item 404 of Regulation S-K, for potential conflict of interest situations.
- Annually review and assess the adequacy of this Charter and recommend any appropriate changes to this Charter to the Board. Ensure that the Charter is included as an appendix to the Company’s proxy statement at least once every three years.
- Such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board and/or the Chairman of the Board.

***Oversight of Independent Auditors’ Relationship with the Company***

- Inquire as to the independence of the independent public auditor. As part of this responsibility, the Committee will, on an annual basis, obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*). In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take, or recommend that the Board take, appropriate action to oversee the continuing independence of the auditors.
- In connection with Committee’s evaluation of the auditor’s independence, the Committee is also to review and evaluate the performance of the lead partner of the audit engagement team and to ensure the rotation, if applicable, of the audit partners on the audit engagement team, in accordance with SEC rules or other applicable laws or regulations.
- Review, discuss and document quarterly, or prior to the filing of the document containing the audit opinion, reports from the independent auditor on:
  - (a) All critical accounting policies and practices used;
  - (b) All alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - (c) Other material written communications between the independent auditor and management including, but not limited to, any management letter, or schedule of unadjusted differences; and
  - (d) Any other matters regarding the audit procedures or findings that Generally Accepted Auditing Standards (“GAAS”) or other applicable standards, rules or regulations require the independent auditor to discuss with the Committee.

### ***Financial Reporting Review and Disclosure***

- Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and timely quarterly reviews for the current year and the procedures to be utilized, the adequacy of the independent auditor's compensation, and at the conclusion thereof review such audit or review, including any comments or recommendations of the independent auditors. Specifically, review those matters required to be discussed by Statement on Auditing Standards No. 61 (*Communication with Audit Committees*), as amended, relating to the conduct of the audit, as well as any audit problems or difficulties encountered in the scope of the audit work and management's response, including (a) any restrictions on the scope of activities or access to requested information, and (b) any significant disagreements with management.
- Review with the independent auditors, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- Discuss with management, including its chief legal officer or outside counsel, any reports received from regulators, legal compliance and litigation matters that may have a material effect on the Company's financial statements, accounting policies or related Company compliance policies.
- Inquire of management and the independent auditors about significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
- Review the quarterly financial statements with financial management and the independent auditors prior to the filing of the Form 10-Q (or prior to the press release of results, if possible) to determine that the independent auditors do not take exception to the disclosure and content of the financial statements, and discuss any other matters required to be communicated to the Committee by the auditors.
- Review the financial statements contained in the annual report to shareholders with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders. Review with financial management and the independent auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Committee by the auditors. Also review with financial management and the independent auditors their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements.

This review should also include the effect of new regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.

- Provide sufficient opportunity for the independent auditors to meet with the members of the Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting, and auditing personnel, and any significant findings and recommendations made by the independent auditor together with management's response.
- Review the Committee's report, containing the information required to be stated therein by rules of the SEC, to be set forth in the proxy statement for the Company's annual meeting of shareholders, and review other Company disclosure relating to the Committee required to be set forth in such proxy statements.

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

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

### **Meetings**

The Committee will meet as often as necessary to carry out its responsibilities. Meetings may be called by the Chairman of the Committee and/or management of the Company. All meetings of the Committee shall be held pursuant to the Code of Regulations of the Company with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in the Company's records. The Chairman shall preside at each meeting and, in the absence of the Chairman, one of the other members of the Committee shall be designated as the acting chair of the meeting. A quorum shall consist of a majority of the members of the Committee.