

DATATRAK INTERNATIONAL INC

Form DEF 14A

April 30, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by

Rule 14a-6(e)(2)) Definitive Proxy Statement Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

DATATRAK International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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May 4, 2007

Dear Shareholder:

You are cordially invited to attend the 2007 Annual Meeting of Shareholders of DATATRAK International, Inc., to be held at 9:00 a.m., local time, on Thursday, June 14, 2007 at our offices located at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio.

At this year's Annual Meeting, shareholders will be asked to elect four Directors for a two-year term ending at the Annual Meeting in 2009. Information relating to the election of the four Directors is presented in the accompanying proxy statement, which shareholders are encouraged to read carefully.

Whether or not you plan to attend the Annual Meeting in person, it is important that your shares are represented. Therefore, please complete, sign, date and promptly return the enclosed proxy card in the accompanying envelope. If you do attend the Annual Meeting, you may, of course, withdraw your proxy should you wish to vote in person, even if you have previously returned your proxy card.

On behalf of the Board of Directors and management of DATATRAK International, Inc., we would like to thank you for your continued support and confidence.

Sincerely yours,

Dr. Jeffrey A. Green
President and Chief Executive Officer

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DATATRAK INTERNATIONAL, INC.

*6150 Parkland Boulevard
Mayfield Heights, Ohio 44124*

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD JUNE 14, 2007

The 2007 Annual Meeting of Shareholders of DATATRAK International, Inc., will be held at 9:00 a.m., local time, on Thursday, June 14, 2007 at our offices located at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio, for the following purposes:

1. To nominate and elect four individuals as Directors for a two-year term ending at the Annual Meeting in 2009; and
2. To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

Only shareholders of record at the close of business on April 25, 2007 will be entitled to receive notice of and to vote at the Annual Meeting and any adjournments thereof.

By Order of the Board of Directors,

Thomas F. McKee
Secretary

Mayfield Heights, Ohio
May 4, 2007

YOUR VOTE IS IMPORTANT

WE URGE YOU TO COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE. YOUR PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE TIME IT IS VOTED AT THE 2007 ANNUAL MEETING.

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DATATRAK INTERNATIONAL, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

Mailed on or about May 4, 2007

Why am I receiving these materials?

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of DATATRAK for use at the 2007 Annual Meeting of Shareholders on Thursday, June 14, 2007 at 9:00 a.m., local time, and any adjournments or postponements thereof. The time, place and purposes of the Annual Meeting are stated in the Notice of Annual Meeting of Shareholders accompanying this proxy statement.

Who is paying for this proxy solicitation?

The expense of soliciting proxies, including the cost of preparing, assembling and mailing the notice, proxy statement and proxy, will be borne by us. We may pay persons holding Common Shares for others their expenses for sending proxy materials to their principals. In addition to solicitation of proxies by mail, our Directors, officers and employees, without additional compensation, may solicit proxies by telephone, electronically via e-mail and personal interview. We also may retain a third party to aid in the solicitation of proxies.

What voting rights do I have as a shareholder?

On each matter to be voted on, you have one vote for each outstanding Common Share you own as of April 25, 2007, the record date for the meeting. Only shareholders of record at the close of business on April 25, 2007 are entitled to receive notice of and to vote at the Annual Meeting. On this record date, there were 13,562,437 Common Shares outstanding and entitled to vote. Shareholders do not have the right to vote cumulatively in the election of Directors.

How do I vote?

If you are a shareholder of record, you can vote (i) in person at the Annual Meeting or (ii) by signing and mailing in your proxy card in the enclosed envelope.

If you are a shareholder of record, the proxy holders will vote your Common Shares based on your directions. If you sign and return your proxy card, but do not properly direct how your Common Shares should be voted, the proxy holders will vote **FOR** the election of the four nominees listed in this proxy statement and will use their discretion on any other proposals and other matters that may be brought before the Annual Meeting.

If you hold Common Shares through a broker or nominee, you may vote in person at the Annual Meeting only if you have obtained a signed proxy from your broker or nominee giving you the right to vote your shares. Your broker or nominee may provide separate voting instructions, if any, with the proxy statement. Your broker or nominee may provide proxy submission through the Internet or by telephone.

Can I revoke or change my vote after I submit a proxy?

Yes. You can revoke your proxy or change your vote at any time before the proxy is exercised at the Annual Meeting. This can be done by (i) submitting another properly completed proxy card with a later date; (ii) sending a written notice to our Secretary prior to the commencement of the Annual Meeting; or (iii) attending the Annual Meeting and vote in person. You should be aware that simply attending the Annual Meeting will not automatically

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revoke your previously submitted proxy, rather you must notify a DATATRAK representative at the Annual Meeting of your desire to revoke your proxy and vote in person.

What vote is required to approve the election of the four Directors for a two-year term ending at the Annual Meeting in 2009?

The nominees receiving the greatest number of votes will be elected. A proxy card marked **Withhold Authority** with respect to the election of one or more Directors will not be voted with respect to the Director or Directors indicated. Abstentions and broker non-votes will have no effect on the election of Directors.

What constitutes a quorum?

A quorum of shareholders will be present at the Annual Meeting if at least a majority of the aggregate voting power of Common Shares outstanding on the record date are represented, in person or by proxy, at the Annual Meeting. With 13,562,437 votes outstanding as of the close of business on the record date, shareholders representing at least 6,781,219 votes will be required to establish a quorum. Abstentions and broker non-votes will be counted towards the quorum requirement.

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The following table and accompanying footnotes show information regarding the beneficial ownership of our Common Shares as of April 25, 2007, unless otherwise indicated, with respect to:

each person who is known by us to beneficially own more than 5% of our outstanding Common Shares,

each member of our Board of Directors and each of our Named Executive Officers (as hereinafter defined); and

all Directors and Named Executive Officers as a group.

Name and Address of Beneficial Owner (1)	Common Shares Beneficially Owned (2)	
	Number	Percent
Laurence P. Birch(3)		*
Timothy G. Biro(4)	115,792	*
Terry C. Black	77,209	*
Dr. Jeffrey A. Green(5)	590,985	4.3%
Seth B. Harris(6)	417,819	3.1%
Dr. Jerome H. Kaiser	117,345	*
Dr. Mark J. Ratain	127,794	*
Marc J. Shlaes	90,563	*
Dr. Robert M. Stote	166,441	1.2%
Dr. Wolfgang Summa	9,750	*
Jim Bob Ward	673,908	5.0%
Potomac Capital Management LLC(7) 825 Third Avenue, 33rd Floor New York, New York 10022	1,010,123	7.4%
Diker Management LLC(8) 745 Fifth Avenue, Suite 1409 New York, New York 10151	1,324,835	9.7%
All Directors and executive officers as a group (11 persons)	2,387,606	16.6%

* Less than one percent.

(1) The address of the Directors and executive officers listed above is c/o DATATRAK International, Inc., 6150 Parkland Boulevard, Suite 100, Mayfield Heights, Ohio 44124.

(2) The number of Common Shares deemed beneficially owned is comprised of 13,562,437 Common Shares outstanding as of April 25, 2007 and with respect to each of the following individuals and groups, the following number of Common Shares which may be purchased pursuant to option exercises within 60 days after April 25, 2007: Mr. Biro (103,125 Common Shares); Mr. Black (68,345 Common Shares); Dr. Green (181,750 Common Shares); Mr. Harris (121,875 Common Shares); Dr. Kaiser (100,875 Common Shares); Dr. Ratain (106,375 Common Shares); Mr. Shlaes (90,563 Common Shares); Dr. Stote (43,375 Common Shares); Dr. Summa (9,750 Common Shares); for all Directors and executive officers as a group (826,033 Common

Shares) and with respect to each of the following groups, the following number of Common Shares which may be exercised pursuant to warrant exercises within 60 days after April 25, 2007: Potomac Capital Management LLC (63,750 Common Shares) and Diker Management LLC (67,501 Common Shares).

- (3) Mr. Birch was appointed to our Board of Directors on April 16, 2007 and does not own any of our Common Shares as of April 25, 2007.
- (4) Includes 300 Common Shares held by Mr. Biro's wife. Mr. Biro disclaims beneficial ownership of these 300 Common Shares.

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- (5) Includes 110,953 Common Shares held by Dr. Green's wife, 1,450 Common Shares held by Dr. Green's son, 1,500 Common Shares held by Dr. Green's daughter, and 1,500 Common Shares held by Dr. Green's other daughter. Dr. Green disclaims beneficial ownership of these 115,403 Common Shares.
- (6) Includes 44,634 Common Shares held in trust for Mr. Harris.
- (7) Based solely on information provided pursuant to Schedule 13G filed jointly with the Securities and Exchange Commission on March 20, 2007 by Potomac Capital Management LLC, Potomac Capital Management Inc. and Mr. Paul J. Solit. The aforementioned parties indicated that as of March 19, 2007, Potomac Capital Management LLC, Potomac Capital Management Inc. and Mr. Solit were deemed to beneficially own 1,010,123 Common Shares consisting of 946,373 Common Shares and warrants to purchase 63,750 Common Shares of DATATRAK.
- (8) Based solely on information contained in a Selling Shareholder Questionnaire associated with our March 2007 private placement of DATATRAK's Common Shares jointly provided to the Company by (i) Diker GP, LLC, a Delaware limited liability company ("Diker GP"), as the general partner to the Delaware limited partnership the Diker Value Tech Fund, LP ("VT"), Diker Value Tech QP Fund, LP ("VTQP"), Diker Micro-Value Fund, LP ("MV"), the Diker Micro-Value QP Fund, LP ("MVQP"), Diker Micro & Small Cap Fund LP ("MS") and Diker M&S Cap Master Ltd ("MSCM") with respect to the Common Shares directly owned by VT, VTQP, MV, MVQP, MS and MSCM (collectively, the "Diker Funds"); (ii) Diker Management, LLC, a Delaware limited liability company ("Diker Management"), as the investment manager of the Diker Funds, with respect to the Common Shares held by the Diker Funds; and (iii) Mark N. Diker, a citizen of the United States, and the managing member of each of Diker GP and Diker Management, with respect to the Common Shares subject to the control of Diker GP and Diker Management. As the sole general partner of the Diker Funds, Diker GP, has the power to vote and dispose of the shares of the Common Shares owned by the Diker Funds and, accordingly, may be deemed the beneficial owner of such shares. As of March 19, 2007, the aforementioned parties was deemed to beneficially own 1,324,835 Common Shares consisting of 1,257,334 Common Shares and warrants to purchase 67,501 Common Shares of DATATRAK.

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ELECTION OF DIRECTORS

The authorized number of Directors is presently fixed at seven, with members of the Board of Directors divided into two classes, Class I and Class II, and with the term of office of one class expiring each year. At the Annual Meeting, shareholders will elect four individuals as Directors to serve in Class I until the Annual Meeting to be held in fiscal year 2009 and until the successors of those Directors are duly elected and qualified. At its March 27, 2007 meeting, upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors nominated Mr. Biro, Dr. Kaiser and Dr. Stote to stand for election as Directors at the Annual Meeting. Mr. Biro, Dr. Kaiser and Dr. Stote are presently Directors of our Company. At its April 13, 2007 meeting, upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors increased the size of the Board from six to seven seats, and effective as of the close of business on April 16, 2007, appointed Mr. Laurence P. Birch to fill the vacancy in the Class I Directors created thereby. The Board of Directors also nominated Mr. Birch to stand for election as a Director at the Annual Meeting.

Unless otherwise directed, the persons named in the accompanying proxy will vote for the election of the four nominees shown below as Directors. In the event of the death of or inability to act of any of the nominees, the proxies will be voted for the election of the other persons that the Board of Directors may recommend. The Board of Directors has no reason, however, to anticipate that this will occur. In no event will the accompanying proxy be voted for more than four nominees or for persons other than those persons named below or any substitute nominees for any of them.

Included below is information concerning the nominees for election at the Annual Meeting, as well as those Directors who will continue to serve in office after the Annual Meeting.

Nominees for Election at the 2007 Annual Meeting

Laurence P. Birch, 47, has been a Director since April 16, 2007. Since March 2007, Mr. Birch has been the President and Chief Executive Officer and a director of Neopharm, Inc., a biopharmaceutical company dedicated to the research, development and commercialization of new and innovative cancer drugs for therapeutic applications. From 2006 to March 2007, Mr. Birch served as Chief Financial Officer of Ohio Medical Corporation, a supplier of medical air and pumping systems. Before that, from 2005 to 2006, Mr. Birch served as Chief Financial Officer and Interim Chief Executive Officer of AKSYS, Ltd., a hemodialysis developer and manufacturer. From 2003 to 2005, Mr. Birch served as co-founder and managing director of Stratego Partners, a cost management consulting firm. During 2002 to 2003, he served as Executive Vice President and Chief Financial Officer of Seurat, Inc., a marketing outsourcing and services company. From 2000 to 2002 he served as Sr. Vice President Business Development and Chief Financial Officer of Technology Solutions, Inc., a systems integration and consulting company. Mr. Birch was Chief Financial Officer of Brigade, Inc., an internet support company, from 1999 to 2000. Mr. Birch began his career with Baxter Healthcare, a manufacturer and supplier of pharmaceuticals and medical devices, where over the course of 13 years he held a variety of positions. Mr. Birch holds a Bachelor of Science-Finance from the University of Illinois and a MBA from Northwestern University Kellogg Graduate Business of Management. Mr. Birch is also a Certified Public Accountant.

Timothy G. Biro, MBA, 53, has been a Director since 1992. Mr. Biro has been the Managing Partner of Ohio Innovation Fund I, L.P., a venture capital firm which invests in early-stage business, since 1997. Mr. Biro is also a Partner with Reservoir Venture Partners, an early stage venture capital firm, since 2004. Mr. Biro has been involved in venture capital financing since 1991. Prior to 1991, Mr. Biro was Superintendent of Pharmaceutical Manufacturing at Merck & Co., Inc. Mr. Biro has a B.S. Degree in Microbiology from Pennsylvania State University and in Pharmacy from Temple University and an MBA from The Wharton School of Business at the University of Pennsylvania.

Jerome H. Kaiser, Ph.D., 50, has been a Director since December 1999. Dr. Kaiser has served as Senior Vice President and Chief Information Officer for Tower Group, Inc., an insurance company since 2006. Prior to his appointment to that position, Dr. Kaiser was Director of Systems for Rothschild Inc., a private investment bank from 1999 to 2006. From 1992 to 1999, Dr. Kaiser held various positions within the pharmaceutical industry. During 1998 and 1999, he was the Director of Product Management for Pfizer, Inc. From 1994 to 1998, Dr. Kaiser was employed by Hoffman-LaRoche, Inc., first as Senior Projects Specialist and then as Director of Information

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Management for Global Development. Dr. Kaiser worked in Project Management for Boots Pharmaceuticals from 1992 to 1994. From 1986 to 1992, he served in the positions of Assistant and Associate Professor of Physics at the University of Texas at Arlington. Dr. Kaiser earned a Bachelor of Sciences and a Ph.D. in Physics from the University of East Anglia, Norwich, England.

Robert M. Stote, M.D., 67, has been a Director since 1993. Dr. Stote has served as a Senior Vice President and Chief Medical Officer at Bentley Pharmaceuticals, Inc., a pharmaceutical company, since 1992. Dr. Stote also served as a director of Bentley Pharmaceuticals, Inc. from 1992 until 2004. He also serves on the Scientific Advisory Board of NuPathe, Inc. Prior to 1992, Dr. Stote was employed for 20 years by SmithKline Beecham Corporation, serving as Senior Vice President and Medical Director, Worldwide Medical Affairs, from 1989 to 1992 and Vice President Clinical Pharmacology Worldwide from 1987 to 1989.

The Board of Directors unanimously recommends that the shareholders vote FOR the four nominees whose two-year term will expire in 2009.

Directors Continuing in Office

Jeffrey A. Green, Pharm.D., FCP., 51, is the founder of DATATRAK and has served as our President, Chief Executive Officer and a Director since March 1992. From 1984 to 1992, Dr. Green served as an Assistant Professor of Medicine and Radiology at Case Western Reserve University, Cleveland, Ohio. During his tenure at Case Western Reserve University, Dr. Green established and directed the Cardiovascular Clinical Pharmacology Research Program at University Hospitals of Cleveland. In addition, Dr. Green was an established investigator in clinical cardiology and PET scanning, and was responsible for directing over 90 individual investigations during his tenure. Dr. Green has authored over 90 publications and has been an invited speaker at more than 170 national meetings. He was the recipient of the McKeen Cattell Distinguished Achievement Award from the American College of Clinical Pharmacology in 1988. Dr. Green is a graduate of Purdue University (B.S.) and the University of Texas (Pharm.D.).

Seth B. Harris, 67, has been a Director since 1992 and has been designated as our Lead Independent Director. Mr. Harris is the Chairman of Brand Development Ventures Inc., a consulting company that offers a wide range of services in new product development and marketing, since 2002. During 2000 and 2001, Mr. Harris was the Chairman of Toy Craze, Inc., a Cleveland-based toy company. Mr. Harris was the Chairman of Frieder Inc., a distributor of consumer products, from 1993 to 2000. Mr. Harris has been an active business consultant since his retirement as Chairman of the Board and President of Harris Wholesale, Inc., a wholesale pharmaceutical distribution company.

Mark J. Ratain, M.D., 52, has been a Director since April 1998. Dr. Ratain is a hematologist/oncologist and a clinical pharmacologist. He is the Leon O. Jacobson Professor of Medicine and Chairman of the Committee on Clinical Pharmacology and Pharmacogenomics and Associate Director for Clinical Science for the Cancer Research Center at the University of Chicago. Dr. Ratain has been associated with the Department of Medicine at the University of Chicago since 1983. He has authored and co-authored more than 300 articles and book chapters principally relating to the treatment of cancer. Prior to becoming a Director, Dr. Ratain served as Chairman of our Scientific Advisory Board for four years. He received his A.B. Degree in Biochemical Sciences from Harvard University and his M.D. from the Yale University School of Medicine.

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The Board of Directors has determined that all Directors except Dr. Green, our President and Chief Executive Officer, are independent under the listing standards of the Nasdaq Stock Market. The independent Directors meet at least twice a year in executive sessions. The sessions of independent Directors are presided over by the Lead Independent Director who is identified in the table below. Any independent Director can request that an additional session be scheduled.

Board of Directors and Committees

During the last fiscal year, the Board of Directors held four regular meetings and five special meetings. Each Director attended at least 75% of the aggregate of (1) the total number of meetings of the Board of Directors held during the period he served as a Director and (2) the total number of meetings held by committees of the Board on which he served. Our policy is that each member of the Board of Directors is expected to attend the Annual Meeting of Shareholders.

The Board of Directors has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Executive Committee. Set forth below is the current membership of each Board committee:

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Mr. Biro (Chairman)	Mr. Harris** (Chairman)	Dr. Kaiser (Chairman)	Dr. Green* (Chairman)
Dr. Kaiser	Mr. Biro	Dr. Ratain	Mr. Biro
Dr. Ratain	Dr. Stote	Dr. Stote	Dr. Kaiser

* Not independent under the listing standards of the Nasdaq Stock Market.

** Lead Independent Director.

Audit Committee. Our Audit Committee met six times during the last fiscal year. The Audit Committee is governed by the Audit Committee Charter adopted by the Board of Directors. A copy of the Audit Committee Charter is available on DATATRAK's website. You can also obtain a printed copy of this document, free of charge, by writing to Investor Relations, c/o DATATRAK International, Inc., 6150 Parkland Blvd., Mayfield Heights, Ohio 44124.

The Audit Committee is responsible for the annual appointment of our auditors, with whom the Audit Committee reviews the scope of audit and non-audit assignments and related fees, the accounting principles we use in financial reporting, internal financial auditing procedures and the adequacy of internal control procedures. Specific functions and responsibilities of the Audit Committee are set forth in the Audit Committee Charter.

Our Board has determined that each of the members of the Audit Committee satisfies the current independence standards of the Nasdaq Stock Market listing standards and Section 10A(m)(3) of the Securities Exchange Act of

1934, as amended. The Board also has determined that the Audit Committee Chairman Mr. Biro is an audit committee financial expert as that term is defined in Item 407(d)(5)(ii) of Regulation S-K. As an audit committee financial expert, Mr. Biro satisfies the Nasdaq financial literacy and sophistication requirements.

Compensation Committee. Our Compensation Committee met three times during the last fiscal year. The Compensation Committee is governed by the Compensation Committee Charter adopted by the Board of Directors. A copy of the Compensation Committee Charter is available on DATATRAK's website. You can also obtain a printed copy of this document, free of charge, by writing to Investor Relations, c/o DATATRAK International, Inc., 6150 Parkland Blvd., Mayfield Heights, Ohio 44124.

The Compensation Committee has the authority to administer our stock option plans and 2005 Omnibus Equity Plan, including the selection of grantees and the timing of grants, to review and monitor key employee compensation and benefits policies and to review and make recommendations to the Board regarding our senior

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management yearly compensation levels. Specific functions and responsibilities of the Compensation Committee are set forth in the Compensation Committee Charter.

Our Board has determined that each of the members of the Compensation Committee satisfies the current independence standards of the Nasdaq Stock Market listing standards.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee met four times during the last fiscal year. The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee Charter adopted by the Board of Directors. A copy of the Nominating and Corporate Governance Committee Charter is available on DATATRAK's website. You can also obtain a printed copy of this document, free of charge, by writing to Investor Relations, c/o DATATRAK International, Inc., 6150 Parkland Blvd., Mayfield Heights, Ohio 44124.

The Nominating and Corporate Governance Committee is responsible for (1) identifying, selecting and recommending qualified individuals as nominees for the Board of Directors at each Annual Meeting or when otherwise required to fill a vacancy or increase the size of the Board of Directors and (2) assisting the Board of Directors in developing and implementing the Company's corporate governance policies and guidelines.

The Nominating and Corporate Governance Committee will seek prospective Director nominees for an open Director position by soliciting suggestions from Committee members, other Board members, senior management or others. The Committee also may retain a third-party executive search firm to identify prospective Director nominees from time to time. Additionally, as discussed below, the Committee will accept shareholder recommendations regarding potential candidates for the Board.

The Nominating and Corporate Governance Committee will evaluate Director nominees, including nominees that are submitted to the Company by a shareholder. In selecting new Directors of the Company, consideration is given to each individual Director's personal qualities and abilities, the collective Board members' skills and aptitudes for conducting oversight of the Company and its management, and duties imposed by law, regulation and the Company's contractual obligations. Important factors include the following minimum qualifications:

A desire to represent the best interests of the shareholders;

An express commitment to the mission and success of the Company as well as an ability to work compatibly with the Board and senior management;

A history of outstanding achievements and the highest ethical standards, values and integrity;

Experience and knowledge that is relevant to the Company and which has been obtained as a director or in a senior executive position or in an academic, scientific or government position;

The ability and willingness to commit and devote the necessary time and energy to the diligent performance of his or her duties, including preparing for, attending and participating in Board meetings and one or more standing committees of the Board; and

Basic knowledge of corporate governance matters and the role of boards of public companies.

In addition, Directors must have the ability and willingness to commit and devote the necessary time and energy to the diligent performance of his or her duties, including preparing for, attending and participating in Board meetings and one or more standing committees of the Board. In determining whether to recommend a Director for re-election, the

Nominating and Corporate Governance Committee also considers the Director's past attendance at meetings, past performance and contribution to the activities of the Board of Directors.

The Nominating and Corporate Governance Committee will use the above enumerated factors to consider potential candidates regardless of the source of the recommendation. Shareholder recommendations for Director nominations may be submitted to the Company at the address specified under the caption "Shareholder Communication with the Board" below. Shareholder recommendations for Director nominations will be forwarded to the Nominating and Corporate Governance Committee for consideration, provided that such recommendations are accompanied by sufficient information to permit the Nominating and Corporate

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Governance Committee to evaluate the qualifications and experience of the nominees. Recommendations should include, at a minimum, the following:

The name and contact information for the candidate;

A brief biographical description of the candidate, including his or her employment for at least the last five years, educational history, and a statement that describes the candidate's qualifications to serve as a Director;

A statement describing any relationship between the candidate and the nominating shareholder, and between the candidate and any employee, Director, customer, supplier, vendor or competitor of DATATRAK; and

The candidate's signed consent to be a candidate and to serve as a Director if nominated and elected, including being named in our proxy statement.

Once the Nominating and Corporate Governance Committee has identified a prospective candidate, the Committee makes a determination whether to conduct a full evaluation of the candidate. This initial determination is based primarily on the Board's need to fill a vacancy or desire to expand the size of the Board as well as the likelihood that the candidate can meet the Committee's evaluation criteria set out in the Committee's charter as well as compliance with all other legal and regulatory requirements. The Nominating and Corporate Governance Committee will rely on public information about a candidate, personal knowledge of any Committee or Board member or member of management regarding the candidate, as well as any information submitted to the Committee by the person recommending a candidate for consideration. The Nominating and Corporate Governance Committee, after consultation with other Board members, will decide whether additional consideration of the candidate is warranted.

If additional consideration is warranted, the Nominating and Corporate Governance Committee may request the candidate to complete a questionnaire that seeks additional information about the candidate's independence, qualifications, experience and other information that may assist the Committee in evaluating the candidate. The Committee may interview the candidate in person or by telephone and also may ask the candidate to meet with senior management. The Committee then evaluates the candidate against the standards and qualifications set out in the Committee's charter. Additionally, the Committee shall consider other relevant factors as it deems appropriate (including independence issues and family or related party relationships).

Before nominating an existing Director for re-election at an Annual Meeting, the Nominating and Corporate Governance Committee will consider the Director's past performance and contribution to the Board and its committees. After completing the evaluation of new candidates or existing Directors whose term is expiring, if the Committee believes the candidate would be a valuable addition to the Board or the existing Director is a valued member of the Board, then the Committee will make a recommendation to the full Board that such candidate or existing Director should be nominated by the Board. The Board will be responsible for making the final determination regarding prospective nominees after considering the recommendation of the Committee.

Executive Committee. The Executive Committee has the authority to exercise all powers of the Board of Directors in the management of our business and affairs of at any time when the entire Board of Directors cannot meet. The Executive Committee met four times during our 2006 fiscal year.

Code of Business Conduct and Ethics and Financial Code of Ethics

The Board of Directors has adopted both our Code of Business Conduct and Ethics and our Financial Code of Ethics, copies of which are available on DATATRAK's website. You can also obtain a printed copies of these document, free of charge, by writing to Investor Relations, c/o DATATRAK International, Inc., 6150 Parkland Blvd., Mayfield

Heights, Ohio 44124.

Shareholder Communication with the Board

Shareholders may communicate their concerns directly to the entire Board or specifically to non-management Directors of the Board by submitting in writing to us at the following address: Investor Relations, DATATRAK International, Inc., 6150 Parkland Boulevard, Suite 100, Mayfield Heights, Ohio 44124. The status of all outstanding concerns addressed to the entire Board or only non-management Directors will be reported to the Lead Independent Director, on a quarterly basis. Mr. Harris has been designated as the Lead Independent Director.

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COMPENSATION COMMITTEE REPORT

Report of the Compensation Committee on Executive Compensation

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Company's management. Based on that review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and in the Company's definitive proxy statement prepared in connection with its 2007 Annual Meeting of Shareholders.

THE COMPENSATION COMMITTEE

Seth B. Harris (Chairman)
Timothy G. Biro
Dr. Robert M. Stote

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COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of our Named Executive Officers should be read together with the compensation tables and related disclosures set forth elsewhere in this proxy statement. This discussion contains forward looking statements that are based on our current plans and expectations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

Overview

Our overall compensation philosophy is to provide executive compensation packages that enable us to attract, retain and fairly reward our executive officers and align the long-term interests of our executive officers with our shareholders' interests. This program includes a competitive salary, an opportunity for a performance bonus as well as the opportunity to become an owner of our Common Shares through equity compensation awards.

Role of Compensation Committee

The members of our Compensation Committee during our 2006 fiscal year were Messrs. Harris and Biro and Dr. Stote, all of whom meet the definitions of (i) independent within the meaning of the Nasdaq Stock Market listing standards; (ii) a non-employee director within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (as amended); and (iii) an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (as amended).

Our executive compensation programs are approved and monitored by the Compensation Committee of our Board of Directors. The Compensation Committee has the role of determining the Company's compensation philosophy and determining compensation for the Company's executive officers. The Compensation Committee also administers the Company's equity-based compensation plans, including the selection of grantees and the timing of equity awards, reviews and monitors key employee compensation and benefits policies, programs and plans. For more information regarding the functions of our Compensation Committee, please refer to Corporate Governance Matters Board of Directors and Committees Compensation Committee.

The Compensation Committee evaluates, with the input of the Chief Executive Officer, each executive officer annually based on the achievement of both Company goals and individual performance objectives. In addition to performance-related factors, the Compensation Committee consults with various published independent compensation surveys of similarly situated companies, taking into account compensation information from our geographical locations to determine market pay practices to compensate its executive officers accordingly.

Executive Compensation Program

Consistent with our overall compensation philosophy, our executive compensation program consists of the following elements: annual base salary; annual incentive bonus; long-term equity-based incentive awards; and employee benefits. We believe that appropriately balancing the total compensation package and ensuring the viability of each component of the package is necessary in order to provide market-competitive compensation and to attract and retain talent. In deciding on the type and amount of compensation, we focus on both current pay and the opportunity for future compensation. Total compensation for our executive officers may vary significantly from year-to-year based on Company and individual performance.

The following is a more detailed explanation of the primary components of our executive compensation program.

Base Salary

Salaries of our Named Executive Officers, including our Chief Executive Officer, are subject to minimum levels set by the terms of each Named Executive Officer's employment arrangement. The primary factor in setting salary levels pursuant to these arrangements was the desire to provide compensation in amounts sufficient to induce these individuals to either join or continue to work with our Company. These minimum salary levels for executive officers reflected the Compensation Committee's judgments on appropriate salaries in light of the duties and

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responsibilities inherent in such executive positions. The particular qualifications of an individual holding the position and his level of experience, as well as information concerning compensation paid by other companies of a similar size in a similar industry in similar geographic markets, and the rate of inflation were considered in determining these initial salary levels.

Base salaries for our Named Executive Officers are reviewed at least annually. The Compensation Committee's assessment of the individual's performance and contribution to our Company's performance are the primary criteria influencing decisions regarding salary adjustments. Salary decisions are first determined by the Compensation Committee presenting a weighted average of salary percentage increases for the coming year. Information is obtained from national as well as local indices and is presented to senior management. In addition to market data, the Compensation Committee reviews the achievement of Company goals in determining the overall percentage increase in compensation for the Named Executive Officers. Once an overall percentage salary increase has been determined, a pool of the total amount to be awarded to the Named Executive Officers is determined. The Compensation Committee is responsible for setting the base salary of the Chief Executive Officer and President. The current base salary for the Chief Executive Officer and President is \$220,000 for 2007 which remains unchanged from 2006. Evaluation of the Chief Executive Officer's salary is based upon a comparison of similar positions at certain similarly situated companies in similar geographic markets, the rate of inflation and based on the experience of the members of the Compensation Committee, taking into account his individual responsibilities, performance and experience relative to those of chief executive officers at companies similarly situated to the Company.

Increases in base salary with respect to the executive officers, other than our Chief Executive Officer and President, are recommended to the Compensation Committee by the Chief Executive Officer who may allocate the remaining pool available for salary increases in his discretion. In making this recommendation, the Chief Executive Officer and President considers each executive officer's individual responsibilities, performance and experience, and competitive market compensation paid by similarly situated companies in similar geographic markets, and the rate of inflation. Although the Compensation Committee permits the Chief Executive Officer to allocate salary increases, any increase in base salary is ultimately approved and in the discretion of the Compensation Committee. Furthermore, prior to finalizing any such salary adjustments, the Compensation Committee reviews with the Chief Executive Officer and President the criteria of measurements and achievement of individual goals of the executive officers based upon their respective functions. The current base salaries for the executive officers other than the Chief Executive Officer and President are \$180,000 for the Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, \$160,000 for the Vice President Product Strategy, 169,032 Euro for the Vice President of Strategic Business Relationships, and \$140,000 for the Vice President of Research and Development. Mr. Black's salary of \$180,000 for 2007 represents a \$24,000 increase from 2006 due to an increase in his responsibilities. No other pay increases have been made for 2007 compared to 2006.

Performance Bonuses

The Company may pay additional compensation in the form of discretionary performance bonuses to executive officers. Our Named Executive Officers are also eligible for a performance bonus that is measured against certain qualitative and quantitative components. In general, the Named Executive Officers can earn up to 50% of their base salary upon the attainment of success in specific corporate and individual goals which include sales, expense control and shareholder equity.

The Compensation Committee previously allowed bonuses to be provided either in the form of cash, Common Shares or a combination of the two. In May of 2006, the Compensation Committee approved a one time special bonus paid to Mr. Black for his efforts associated with the acquisition of ClickFind, Inc. where \$5,000 of the bonus was paid in cash and Mr. Black elected to receive restricted shares with a value equal to \$10,000 in lieu of the remainder of the cash bonus award. It is the current intention of the Compensation Committee to pay future performance bonuses only in

cash. With the exception of Mr. Black's bonus, no bonuses were paid to the Named Executive Officers in 2006.

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Long Term Equity-Based Incentive Awards Options

A substantial portion of our compensation program is based on long-term performance of our Company and the price of our Common Shares. Historically, the Company has used stock options as the long-term incentive equity component of our compensation program for our executive officers. Stock options have been used because they directly relate the amounts earned by the executive officers to the amount of appreciation realized by the Company's shareholders over comparable periods. Stock options have also provided executive officers with the opportunity to acquire and build a meaningful ownership interest in our Company. Our Omnibus Plan is intended to be the primary share-based award program for covered employees and Directors as such plan provides us with significant flexibility to grant a variety of equity incentive awards, including restricted stock, stock options and stock appreciation rights. The Compensation Committee currently intends to use restricted stock grants, rather than stock options, for future equity awards.

Similar to base salary increases, the Named Executive Officers of the Company will be granted restricted equity awards based on their level of responsibility, and meeting Company as well as individual performance goals. With the exception of the award to Mr. Black related to his special bonus described above, no long-term equity incentives were awarded to the Named Executive Officers in 2006.

We believe that long-term equity-based compensation is a critical element of our overall compensation program because it helps focus our executives on our long-term financial and operational performance, creates an incentive for growth and aligns the interests of our executives with those of our shareholders. The potential financial value offered through such equity awards is also an important retention tool for our Company.

In determining the size of a grant awarded to an individual executive officer, the Compensation Committee generally establishes a level of award based upon the position of the individual and his level of responsibility, and upon recommendations made by the Chief Executive Officer and President. The Committee's decisions concerning equity incentive awards are based on its judgment concerning the appropriate amount of long-term compensation that should be paid to the executive in question. All equity-based awards are thoroughly discussed by the Compensation Committee. It is the current intention of the Compensation Committee to award equity grants to coincide with our Annual Shareholder meeting. Such equity grants will be priced at the close of business on the day of the Annual Meetings. Both the Named Executive Officers and any grants to other employees are paid at the same time. We believe that our procedure for the timing of the granting of equity awards provides the assurance that grant timing is not being manipulated to result in a price that is favorable to our employees as we have always granted equity awards in connection with previously scheduled Board or Compensation Committee meetings.

Benefits

In general, our practice is to provide commensurate benefits to employees at all levels of our organization. Consistent with this practice, the following are the primary benefits provided to our employees including our Named Executive Officers:

health and dental plan;

accidental death insurance;

401(k) Retirement Plan, provided, however, that the Company is not obligated to match employee contributions and the employee's participation in the 401(k) Retirement Plan is on a discretionary basis;

paid time off and holidays;

continuing education programs to assist employees requiring education to maintain their professional licenses or to obtain a competency in a required Company work skill.

We believe that these benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

We have chosen the above primary components of our executive compensation program as the elements that will attract, motivate and retain individuals of superior ability and managerial talent and align the long-term interests of our executive officers with our shareholders' interests.

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Each Named Executive Officer also has entered into an employment agreement with the Company that provides for certain benefits upon (i) certain types of termination of the Named Executive Officer's termination from our Company and (ii) a change of control of our Company. The Compensation Committee believes these agreements help retain executives and provide for management continuity in the event of an actual or threatened Change of Control, as such term is defined in the employment agreements. They also help ensure executive's interests remain aligned with shareholders' interests during a time when their continued employment may be in jeopardy. Finally, they provide some level of income continuity should an executive's employment be terminated (a) by us other than for Cause, Death, Disability or Sufficient Reason, as such terms are defined in the employment agreements, or (b) by the executive for Good Reason, as such term is defined in the employment agreements. In the event the Company chooses to terminate a Named Executive Officer without Cause, Death, Disability or Sufficient Reason, we are required to pay the executive the amounts described in the table below:

Executive	Amount Executive is Entitled to Upon a Termination of Employment by (1) Us Other Than for Cause, Death, Disability or Sufficient Reason, as Applicable, or (2) Executive for Good Reason
Dr. Green	Base Salary through the date of such termination and for a period of two years after such termination.
Mr. Black and Dr. Summa	Salary through the date of such termination and for a period of one year after such termination plus up to \$10,000 in outplacement services from an agent to be selected by us.
Mr. Shlaes	Base Salary through the date of such termination and for a period of one year after such termination.