

DATATRAK INTERNATIONAL INC

Form DEF 14A

April 29, 2008

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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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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 8, 2008

Dear Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of DATATRAK International, Inc., to be held at 9:00 a.m., local time, on Thursday, June 12, 2008 at our offices located at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio.

At this year's Annual Meeting, in addition to electing three Directors, shareholders will be asked to approve and adopt an amendment to the Company's 2005 Omnibus Equity Plan and approve and adopt an amendment to the Company's Third Amended and Restated Code of Regulations. Information relating to these proposals is presented in the accompanying Proxy Statement, which shareholders are encouraged to read carefully. Your Board of Directors has unanimously approved each of these proposals, and urges you to vote in favor of these proposals.

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 12, 2008**

The 2008 Annual Meeting of Shareholders of DATATRAK International, Inc., will be held at 9:00 a.m., local time, on Thursday, June 12, 2008 at our offices located at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio, for the following purposes:

1. To nominate and elect three individuals as Directors for a two-year term ending at the Annual Meeting in 2010;
2. To consider and act upon a proposal to authorize, approve and adopt an amendment to the Company's 2005 Omnibus Equity Plan to increase the number of common shares available for award under the plan;
3. To approve an amendment to the Company's Third Amended and Restated Code of Regulations to (i) specify that the Company may issue non-certificated shares, (ii) empower the Board of Directors to make certain procedural and ministerial amendments to the Code of Regulations and (iii) eliminate Article XIII of the Code of Regulations; and
4. 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 21, 2008 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 8, 2008

**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 ANNUAL MEETING.**

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**DATATRAK INTERNATIONAL, INC.**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

Mailed on or about May 8, 2008

**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 2008 Annual Meeting of Shareholders ( Annual Meeting ) on Thursday, June 12, 2008 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 the Company's 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 anticipate retaining a third party to aid in the solicitation of proxies, and we expect the fee for such proxy solicitor will not exceed \$10,000, plus reimbursement of certain disbursements and expenses.

**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 of the Company ( Common Shares ) you own as of April 21, 2008, the record date for the Annual Meeting. Only shareholders of record at the close of business on April 21, 2008 are entitled to receive notice of and to vote at the Annual Meeting. On this record date, there were 13,716,901 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** each of the three proposals 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 voting 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 three Directors for a two-year term ending at the Annual Meeting in 2010?**

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 vote is required to approve the proposed amendment to the Company's 2005 Omnibus Equity Plan?**

The affirmative vote of a majority of shareholders present in person or by proxy is required to approve the amendment. Thus, shareholders who vote to abstain will in effect be voting against the proposal. Broker non-votes, if any, while counted for general quorum purposes, are not deemed to be *present* and thus have no effect on the outcome.

**What vote is required to approve the proposed amendment to the Third Amended and Restated Code of Regulations?**

The affirmative vote of the shareholders having a majority of the voting power of all outstanding Common Shares is required to approve the amendment. Abstentions and broker non-votes will have the same effect as a vote against the amendment.

**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 13,716,901 votes outstanding as of the close of business on the record date, shareholders representing at least 6,858,451 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 21, 2008, 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 executive officers as a group.

Name and Address of Beneficial Owner (1)	Common Shares Beneficially Owned (2)	
	Number	Percent
Laurence P. Birch	21,165	*
Timothy G. Biro(3)	136,236	1.0%
Terry C. Black	81,119	*
Dr. Jeffrey A. Green(4)	560,985	4.3%
Seth B. Harris(5)	435,716	3.1%
Dr. Jerome H. Kaiser	134,185	1.0%
Raymond J. Merk	4,639	*
Dr. Mark J. Ratain	145,792	1.1%
Marc J. Shlaes(6)		
Dr. Robert M. Stote	183,325	1.3%
Dr. Wolfgang Summa(7)		
Jim Bob Ward	673,908	4.9%
Bodri Capital Management, LLC(8) 4 Embarcadero Center, Suite 2500 San Francisco, California 94111	844,808	6.1%
Lucrum Capital LLC(9) One Sansome Street, Suite 3908 San Francisco, California 94104	940,550	6.8%
Potomac Capital Management LLC(10) 825 Third Avenue, 33rd Floor New York, New York 10022	1,010,123	7.3%
Diker Management LLC(11) 745 Fifth Avenue, Suite 1409 New York, New York 10151	1,324,835	9.5%
All Directors and executive officers as a group (10 persons)	2,377,070	16.3%

\* 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 (i) 13,716,901 Common Shares outstanding as of April 21, 2008 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 21, 2008: Mr. Birch (16,529 Common Shares); Mr. Biro (118,466 Common Shares); Mr. Black (72,845 Common Shares); Dr. Green (189,250 Common Shares); Mr. Harris (135,757 Common Shares); Dr. Kaiser (112,870 Common Shares); Dr. Ratain (119,663 Common Shares); Dr. Stote (58,339 Common Shares); for all Directors and executive officers as a group (823,719 Common Shares); and with respect to each of the following groups, the following number of Common Shares, which may be exercised pursuant to

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warrant exercises within 60 days after April 21, 2008: Potomac Capital Management LLC (63,750 Common Shares); Bodri Capital Management, LLC (30,000); and Diker Management LLC (67,501 Common Shares).

- (3) Includes 300 Common Shares held by Mr. Biro's wife. Mr. Biro disclaims beneficial ownership of these 300 Common Shares.
- (4) Includes 110,953 Common Shares held by Dr. Green's wife and 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.
- (5) Includes 44,634 Common Shares held in trust for Mr. Harris.
- (6) All of Mr. Shlaes' options were forfeited as a result of the termination of his employment on June 1, 2007. The information provided in the table above is based on the most recent information available following Mr. Shlaes' separation from the Company.
- (7) All of Dr. Summa's options were forfeited as a result of resignation on September 1, 2007. The information provided in the table above is based on the most recent information available following Dr. Summa's separation from the Company.
- (8) Based solely on information provided pursuant to Schedule 13G filed jointly with the Securities and Exchange Commission (the "SEC") on February 13, 2008 by Bodri Capital Management, LLC, Jerome H. Debs, II and Neal S. Jacobs. The aforementioned parties indicated that as of February 12, 2008, Bodri Capital Management, LLC and Neal S. Jacobs were deemed to beneficially own 806,700 Common Shares, and Jerome H. Debs, II was deemed to beneficially own 844,808 Common Shares.
- (9) Based solely on information provided pursuant to Schedule 13G filed with the SEC on February 14, 2008 by Lucrum Capital LLC. The aforementioned party indicated that as of February 13, 2008, Lucrum Capital LLC was deemed to beneficially own 940,550 Common Shares.
- (10) Based solely on information provided pursuant to Schedule 13G filed jointly with the SEC 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.
- (11) Based solely on information provided pursuant to Schedule 13G filed jointly with the SEC on February 12, 2008 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 February 11, 2008, the aforementioned parties were deemed to beneficially own 1,324,835 Common Shares.



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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 three individuals as Directors to serve in Class II until the Annual Meeting to be held in fiscal year 2010 and until the successors of those Directors are duly elected and qualified. On March 20, 2008, Dr. Mark J. Ratain informed the Company's Board of Directors of his intention not to stand for re-election as a Director at the Annual Meeting. Accordingly, at its April 14, 2008 meeting and effective as of the Annual Meeting, the Board of Directors reduced the authorized number of Directors from seven to six and reassigned Dr. Jerome H. Kaiser from Class I to Class II of the Board of Directors in order to divide the members of the Board of Directors as equally as possible into two classes pursuant to our Articles of Incorporation. Furthermore, upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors nominated Dr. Green, Mr. Harris and Dr. Kaiser to stand for election as Directors at the Annual Meeting. Dr. Green, Mr. Harris and Dr. Kaiser are presently Directors of our Company.

Unless otherwise directed, the persons named in the accompanying proxy will vote for the election of the three nominees shown below as Directors. Each of the nominees has indicated his willingness to serve, if elected, but if any of the nominees should be unable or unwilling to serve, the Board may designate a substitute nominee. If the Board designates a substitute nominee, proxies that would have been cast for the original nominee will be cast for the substitute nominee unless instructions are given to the contrary. 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 three 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 2008 Annual Meeting**

*Jeffrey A. Green, Pharm.D., FCP.*, 52, 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 McKean 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*, 68, 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.

*Jerome H. Kaiser, Ph.D.*, 51, 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 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

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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.

**The Board of Directors unanimously recommends that the shareholders vote FOR the three nominees whose two-year term will expire in 2010.**

**Directors Continuing in Office**

*Laurence P. Birch*, 48, has been a Director since April 16, 2007. Mr. Birch joined NeoPharm, Inc., a biopharmaceutical company dedicated to the research, development and commercialization of new and innovative cancer drugs for therapeutic applications in March 2007 as President, Chief Executive Officer and as a director and was appointed Acting Chief Financial Officer in April 2007. Prior to joining NeoPharm, Mr. Birch served as Sr. Vice President and CFO, and Interim President and CEO, of AKSYS, Ltd., a hemodialysis developer and manufacturer from 2005 to 2006. Prior to that, Mr. Birch served as co-founder and managing director of Stratego Partners, a cost management consulting firm, from 2003 to 2005, Sr. Vice President Business Development and CFO of Technology Solutions, Inc., a systems integration and consulting company, from 2000 to 2002, CFO of Brigade, Inc., an internet support company, from 1999 to 2000, and five years with MCI Systemhouse where he held a variety of senior finance and general management positions. 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*, 54, 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.

*Robert M. Stote, M.D.*, 68, 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.



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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 eight 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. Board members are expected to attend DATATRAK's Annual Meeting of Shareholders and all attended our 2007 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:

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

\* Not independent under the listing standards of the NASDAQ Stock Market.

\*\* Lead Independent Director.

\*\*\* Dr. Ratain will no longer be a member of the Board of Directors or its committees effective as of the date of the Annual Meeting.

***Audit Committee***

Our Audit Committee met five 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, as well as Mr. Birch, are audit committee financial experts as that term is defined in Item 407(d)(5)(ii) of Regulation S-K. As an audit committee financial expert, each of Messrs. Biro and Birch 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

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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 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 six 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.

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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 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 one

time during our 2007 fiscal year.

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**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 printed copies of these documents, 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 2008 Annual Meeting of Shareholders.

**THE COMPENSATION COMMITTEE**

Seth B. Harris (Chairman)  
Dr. Mark J. Ratain  
Dr. Robert M. Stote

*The above Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed with the Commission or subject to Regulation 14A or 14C (other than as provided in Item 407 of Regulation S-K) or to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically requests that the information in this Report be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act. If this Report is incorporated by reference into the Company's Annual Report on Form 10-K, such disclosure will be furnished in such Annual Report on Form 10-K and will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of furnishing the disclosure in this manner.*



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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**

Messrs. Harris and Biro and Drs. Ratain and Stote, all of whom were members of the Compensation Committee for part or all of fiscal year 2007, 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 reviews national and local indices published by independent compensation firms, taking into account compensation information from our geographical locations to determine general market pay practices and trends in order 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

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officers reflected the Compensation Committee's judgments on appropriate salaries in light of the duties and responsibilities inherent in such executives' 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. 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. Effective August 10, 2007, the Company appointed Mr. Black, the Company's former Vice President of Finance, Chief Financial Officer, Treasurer and Assistant Secretary, as the Company's Chief Operating Officer and Assistant Secretary. On the same date, the Company appointed Raymond J. Merk, the Company's former Vice President and Controller, as the Company's Vice President of Finance, Chief Financial Officer and Treasurer. Given the performance of the Company as related to sales achievement, return on investment and stock price during fiscal year 2007, the Compensation Committee recommended to the Board of Directors that, with the exception of Mr. Merk as described below, no increases in base salaries be given for 2008. Accordingly, the base salary for Mr. Green, our Chief Executive Officer and President will remain \$220,000 for 2008. The current base salaries for 2008 for our executive officers other than the Chief Executive Officer and President remain \$180,000 for Mr. Black, our Chief Operating Officer and Assistant Secretary, \$150,000 for Mr. Merk, our Vice President of Finance, Chief Financial Officer and Treasurer, and \$140,000 for Mr. Ward, our Executive Vice President of Market and Client Strategy. The Board of Directors approved, based on the Compensation Committee's recommendation, a \$5,000 increase in Mr. Merk's base salary, effective August 10, 2008, as consideration for the increase in his duties and responsibilities in connection with his August 2007 appointment as Chief Financial Officer.

## ***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. Based on the considerations discussed above with respect to base salary

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increases, the Compensation Committee recommended to the Board of Directors that no bonuses were warranted for 2007. Accordingly, no bonuses were paid to the Named Executive Officers in 2007.

***Long Term Equity-Based Incentive Awards***

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. The 2005 Omnibus Equity Plan ( 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.

Similar to base salary increases, the Named Executive Officers of the Company will be granted equity awards based on their level of responsibility, and meeting Company as well as individual performance goals. No long-term equity incentives were awarded to the Named Executive Officers in 2007. In consideration of the increase in his duties and responsibilities as Chief Fina