

DATATRAK INTERNATIONAL INC

Form PRE 14A

April 17, 2003

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**SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

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 Section 240.14a-11c or Section 240.14a-12

DATATRAK International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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April 30, 2003

Dear Shareholder:

You are cordially invited to attend the 2003 Annual Meeting of Shareholders of DATATRAK International, Inc., to be held at 10:00 a.m., local time, on June 3, 2003 at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio.

At this year's Annual Meeting, in addition to electing four Directors, shareholders will be asked to approve and adopt the amendment and restatement of the Company's 1999 Outside Director Stock Option Plan, approve and adopt the Company's Sixth Amended and Restated Articles of Incorporation 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 3, 2003

The 2003 Annual Meeting of Shareholders of DATATRAK International, Inc. (the Company), will be held at 10:00 a.m., local time, on June 3, 2003 at 6150 Parkland Boulevard, Paragon II, Suite 100, Mayfield Heights, Ohio, for the following purposes:

1. To nominate and elect four individuals as Directors of the Company for a two-year term ending at the Annual Meeting of Shareholders in 2005;
 2. To consider and act upon a proposal to authorize, approve and adopt the amendment and restatement of the Company's 1999 Outside Director Stock Option Plan to increase the number of common shares available for issuance under the plan by 150,000;
 3. To approve and adopt the Company's Sixth Amended and Restated Articles of Incorporation, which increases the authorized common shares from 15,000,000 to 25,000,000 and makes other changes to the Articles;
 4. To approve and adopt an amendment to the Company's Third Amended and Restated Code of Regulations to place certain restrictions on the granting of stock options and to implement certain prohibitions against the use of certain financing mechanisms by the Company; and
 5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.
- Only shareholders of record at the close of business on April 21, 2003 will be entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

By Order of the Board of Directors,

THOMAS F. MCKEE
Secretary

Mayfield Heights, Ohio
April 30, 2003

**EACH SHAREHOLDER IS REQUESTED TO EXECUTE AND PROMPTLY RETURN THE
ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PREPAID ENVELOPE**

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DATATRAK INTERNATIONAL, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

Mailed on or about April 30, 2003

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Board of Directors of DATATRAK International, Inc. (the Company), to be used at the Annual Meeting of Shareholders of the Company on June 3, 2003 at 10:00 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.

The accompanying Proxy is solicited by the Board of Directors of the Company. All validly executed Proxies received by the Board of Directors of the Company pursuant to this solicitation will be voted at the Annual Meeting, and the instructions contained in those Proxies will be followed in each instance. If no instructions are given, the Proxy will be voted FOR the election of the four nominees listed on the Proxy and FOR the approval and adoption of the other proposals set forth in this Proxy Statement. A shareholder may revoke a Proxy at any time before it is exercised by delivery of written notice to the Secretary of the Company or by a duly executed Proxy bearing a later date.

The record date for determination of shareholders entitled to vote at the Annual Meeting was the close of business on April 21, 2003. On that date, the Company had common shares outstanding and entitled to vote at the Annual Meeting. Each common share is entitled to one vote. Shareholders do not have the right to vote cumulatively in the election of Directors.

The expense of soliciting Proxies, including the cost of preparing, assembling and mailing the Notice, Proxy Statement and Proxy, will be borne by the Company. The Company 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, the Company's Directors, officers and employees, without additional compensation, may solicit Proxies by telephone, telegraph and personal interview. The Company also may retain a third party to aid in the solicitation of Proxies.

At the Annual Meeting, in accordance with the General Corporation Law of Ohio and the Company's Third Amended and Restated Code of Regulations (the Code), the inspectors of election appointed by the Board of Directors for the Annual Meeting will determine the presence of a quorum and will tabulate the results of shareholder voting. As provided by the General Corporation Law of Ohio and the Code, holders of common shares entitling them to exercise a majority of the voting power of the Company, present in person or by Proxy at the Annual Meeting, will constitute a quorum for the Annual Meeting. The inspectors of election intend to treat properly executed Proxies marked abstain as present for these purposes. The inspectors also will treat as present shares held in street name by brokers that are voted on at least one proposal to come before the Annual Meeting.

Nominees for election as Directors receiving the greatest number of votes will be elected. Votes that are withheld or broker non-votes with respect to the election of Directors will not be counted in determining the outcome of the election. Approval of the Company's proposed Sixth Amended and Restated Articles of Incorporation (the Restated Articles) and the proposed amendment to the Code each requires the affirmative vote of the shareholders of record entitled to exercise a majority of the voting power of the Company. Broker non-votes will have the same effect as a vote against the proposals. Similarly, abstentions will have the same effect as a vote against the proposals to approve the Restated Articles and the amendment to the Code.

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Pursuant to the Code, the outcome of the vote relating to all other questions and matters brought before the Annual Meeting will be, unless otherwise provided by law or the Company's Fifth Amended and Restated Articles (the "Articles"), decided by the vote of a majority of the common shares present in person or by Proxy and entitled to vote on the matter in question. In voting for these proposals, votes may be cast in favor, against or abstained. Unless otherwise provided by law or the Articles, broker non-votes will not be included in the vote totals and, therefore, will have no effect on the outcome of the vote on these proposals.

SECURITY OWNERSHIP OF PRINCIPAL HOLDERS AND MANAGEMENT

The following table shows, as of March 31, 2003, unless otherwise indicated, the beneficial ownership of the Company's common shares of (1) each person who is known to the Company to own beneficially more than 5% of the Company's outstanding common shares, (2) each of the Company's Directors, (3) each of the Named Executive Officers (as hereinafter defined) and (4) all Directors and Named Executive Officers as a group. Unless otherwise indicated, all information with respect to beneficial ownership has been furnished by each Director or Named Executive Officer, as the case may be. The address of each Director and Named Executive Officer named below is c/o DATATRAK International, Inc., 6150 Parkland Boulevard, Mayfield Heights, Ohio 44124.

Name and Address of Beneficial Owner	Common Shares Beneficially Owned (1)	
	Number	Percent
Dr. Jeffrey A. Green (2)	405,993	7.6%
Timothy G. Biro (3)	50,700	1.0%
Seth B. Harris (4)	238,434	4.5%
Terry C. Black	54,543	1.0%
Marc J. Shlaes	40,750	*
Dr. Wolfgang Summa	28,750	*
Dr. Robert M. Stote	81,853	1.5%
Dr. Mark J. Ratain	88,000	1.6%
Dr. Jerome H. Kaiser	39,600	*
Robert E. Flaherty	49,000	*
Brantley Venture Partners II, L.P. 3201 Enterprise Parkway, Suite 350 Beachwood, Ohio 44122	295,412	5.6%
Boston Partners Asset Management, L.P. (5) 28 State Street, 20th Floor Boston, Massachusetts 02109	295,400	5.6%
Apollo Capital Management Group, L.P. (6) 150 Second Avenue North, Suite 860 St. Petersburg, Florida 33701	265,000	5.0%
All Directors and Named Executive Officers as a group (10 persons)	1,077,623	18.6%

* Less than one percent.

- (1) The number of common shares deemed outstanding as of March 31, 2003 was 5,263,836. With respect to each of the following individuals and groups, the following number of the Company's common shares that may be purchased pursuant to option exercises within 60 days after March 31, 2003 is included in their above share totals: Dr. Green (95,000 common shares); Mr. Biro (50,500 common shares); Mr. Harris (52,000 common shares); Mr. Black (50,625 common shares); Mr. Shlaes (40,750 common shares); Dr. Summa (28,750 common shares); Dr. Stote (52,000 common shares); Dr. Ratain (79,000 common shares); Dr. Kaiser (35,000 common shares); Mr. Flaherty (49,000 common shares); Brantley Venture Partners II, L.P. (Brantley) (5,166 common shares); all Directors and Named Executive Officers as a group (532,625 common shares).

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- (2) Includes 73,969 common shares held by Dr. Green's wife. Dr. Green disclaims beneficial ownership of these 73,969 common shares.
- (3) Includes 200 common shares held by Mr. Biro's wife.
- (4) Includes 44,634 common shares held in trust for Mr. Harris.
- (5) Boston Partners Asset Management, L.P. (BPAM) is the owner of record of 295,400 of the Company's common shares. BPAM (GP), LLC, as general partner of BPAM, may be deemed to beneficially own all of the shares owned by BPAM. BPAM Holding Company, as the sole member BPAM (GP), LLC, may be deemed to beneficially own all of the shares beneficially owned by BPAM (GP), LLC. Mr. Desmond John Heathwood, as principal shareholder and sole trustee of BPAM Holding Company, may be deemed to beneficially own all of the shares beneficially owned by BPAM Holding Company. The information provided herein, with respect to the beneficial ownership of the Company's common shares by BPAM and its affiliates was obtained solely from the Schedule 13G jointly filed with the Securities and Exchange Commission (the Commission) on February 13, 2003.
- (6) Apollo Capital Management Group, L.P. (ACMG) directly owns 265,000 of the Company's common shares. Apollo Capital Corp. (Apollo) serves as the general partner of ACMG, and may be deemed to beneficially own all of the shares owned by ACMG. Mr. Kyle Krueger is the managing director, officer and stockholder of Apollo, and may be deemed to beneficially own all of the shares beneficially owned by Apollo. The information provided herein, with respect to the beneficial ownership of the Company's common shares by ACMG and its affiliates was obtained solely from the Schedule 13G/ A jointly filed with the Commission on February 10, 2003.

ELECTION OF DIRECTORS

The authorized number of Directors of the Company is presently fixed at seven, with members of the Board of Directors divided into two classes and with the term of office of one class expiring each year.

At the Annual Meeting, shareholders will nominate and elect four individuals as Directors to serve until the annual meeting to be held in the year 2005 and until the successors of those Directors are duly elected and qualified. At its April 15, 2003 meeting, the Board of Directors nominated Drs. Green, Stote and Kaiser and Mr. Biro to stand for election as Directors at the Annual Meeting. Drs. Green, Stote and Kaiser and Mr. Biro are presently Directors of the Company.

Unless otherwise directed, the persons named in the accompanying Proxy will vote for the election of the four nominees shown below as Directors of the Company. 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 2003 Annual Meeting

Jeffrey A. Green, Pharm.D., FCP. Dr. Green is the Company's founder and has served as the President, Chief Executive Officer and a Director of the Company 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

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is a graduate of Purdue University (B.S.) and the University of Texas (Pharm.D.). Dr. Green is 47 years of age.

Timothy G. Biro, MBA. Mr. Biro has been a Director of the Company since 1992. Mr. Biro has been the Managing Partner of Ohio Innovation Fund I, L.P., a venture capital firm since 1997. Prior to starting Ohio Innovation Fund in 1997, Mr. Biro was a General Partner of Brantley. Prior to joining Brantley in 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. Mr. Biro is 49 years of age.

Robert M. Stote, M.D. Dr. Stote has been a Director of the Company since 1993. Dr. Stote has served as the Senior Vice President and Chief Scientific Officer and a Director of Bentley Pharmaceuticals, Inc., a pharmaceutical company, since 1992. Prior to that time, 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. Dr. Stote was Chief of Nephrology at Presbyterian Medical Center in Philadelphia from 1972 to 1989, and served as Clinical Professor of Medicine at the University of Pennsylvania. Dr. Stote is 63 years of age.

Jerome H. Kaiser, Ph.D. Dr. Kaiser has been a Director of the Company since December 1999. Dr. Kaiser is the Senior Vice President and Director of Information Services for Rothschild, Inc., a private investment bank. Prior to his appointment to that position, Dr. Kaiser was a consultant to Rothschild, Inc. From 1992 to 1999, Dr. Kaiser held various positions within the pharmaceutical industry. During 1998 and 1999, he was the Director of Portfolio 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 Professor and Associate Professor of Physics at the University of Texas at Arlington. Dr. Kaiser is 46 years of age.

Directors Continuing in Office

Mark J. Ratain, M.D. Dr. Ratain has been a Director of the Company 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 150 articles and book chapters principally relating to the treatment of cancer. Prior to becoming a Director, Dr. Ratain served as Chairman of the Company's 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. Dr. Ratain is 48 years of age.

Seth B. Harris. Mr. Harris has been a Director of the Company since 1992, and has been the Chairman of Toycraze Inc. since 2000. Mr. Harris was the Chairman of Freider Inc., a distributor of consumer products, from 1993 to 2000. Mr. Harris is the Retired Chairman of the Board and President of Harris Wholesale, Inc., a wholesale pharmaceutical distribution company. Mr. Harris is 63 years of age.

Robert E. Flaherty. Mr. Flaherty has been a Director of the Company since July 1998. Mr. Flaherty is President and Chief Executive Officer of Athena Diagnostics, Inc. Mr. Flaherty has held his position with Athena Diagnostics, Inc. since 1995, and of its predecessor Genica Pharmaceuticals Corporation, since 1992. Athena Diagnostics, Inc. is a commercial clinical testing laboratory involved in the identification, licensing, development and marketing of proprietary diagnostic testing services for neurological diseases and other medical disorders. Previously, Mr. Flaherty was employed in various management positions with Becton Dickinson & Company. Mr. Flaherty is 57 years of age.

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The Board of Directors has an Audit Committee, a Compensation Committee and an Executive Committee. The Company does not have a standing nominating committee or a committee performing similar functions. Set forth below is the current membership of each of the committees of the Company's Board of Directors:

Audit Committee	Compensation Committee	Executive Committee
Timothy G. Biro (Chairman) Dr. Jerome H. Kaiser Dr. Mark J. Ratain	Robert E. Flaherty (Chairman) Seth B. Harris Dr. Robert M. Stote	Dr. Jeffrey A. Green (Chairman) Timothy G. Biro Robert E. Flaherty

The Audit Committee recommends the annual appointment of the Company's auditors, with whom the Audit Committee members review the scope of audit and non-audit assignments and related fees, the accounting principles used by the Company in financial reporting, internal financial auditing procedures and the adequacy of the Company's internal control procedures. The specific functions and responsibilities of the Audit Committee are set forth in the Audit Committee Charter adopted by the Board of Directors, a copy of which was attached to the Company's 2001 Proxy Statement as Appendix A. The Audit Committee satisfied its responsibilities under the Audit Committee Charter for 2002. The Company is reviewing the adequacy of the Audit Committee Charter against the requirements of the Sarbanes-Oxley Act of 2002 (as it is being implemented from time to time by the Commission) and Nasdaq corporate governance rule changes. The Company intends to comply with these new requirements as they become effective. Each of the members of the Audit Committee is independent, as defined under the Nasdaq listing standards. The Audit Committee met five times during 2002.

The Compensation Committee has the authority to administer the Company's stock option plans, including the selection of optionees and the timing of option grants, and to review and monitor key employee compensation and benefits policies and administer the Company's management compensation plans. The Compensation Committee met one time during 2002.

The Executive Committee has the authority to exercise all powers of the Board of Directors in the management of the business and affairs of the Company at any time when the entire Board of Directors cannot meet.

During the last fiscal year, the Board of Directors met five times. No Director attended fewer than 75% of the aggregate number of meetings of the Board of Directors and the committees on which each served during the period for which each was a member of the Board of Directors.

COMPENSATION OF DIRECTORS

Directors of the Company do not receive cash compensation for their service on the Company's Board of Directors. However, they do receive reimbursement for reasonable expenses incurred in attending meetings of the Board of Directors.

From September 1999 to June 2001, Directors who are not also employees received options to purchase common shares under the Company's 1999 Outside Director Stock Option Plan (the 1999 Director Plan). Under the terms of this plan, each non-employee Director who was a Director on September 22, 1999 received an initial option grant to purchase 12,500 common shares at an exercise price of \$3.75 per share. On December 9, 1999, Dr. Kaiser received an initial option grant to purchase 10,000 common shares at an exercise price of \$3.63 per share. Subsequent to the initial stock option grants, each Director received an annual option grant to purchase 12,500 common shares at an exercise price equal to the fair market value of a common share on the date of grant. The annual grants occurred automatically on the day of the Company's annual shareholder meeting. Options to purchase an aggregate of 222,500 common shares have been awarded and are outstanding under the 1999 Director Plan at exercise prices ranging from \$2.00 to \$5.19 per share. During 2002, options to purchase an aggregate of 75,000 common shares were granted under the 1999

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Director Plan at an exercise price of \$2.78 per share, subject to shareholder approval at the 2003 Annual Meeting.

After the Company's initial public offering, non-employee Directors received options to purchase common shares under the Company's Amended and Restated 1996 Outside Directors' Stock Option Plan (the "1996 Director Plan"). Under the terms of the 1996 Director Plan, each non-employee Director received an annual option grant to purchase 1,500 common shares at an exercise price equal to the fair market value of a common share on the date of grant. Options to purchase an aggregate of 66,500 common shares are outstanding under the 1996 Director Plan at exercise prices ranging from \$4.19 to \$9.60 per share.

Prior to the Company's initial public offering, Directors received options under other option plans. Non-employee Directors received options to purchase common shares under the Company's Amended and Restated 1992 Share Incentive Plan (the "1992 Plan"). Options to purchase an aggregate of 80,000 common shares were awarded to non-employee Directors under the 1992 Plan at an exercise price of \$0.15 per share. Each Director who is not also an employee received options to purchase the following numbers of common shares under the 1992 Plan: Mr. Harris (25,000 common shares); Dr. Stote (25,000 common shares); and Dr. Ratain (30,000 common shares). Dr. Ratain was awarded stock options for his service as a consultant prior to becoming a Director.

In addition, prior to the Company's initial public offering, Directors who were designated by certain investors received, in lieu of Directors fees, options to purchase common shares having a value equal to \$1,000 for each meeting attended (\$500 for each meeting attended by telephone). These awards were made under the Company's Amended and Restated 1994 Directors' Share Option Plan (the "1994 Director Plan"). Options to purchase an aggregate of 6,667 common shares are outstanding under the 1994 Director Plan at exercise prices ranging from \$0.80 to \$9.60 per share.

EXECUTIVE OFFICER COMPENSATION

The table below shows information concerning the annual and long-term compensation for services to the Company in all capacities during the fiscal years ended December 31, 2002, 2001 and 2000 to the Company's Chief Executive Officer and three other highest paid executive officers whose annual salary and bonus exceeded \$100,000 (the "Named Executive Officers").

Summary Compensation

Name and Principal Position	Year	Annual Compensation(1)		Long-Term Compensation Awards	All Other Compensation(2)
		Salary	Bonus	Securities Underlying Options(#)	
Dr. Jeffrey A. Green <i>President, Chief Executive Officer and Director</i>	2002	\$ 198,850	\$	22,500(3)	\$
	2001	180,000			
	2000	180,000			
Terry C. Black <i>Vice President of Finance, Chief Financial Officer, Treasurer and Assistant Secretary</i>	2002	139,130		7,813(4)	
	2001	125,000			
	2000	125,000			
Marc J. Shlaes <i>Vice President of Research and Development</i>	2002	142,980	19,460	6,875(5)	
	2001	110,000			
	2000	110,000			
Dr. Wolfgang Summa <i>Vice President of Global Operations</i>	2002	153,400(6)		18,875(7)	
	2001	96,260	7,330		
	2000	93,660			

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- (1) No Named Executive Officer received perquisites or other personal benefits in excess of the lesser of \$50,000 or 10% of that individual's salary plus annual bonus. No long-term incentive plan payouts or restricted stock awards have been made to any of the Named Executive Officers.
- (2) No other compensation was received by the Named Executive Officers.
- (3) Dr. Green's options were granted on June 4, 2002 under the Company's Amended and Restated 1996 Key Employees and Consultants Stock Option Plan (the "1996 Plan"), at an exercise price of \$2.78 per share, 50% of which will become exercisable on June 4, 2004 and 50% of which will become exercisable on June 4, 2006.
- (4) Mr. Black's options were granted on June 4, 2002 under the 1996 Plan, at an exercise price of \$2.78 per share, 50% of which will become exercisable on June 4, 2004 and 50% of which will become exercisable on June 4, 2006.
- (5) Mr. Shlaes's options were granted on June 4, 2002 under the 1996 Plan, at an exercise price of \$2.78 per share, 50% of which will become exercisable on June 4, 2004 and 50% of which will become exercisable on June 4, 2006.
- (6) Dr. Summa's current employment contract provides for a base salary of 107,370 Euro. In January 2002, Dr. Summa received a pay raise to increase his base salary to 162,000 Euro, which is intended to approximate \$145,000. Based on the average exchange rate between the United States dollar and the Euro during 2002, Dr. Summa's salary in 2002 of 162,000 Euro was the equivalent of \$153,400.
- (7) Dr. Summa's options were granted on June 4, 2002 under the 1996 Plan, at an exercise price of \$2.78 per share, 50% of which will become exercisable on June 4, 2004 and 50% of which will become exercisable on June 4, 2006.

Option Grants

The table below sets forth certain information concerning grants of stock options made during the fiscal year ended December 31, 2002 to the Named Executive Officers. Such grants also are reflected in the Summary Compensation Table.

Option Grants in Last Fiscal Year

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year(2)	Exercise or Base Price (\$/Sh)	Expiration Date	5%(\$)	10%(\$)
Dr. Jeffrey A. Green	22,500	27%	\$2.78	6/04/12	\$39,337	\$99,689
Terry C. Black	7,813	9	2.78	6/04/12	13,660	34,616
Marc J. Shlaes	6,875	8	2.78	6/04/12	12,020	30,460
Dr. Wolfgang Summa	18,875	23	2.78	6/04/12	33,000	83,628

- (1) All options were awarded at an exercise price equal to the fair market value of the Company's common shares on the date of grant.
- (2) Based on an aggregate of 82,270 options granted to employees under the 1996 Plan, including the Named Executive Officers.
- (3) Potential realizable value is based upon certain assumed rates of appreciation pursuant to rules prescribed by the Commission, and do not represent an estimate by the Company of its future stock price growth. Actual gains, if any, on stock option exercises are dependent on the future performance of the Company's common shares. There can be no assurance that the amounts reflected in this table will be achieved.

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The table below shows information with respect to the exercise of options to purchase common shares by the Named Executive Officers and unexercised options to purchase common shares for the Named Executive Officers as of December 31, 2002.

Aggregate Option Exercises in Last Fiscal Year**and December 31, 2002 Option Value**

Name	Stock Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2002		Value of Unexercised In-the-Money Options at December 31, 2002(1)	
			Exercisable	Unexercisable	Exercisable(2)	Unexercisable
Dr. Jeffrey A. Green		\$	95,000	67,500	\$	\$
Terry C. Black			50,625	23,438	15,700	
Marc J. Shlaes			40,750	35,625		
Dr. Wolfgang Summa			28,750	47,625		

(1) Options are in-the-money if the market value of the Company's common shares exceeds the exercise price.

(2) Represents the total gain which would be realized if all in-the-money options beneficially held at December 31, 2002 were exercised, determined by multiplying the number of common shares underlying the options by the difference between the per share option exercise price and \$1.72, the closing price for the Company's common shares as reported on Nasdaq on December 31, 2002.

Equity Compensation Plan Information

The following table sets forth information concerning common shares authorized or available for issuance under the Company's equity compensation plans as of the December 31, 2002.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	1,026,782	\$3.85	350,552
Equity compensation plans not approved by shareholders			
(1)	192,252	\$2.25	
Total	1,219,034	\$3.60	350,552

(1) The terms of the Company's January 2002 private placement of 1,922,514 common shares included as compensation to the placement agent, Stonegate Securities, Inc., the issuance of warrants to purchase a total of 192,252 common shares at \$2.25 per share. The warrants are fully vested as of the date of grant and expire January 4, 2007.

Employment Agreements

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Dr. Jeffrey A. Green. In February 2001, the Company entered into an employment agreement with Dr. Green providing for an initial term of one year. This agreement will automatically renew for successive one-year periods thereafter unless certain prior notice requirements are satisfied. The base salary provided for

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in this agreement is \$180,000 per year, to be reviewed at least annually by the Compensation Committee. Bonuses may be paid to Dr. Green at the discretion of the Compensation Committee. The agreement also provides Dr. Green with the right to participate in all benefit plans made available to the Company's executives and/or employees. Dr. Green's employment with the Company may be terminated with or without cause, upon his death or disability or with sufficient reason. Additionally, under this agreement, Dr. Green is entitled to terminate his employment for good reason. Good reason for such termination will exist if at any time, (i) there is a material breach of Dr. Green's employment agreement by the Company, (ii) the Company's shareholders fail to elect Dr. Green to the Board of Directors or Dr. Green is otherwise removed from the Board of Directors, and (iii) except in connection with the termination of Dr. Green's employment in strict compliance with the terms of the agreement, the Board of Directors (a) fails to elect Dr. Green to his current position with the Company, (b) fails to vest Dr. Green with the powers and authority customarily associated with his current position with the Company, or (c) significantly diminishes his responsibilities, duties, power or authority. If Dr. Green terminates his employment with the Company for good reason, he will be entitled to continue to receive his base salary for two years following the date of such termination. If Dr. Green's employment with the Company is terminated in connection with the sale of the Company, he will be entitled to continue to receive his base salary for one year following the date of such termination. If his employment is terminated without cause or without sufficient reason, he will be entitled to continue to receive his base salary for a period of two years subsequent to the date of termination. If Dr. Green terminates his employment with the Company without good reason, or if he is terminated by the Company for cause, then he will be entitled to receive his base salary through the date of termination. For purposes of Dr. Green's agreement, cause is defined as a determination by the Board of Directors that the employee was (i) convicted of a felony involving moral turpitude or a felony in connection with his employment, (ii) engaged in fraud, embezzlement, material willful destruction of property or material disruption of the operations of the Company, (iii) using or in possession of illegal drugs and/or alcohol on the Company premises or reporting to work under the influence of same, or (iv) engaged in conduct, in or out of the workplace, which in the Company's reasonable determination has an adverse effect on the reputation or business of the Company. Sufficient reason shall mean a good faith determination that the employee failed to adequately perform his duties as an officer of the Company or achieve the business objectives mutually agreed upon by the parties. Dr. Green also agreed to certain noncompetition and nondisclosure provisions which, under certain conditions, continue for a period of up to twenty-four months following a termination of Mr. Green's employment with the Company.

Terry C. Black. In February 2001, the Company entered into an employment agreement with Mr. Black providing for an initial term of one year. This agreement will automatically renew for successive one-year periods thereafter unless certain prior notice requirements are satisfied. The base salary initially provided for in this agreement is \$125,000 per year, to be reviewed at least annually by the Compensation Committee. Bonuses may be paid to Mr. Black at the discretion of the Compensation Committee. The agreement also provides Mr. Black with the right to participate in all benefits plans made available to the Company's executives and/or employees. Mr. Black's employment with the Company may be terminated with or without cause or upon his death or disability. Additionally, Mr. Black is entitled to terminate his employment for good reason. If Mr. Black terminates his employment with the Company for good reason, he will be entitled to receive his base salary for a period of one year following the date of such termination. If Mr. Black's employment with the Company is terminated in connection with the sale of the Company, he will be entitled to continue to receive his base salary for one year following the date of such termination. If his employment is terminated without cause, he will be entitled to receive his base salary for a period of one year subsequent to the date of termination. If Mr. Black terminates his employment with the Company without good reason, or if he is terminated by the Company for cause, he will be entitled to receive his base salary through the date of termination. For purposes of Mr. Black's agreement, cause is defined as a determination by the Board of Directors that the employee was (i) convicted of a felony involving moral turpitude or a felony in connection with his employment, (ii) engaged in fraud, embezzlement, material willful destruction of property or material disruption of the operations of the Company, (iii) using or in possession of illegal drugs and/or alcohol on the Company premises or reporting to work under the influence of same, or (iv) engaged in conduct, in or out of the workplace, which in the Company's reasonable determination has an adverse effect on the reputation or

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business of the Company. Mr. Black also agreed to certain noncompetition and nondisclosure provisions which continue, under certain conditions for a period up to eighteen months following a termination of Mr. Black's employment with the Company.

Dr. Wolfgang Summa. In December 2000, Dr. Summa signed an employment agreement with DATATRAK Deutschland GmbH providing for an initial term of four years. This agreement will automatically renew for successive one-year periods thereafter unless certain prior notice requirements are satisfied. The base salary initially provided for in this agreement is 107,370 Euro (approximately \$110,000) per year, to be reviewed at least annually by the Compensation Committee. Bonuses may be paid to Dr. Summa at the discretion of the Compensation Committee. The agreement also provides Dr. Summa with the right to participate in all benefits plans made available to the Company's executives and/or employees. Dr. Summa's employment with the Company may be terminated with or without cause or upon his death or disability. Additionally, Dr. Summa is entitled to terminate his employment for good reason. If Dr. Summa terminates his employment with the Company for good reason, he will be entitled to receive his base salary for a period of one year following the date of such termination. If Dr. Summa's employment with the Company is terminated in connection with the sale of the Company, he will be entitled to continue to receive his base salary for one year following the date of such termination. If his employment is terminated without cause, he will be entitled to receive his base salary for a period of one year subsequent to the date of termination. If Dr. Summa terminates his employment with the Company without good reason, or if he is terminated by the Company for cause, he will be entitled to receive his base salary through the date of termination. For purposes of Dr. Summa's agreement, cause is defined as a determination by the Board of Directors that the employee was (i) convicted of a felony involving moral turpitude or a felony in connection with his employment, (ii) engaged in fraud, embezzlement, material willful destruction of property or material disruption of the operations of the Company, (iii) using or in possession of illegal drugs and/or alcohol on the Company premises or reporting to work under the influence of same, or (iv) engaged in conduct, in or out of the workplace, which in the Company's reasonable determination has an adverse effect on the reputation or business of the Company. Dr. Summa also agreed to certain noncompetition and nondisclosure provisions which continue, under certain conditions for a period up to eighteen months following a termination of Dr. Summa's employment with the Company. The agreement is governed by German law.

Marc J. Shlaes. In March 2003, the Company entered into an employment agreement with Mr. Shlaes providing for an initial term of one year. This agreement will automatically renew for successive one-year periods thereafter unless certain prior notice requirements are satisfied. The base salary initially provided for in this agreement is \$145,000 per year, to be reviewed at least annually by the Compensation Committee. Bonuses may be paid to Mr. Shlaes at the discretion of the Compensation Committee. The agreement also provides Mr. Shlaes with the right to participate in all benefits plans made available to the Company's executives and/or employees. Mr.