

# SECURITIES AND EXCHANGE COMMISSION

## FORM PRER14A

Preliminary revised proxy soliciting materials

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

SCHEDULE 14A

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 Section 240.14A-11(c) or Section 240.14a-12

CATUITY, INC.

-----  
 (Name of Registrant as Specified In Its Charter)

CATUITY, INC.

-----  
 (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)(4) and 0-11.

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

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 2) Aggregate number of securities to which transaction applies:

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 3) Per unit price or other underlying value of transaction computed  
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 4) Proposed maximum aggregate value of transaction:

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 5) Total fee paid:

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☐ 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  
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 number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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SEC 1913 (11-01)

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-----  
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD MARCH 26, 2003

We will hold a Special Meeting of Shareholders of Catuity, Inc. at the AAP  
Centre Theatre, 259 George Street, Sydney, NSW 2000 Australia on Wednesday,  
March 26, 2003 at 9:30 a.m. Australian Eastern Daylight Time (Tuesday, March  
25, 2003 at 5:30 p.m. Eastern Standard Time in the United States) for the  
following purposes:

1. To approve a sale of 90,000 shares of common stock to Mr. Duncan  
P.F. Mount, one of our Directors.

The Directors, other than Mr. Mount, recommend a vote FOR approval of the sale  
of common stock. Mr. Mount and his associates are precluded from voting on this  
resolution.

2. To approve an amendment to the executive employment agreement of  
Mr. Michael V. Howe, our President/CEO and a Director, and the options award  
thereunder.

The Directors, other than Mr. Howe, recommend a vote FOR approval of the  
amendment to Mr. Howe's executive employment agreement. Mr. Howe and his  
associates are precluded from voting on this resolution.

3. To approve the Catuity Inc. 2003 Executive Director Stock Purchase  
Plan ("Plan"), pursuant to which Messrs. David L. MacSmith, our Chairman, and  
Michael V. Howe will receive shares of common stock at the fair market price in  
lieu of portions of their cash compensation.

The Directors, other than Messrs. MacSmith and Howe, recommend a vote FOR  
approval of the Plan. Messrs. MacSmith and Howe and their associates are  
precluded from voting on this resolution.

4. To act upon such other matters as may properly come before the  
meeting or any adjournments or postponements thereof.

We have described the items of business more fully in the Proxy Statement  
accompanying this Notice. The record date for determining those shareholders who  
were entitled to notice of, and to vote at, the Special Meeting and at any  
adjournment is January 24, 2003. The stock transfer books will not be closed  
between the record date and the date of the Special Meeting. A list of  
shareholders entitled to vote at the Special Meeting will be available for  
inspection at Catuity's offices.

Whether or not you plan to attend the Special Meeting, please complete, sign,  
date and return the enclosed proxy promptly in the accompanying reply envelope.  
Please refer to the enclosed voting form for instructions. You may revoke your  
proxy at any time prior to the Special Meeting. If you decide to attend the  
Special Meeting and wish to change your proxy vote, you may do so automatically  
by voting in person at the Special Meeting.

By Order of the Board of Directors

/s/ John H. Lowry  
JOHN H. LOWRY III

Detroit, Michigan  
February 3, 2003

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## PROXY STATEMENT FOR SPECIAL MEETING OF SHAREHOLDERS

We are furnishing these proxy materials for the solicitation of proxies by the Catuity Inc. Board of Directors for our Special Meeting of the Shareholders to be held on Wednesday, March 26, 2003 at 9:30 a.m. (AEDT) at the AAP Theatre, AAP Centre, 259 George Street, Sydney, NSW 2000 Australia (Tuesday, March 25, 2003 at 5:30 p.m. United States Eastern Standard Time) and at any adjournments or postponements. We first mailed these proxy materials on or about February 13, 2003 to all shareholders entitled to vote at the Special Meeting.

## PURPOSE OF MEETING

The specific proposals to be considered and acted upon at the Special Meeting are listed in the accompanying Notice of Special Meeting of Shareholders. We have described each proposal in more detail in this Proxy Statement.

The principal reason the Special Meeting is being called in March is in order to receive shareholder approval to accept the proceeds from Mr. Duncan P.F. Mount's participation in the November 2002 private placement of common stock. As of September 30, 2002 Catuity experienced a deficiency in Nasdaq's listing requirement for total shareholders equity. Nasdaq has granted the Company a temporary exception to the listing requirement. The Company committed to Nasdaq that it would seek shareholder approval to accept the funds from Mr. Mount's participation in the private placement in March 2003 in order to assist it in maintaining its total shareholder equity above the \$2.5 million on-going listing requirement.

## VOTING RIGHTS AND SOLICITATION

## VOTING

Our Common Stock is the only type of security entitled to vote at the Special Meeting. On January 24, 2003, the record date for determination of shareholders entitled to vote at the Special Meeting, there were 8,530,610 shares of Common Stock outstanding. Each shareholder of record on January 24, 2003 is entitled to one vote for each share of Common Stock held on that date. One third of the outstanding shares of Common Stock entitled to vote must be present or represented at the Special Meeting in order to have a quorum for the conduct of business generally. Abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum for the transaction of business. The matters to be considered at the Special Meeting require the approval by affirmative vote of a majority of our outstanding voting shares present or represented and entitled to vote on those matters at the Special Meeting. Abstentions and broker non-votes can have the effect of preventing approval of a proposal where the number of affirmative votes, though a majority of the votes cast, does not constitute a majority of the shares present or represented and entitled to vote on the particular matter. The inspector of election appointed for the Special Meeting will tabulate all votes. The inspector will separately tabulate affirmative and negative votes, abstentions, and broker non-votes.

#### PROXIES

Whether or not you are able to attend the Special Meeting, we urge you to vote your proxy. Catuity's Board of Directors is soliciting your proxy, and the Board will vote your proxy as you direct on your proxy when properly completed. If you sign and return your proxy but do not specify any voting directions, your proxy will be voted FOR the proposals, and in the discretion of the proxy holders as to other matters that may properly come before the Special Meeting. You may revoke or change your proxy at any time before the Special Meeting. To do this, send a written notice of revocation or another signed proxy with a later date to Catuity's Secretary at our principal executive offices before the beginning of the Special Meeting. You may also revoke your proxy by attending the Special Meeting and voting in person.

#### SOLICITATION OF PROXIES

Catuity will bear the entire cost of solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement, the proxy, and any additional solicitation material we furnish to shareholders. We will furnish copies of solicitation material to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to the beneficial owners, and we have retained Proxy Services Inc. to assist us in this endeavor. We anticipate that we will pay \$1,500, plus reasonable out of pocket expenses, for these services. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram, or other means by our Directors, officers, or employees. We will not pay any additional compensation to these individuals for these services. Except as described above, we do not presently intend to solicit proxies other than by mail or via the Internet.

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#### PROPOSAL NO. 1

##### APPROVAL OF THE SALE OF COMMON STOCK TO NON-EXECUTIVE DIRECTOR, MR. DUNCAN P.F. MOUNT

##### GENERAL

The first matter to be considered at the Special Meeting will be the approval of the sale of 90,000 shares of our common stock to one of our Directors, Mr. Duncan P.F. Mount.

In November 2002, we concluded a private placement in Australia of a total of 543,666 shares of our common stock (including Mr. Mount's 90,000 proposed shares) to three investors at a price of \$3.75 AUD per share (\$2.11 USD based on the foreign exchange rate in effect on the date of the transaction). The price equaled our shares' fair market value on the Australian Stock Exchange (ASX) on the transaction date. In addition, each investor received one warrant share for every three (3) shares purchased. Each warrant entitles the investor to purchase a share of common stock at \$4.20 AUD (\$2.37 USD) until November 1, 2004 when the warrants expire. The exercise price of the warrants represented approximately a 12% premium over the fair market price of the Company's shares on the date of transaction. A placement fee of 3% of the purchase price was paid to each investor. The proceeds were added to our general working funds to be used for general operating purposes and to further the Company's investigation into the data analytics and predictive modeling aspects of Customer Relationship Management. Mr. Mount wished to participate in this placement and purchase 90,000 shares at the same price and on the same terms as the unrelated investors, however his participation, under Australian Stock Exchange rules, is subject to our submitting this transaction to our shareholders for approval.

If shareholders approve of Mr. Mount's participation in the placement, Mr.

Mount will purchase 90,000 shares at a price of \$3.75 AUD per share (\$2.11 USD), for aggregate proceeds of \$337,500 AUD (\$189,900 USD based on the foreign exchange rate in effect on the date of the transaction). These shares - like the shares sold to the other unrelated investors - will be sold without registration under US securities laws pursuant to an exemption from such registration. As a result, Mr. Mount will not be able to publicly resell these shares for at least one year absent a registration or other available exemption from registration. Like the two unrelated investors, Mr. Mount will also receive one warrant for each three shares purchased (30,000 warrants in Mr. Mount's case) exercisable at \$4.20 AUD (\$2.37 USD) until November 1, 2004 and a 3% placement fee. If the resolution is approved the securities will be issued within one month of the date of the meeting.

#### VOTING EXCLUSION STATEMENT

We will disregard any votes cast on Proposal 1 by Mr. Mount or an associate of Mr. Mount. However, we need not disregard the vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by such person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors, other than Mr. Mount, recommend a vote FOR approval of the sale of stock to Mr. Mount.

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#### PROPOSAL NO. 2

#### APPROVAL OF AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT OF MICHAEL V. HOWE AND OPTIONS AWARD THEREUNDER

##### GENERAL

The second matter to be considered at the Special Meeting will be the approval of a proposed amendment to the executive employment agreement of Michael V. Howe and the award of options to acquire 100,000 shares thereunder.

We entered into a five-year employment agreement with our President and Chief Executive Officer, Michael V. Howe, dated December 5, 1999. Under the agreement, Mr. Howe was entitled to receive a base salary of \$240,000 USD, which was subject to annual review for possible increase by the Board in conjunction with performance. Mr. Howe was also entitled to receive a performance-based bonus, determined by the Board each year as part of the budget review.

Under the five-year employment agreement, Mr. Howe was awarded options to purchase up to 315,000 shares of common stock, at an exercise price of \$9.50 USD (\$14.62 AUD at a .65 exchange rate), which vested 75,000 shares on commencement of employment and 12,000 shares at the end of each calendar quarter through the quarter ending December 31, 2004, contingent upon his continued employment at the quarter end. All options expired on the earlier of December 31, 2008 or the date six months after cessation of employment.

If we terminate the five-year agreement without cause, Mr. Howe is entitled to one year's written notice. We have the right to pay one year's base salary to effect immediate termination. Mr. Howe may voluntarily terminate the agreement at any time provided we are given 6 months' advance written notice.

We amended Mr. Howe's Employment Agreement in certain respects, subject to shareholder approval, effective January 1, 2003. Except as specifically amended, the original employment agreement remains in full force and effect.

First, we have increased Mr. Howe's base salary to \$300,000 USD from \$240,000 USD. The increase represents the first such increase since Mr. Howe's employment began and represents approximately a 7% annual increase over the three years Mr. Howe has been employed by the Company.

Second, we have replaced Mr. Howe's existing bonus arrangement with a performance based, target cash bonus. Under the Amendment, we will pay Mr. Howe a performance bonus on Cautuity achieving certain Compensation Committee established goals for Net Revenue (NR) as defined in the Agreement and Net Income Before Extraordinary Items and Non-Cash Stock Compensation Expense (NI). The basis for the bonus is described below:

If NR is below the established goal and NI is less than 90% of the goal, no bonus is earned.

If NR is at least equal to the established goal and NI is between 90% and 99.9% of the goal, 50% of the targeted bonus is earned.

If NR and NI are between 100% and 110% of the established goal, 100% of the targeted bonus is earned.

If NR and NI are between 110.1% and 120% of the established, 125% of the targeted bonus is earned.

If NR and NI are greater than 120% of the established goal, 150% of the targeted bonus is earned.

The targeted bonus for 2003, at 100% achievement, is \$60,000. If one of the measurement criteria (NR or NI) is in one of the above ranges and the other is in a different range, the bonus amount shall be determined at the lower of the two ranges. The goals for NR, NI and the target bonus amount at 100% achievement of the goals will be established annually by the Compensation Committee.

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Third, effective January 1, 2003, Mr. Howe surrendered the 96,000 then-unvested options he held under the grant of options included in his original contract. These options were replaced with 100,000 options that expire December 31, 2005, at an option exercise price of \$2.64 USD (\$4.70 AUD) (this price was 20% above the closing price of our shares on Nasdaq on January 2, 2003). These options vest immediately. There are no tax consequences to Mr. Howe or the Company upon issuance of the options. Upon exercise of the options Mr. Howe will recognize ordinary income based on the difference between the exercise price and the closing price on the date of exercise and the Company will recognize a corresponding compensation deduction. In the event Mr. Howe voluntarily resigns, retires, or his employment with Catuity is terminated by the Company for cause during the term of the amended agreement, all vested options he holds as of his termination date will expire six (6) months following the date of termination. If the Company terminates Mr. Howe without cause during the term of the amended agreement, or if the agreement is not renewed at the end of its term, all vested options he holds as of the termination date will expire on December 31, 2008. If his employment terminates due to death or incapacity due to disability during the term of this amended agreement, his vested options will expire one (1) year from the date of termination. Any unvested options held as of the date of termination expire immediately without regard to the reason for termination.

<TABLE>  
<CAPTION>

NEW PLAN BENEFITS

-----  
Executive Employment Agreement of Michael V. Howe  
-----

Name and Position -----	Dollar Value (\$) -----	Number of Units -----
<S>	<C>	<C>
Michael V. Howe President & CEO	Salary \$300,000 Bonus \$0 - \$90,000 Options -	100,000
Executive Group	\$300,000-\$390,000	100,000
Non-Executive Director Group	\$0	0
Non-Executive Officer Employee Group	\$0	0

</TABLE>

Salary and bonus amounts in Mr. Howe's Employment Agreement may be amended by the Compensation Committee pursuant to an annual review.

VOTING EXCLUSION STATEMENT

We will disregard any votes cast on Proposal 2 by Mr. Howe or an associate of Mr. Howe. However, we need not disregard the vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by such person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors, other than Mr. Howe, recommend a vote FOR approval of the amendment of the executive employment agreement of Michael V. Howe.

PROPOSAL NO. 3

APPROVAL OF ADOPTION OF THE EXECUTIVE DIRECTOR STOCK PURCHASE PLAN AND ISSUANCE OF STOCK THEREUNDER

## GENERAL

The third matter to be considered at the Special Meeting will be the approval of the proposed Plan.

On January 21, 2003, the Board of Directors adopted the Catuity Inc. 2003 Executive Director Stock Purchase Plan (the "Plan") to become effective upon approval by our shareholders. We are submitting this for shareholder approval because the Australian Stock Exchange and Nasdaq listing rules require that we seek shareholder approval of any plan under which our executives or Directors may acquire shares of our Common Stock. The following summary of the Plan is subject to the specific provisions contained in the complete text of the Plan set forth in Appendix A to this Proxy Statement.

The Plan provides a means for our two executive Directors - David L. MacSmith and Michael V. Howe - to invest, on a routine, predetermined monthly basis, a portion of their after tax cash compensation in shares of our Common Stock at the closing price of such shares on the last trading day of each month.

This plan is patterned after the November 2002 Plan adopted by the Board of Directors that provides the executives of the Company who are not Directors with a way to invest a portion of their otherwise due monthly cash compensation in shares of our Common Stock at the closing price on the last trading day of each month (the Catuity Inc. 2002 Executive Stock Purchase Plan).

These plans address your Board's desire to allow our executives to tangibly demonstrate their commitment to our company through the additional ownership of stock. A total of 100,000 shares are reserved for issuance under this Plan, and a total of 25,000 shares are reserved for issuance under the November 2002 plan. The shareholders are being asked to consider and if deemed fit approve only the 2003 Executive Director Stock Purchase Plan.

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Between September 1 and December 31, 2002, Messrs. MacSmith and Howe have foregone a before tax combined total of approximately \$16,450 USD (10%) of the cash compensation otherwise due to them from each of their paychecks. The total deferral amount as of the Special Meeting is projected to be approximately \$29,000 USD. If the Plan is approved, on March 26, 2003 we will issue the number of shares to Messrs. MacSmith and Howe that are equal in value to the amount of after tax compensation deferred up to that date divided by the closing price per share on March 26, 2003. Thereafter, Messrs. MacSmith and Howe will purchase shares at the closing price of Catuity's shares on the last trading day of each month. The number of shares purchased each month will equal the amount of compensation deferred in the month divided by the closing price per share on the last trading day of the month. If the Plan is not approved, no shares will be issued and the foregone compensation will not be paid or otherwise made-up to Messrs. MacSmith and Howe. If shareholders approve the Plan, Messrs. MacSmith and Howe may elect to defer up to 20% of their after tax cash compensation, and use the deferred compensation amounts to purchase shares. Either participant may terminate his participation at any time by written notice to us. Messrs. MacSmith and Howe must provide three month's advance written notice in order to make any change in the percentage of their compensation withheld for the purpose of purchasing stock.

Rights under the Plan are not transferable. Any termination of employment, including death and retirement, terminates participation. In addition, the Plan automatically terminates on August 31, 2004, unless terminated earlier by the Board of Directors. The Board of Directors may amend the Plan at any time, except that it cannot be amended without shareholder approval if the amendment would: (a) increase the maximum number of shares that may be issued under the plan, (b) decrease the purchase price per share subject to the plan, (c) withdraw the administration of the Plan from the Compensation Committee, or (d) change the class of employees eligible to participate under the plan.

The Plan is not intended to be a qualified "Employee Stock Purchase Plan," as defined in Section 423 of the Internal Revenue Code. The following paragraph summarizes the consequences of the acquisition and disposition of shares of the Company's common stock for U.S. federal income tax purposes, based on management's understanding of existing U.S. federal income tax laws.

Funds previously foregone have not been included in Messrs. MacSmith's and Howe's 2002 ordinary income for tax purposes. If the Plan is approved and shares are issued in respect of the foregone compensation, Messrs. MacSmith and Howe will recognize additional ordinary income at the time of receipt of the shares in the amount of the value of the shares and the amount of tax paid. Messrs. MacSmith and Howe will have a basis for tax purposes in these shares equal to the after tax amount of income he realized.

On a forward-going basis, funds contributed by Messrs. MacSmith and Howe through payroll deductions will be a part of their current compensation taxable as ordinary income, although not actually received by them. They will be deemed to have purchased the shares on each purchase date, and will have a basis for



tax purposes in the shares so purchased equal to the amount paid for the shares. All shares acquired under the Plan will be capital assets for US income tax purposes, and a taxable gain or loss on a sale or other disposition of the shares will be recognized in accordance with the tax treatment ordinarily afforded to purchases and sales of capital assets such as shares of stock.

<TABLE>  
<CAPTION>

NEW PLAN BENEFITS

Executive Director Stock Purchase Plan

Name and Position	Dollar Value (\$)	Number of Units
<S>	<C>	<C>
Michael V. Howe President & CEO	\$0	50,000
David L. MacSmith Chairman	\$0	50,000
Executive Group	\$0	100,000
Non-Executive Director Group	\$0	0
Non-Executive Officer Employee Group	\$0	0

</TABLE>

The Board of Directors of the Company may at any time, or from time to time amend this Plan in any respect, except that, without shareholder approval, no amendment shall be made increasing the number of shares approved for this Plan.

VOTING EXCLUSION STATEMENT

We will disregard any votes cast on Proposal 3 by any director, or an associate of that director, who is eligible to participate in any incentive plan for the Company. However, we need not disregard the vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by such person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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Details of any securities issued under the Plan will be published in each annual report of the company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under Australian Stock Exchange listing rule 10.14.

Any additional persons who have become entitled to participate in the Plan after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under Australian Stock Exchange listing rule 10.14.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors, other than Messrs. MacSmith and Howe recommend a vote FOR approval of the Plan.

OWNERSHIP OF SECURITIES

The following tables set forth certain information regarding beneficial ownership of our capital stock as of December 31, 2002 by:

- each person who is known by us to beneficially own more than five percent of our common stock;
- our Chief Executive Officer and the other named executive officers included in the Compensation Tables below;
- each of our Directors; and
- all of our Directors and executive officers as a group.

<TABLE>

<CAPTION>			
NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF		PERCENT OWNED (2)
<S>	<C>		<C>
SHARES OF COMMON STOCK			
BENEFICIALLY OWNED (1)			
Alexander S. Dawson	185,000 Direct		
38 Macleay Street	20,000 Vested Options		
Potts Point, NSW 2011	-----		
Australia	205,000		2.4
David L. MacSmith	251,417 Direct		
24 View Street	192,000 Vested Options		
Woollahra, NSW 2025	-----		
Australia	443,417		5.1
Michael V. Howe	10,100 Direct		
62 Hampton Road	219,000 Vested Options		
Grosse Pointe Shores, MI 48230	-----		
	229,100		2.6
Duncan P.F. Mount (3)	410,000 Direct		
11 Victoria Street	20,000 Vested Options		
Watsons Bay, NSW 2011	-----		
Australia	430,000		5.0
John H. Lowry III	1,681 Direct		
21972 Heatheridge	100,000 Vested Options		
Northville, MI 48167	-----		
	101,681		1.2
Alan L. Gilman	1,500 Direct		
4720 Morris Lake Circle	20,000 Vested Options		
West Bloomfield, MI 48323	-----		
	21,500		*
Douglas G. Kilgour	1,448 Direct		
1321 Orleans #1213	0 Vested Options		
Detroit, MI 48207	-----		
	1,448		*
Robert C. Robins	500 Direct		
901 Glenway	20,000 Vested Options		
Hillsborough, CA 94010	-----		
	20,500		*
Jonathan R.E. Adams	1,591 Direct		
10 Riggs Avenue	20,000 Vested Options		
Severna Park, MD 21146	-----		
	21,591		*
Anthony B. Garton	11,590 Direct		
2700 Clarendon Blvd. #211	27,500 Vested Options		
Arlington, VA 21146	-----		
	39,090		*
All directors and executive			
officers as a group (10 persons)	874,827 Direct		
	638,500 Vested Options		
	-----		
	1,513,327		16.5%

</TABLE>

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants or other rights to purchase which are currently exercisable or are exercisable within 60 days after December 31, 2002 are deemed vested and outstanding for purposes of computing the percentage ownership of any other person. Except as indicated by footnotes and subject to community property laws, where applicable, the persons named above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. Share data does not include any Shares the beneficial ownership of which has been disclaimed pursuant to SEC Rules.

(2) Percentage of Beneficial Ownership is calculated on the basis of the amount of outstanding securities plus those securities of the named person deemed to be outstanding under Rule 13-d3 (promulgated under the Securities and Exchange Act of 1934, as amended) by virtue of such securities being subject to rights to acquire beneficial ownership within 60 days after December 31, 2002. An asterisk indicates beneficial ownership of less than 1% of the common stock outstanding.

(3) Includes 410,000 shares held by Boom Australia Pty Ltd., the trustee of the Mount Family Trust, of which Mr. Mount is a director.

#### COMPLIANCE WITH SEC REPORTING REQUIREMENTS

Under the securities laws of the United States, the Company's Directors, executive officers, and any persons holding more than ten percent of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in their ownership to the Securities and Exchange Commission ("SEC"). The SEC has established specific due dates, and Catuity is required to disclose in this Proxy Statement any failure to file by those dates. Based upon the copies of Section 16(a) reports that we received from such persons for their 2002 fiscal year transactions, we believe that there has been compliance with all Section 16(a) filing requirements applicable to such officers, Directors, and ten-percent beneficial owners for such fiscal year. As of the date of this proxy, no reports on Form 5 were due to be filed.

#### EXECUTIVE COMPENSATION AND RELATED INFORMATION

##### COMPENSATION COMMITTEE REPORT

The Compensation Committee (the "Committee") of the Board of Directors was constituted in early 2001. This report describes the compensation-related activities of the Committee and the Board as a whole taken during 2002. The Committee sets the compensation of the Chairman and the Chief Executive Officer, reviews the design, administration and effectiveness of compensation programs for other key executives, and approves stock option grants for all executive officers. The Committee is composed of both executive Directors and outside Directors. Executive Directors do not participate in the discussions or determination of their own compensation.

##### COMPENSATION PHILOSOPHY AND OBJECTIVES

The Company operates in the extremely competitive and rapidly changing high technology industry. The Committee believes that the compensation programs for the executive officers should be designed to attract, motivate and retain talented executives responsible for the success of the Company, should be determined within a competitive framework and be based on individual contribution, customer satisfaction and financial performance relative to that of the technology industry. Within this philosophy, the Committee's objectives are to:

- Offer a total compensation program that takes into consideration the compensation practices of companies in the markets that the Company competes for executive talent.

- Provide annual variable incentive awards that take into account the Company's overall financial performance in terms of designated corporate objectives.

- Align the financial interests of executive officers with those of shareholders by providing significant equity-based, long-term incentives.

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##### COMPENSATION COMPONENTS AND PROCESS

The three major components of the Company's executive officer compensation are: (i) base salary, (ii) variable incentive awards, and (iii) long-term, equity-based incentive awards.

**Base Salary.** The base salary of each executive officer is determined at levels considered appropriate, given available information for comparable positions at other companies. The Company's objective is to provide base salary levels that are competitive with salaries offered at other companies in the markets where the Company competes for talent.

Variable Incentive Awards. The Company has adopted an incentive award program to provide a portion of the annual compensation of each executive officer in variable incentive awards. Performance based bonuses may be awarded, at the discretion of the Board, to an executive officer when his/her performance, as measured against specific objectives, is meritorious.

Long-Term, Equity-Based Incentive Awards. The goal of the Company's long-term, equity-based incentive awards is to align the interests of the executive officers with shareholders and to provide each executive officer with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business through the award of options. The Committee determines the size of long-term, equity based incentives according to each executive's position within the Company and sets a level it considers appropriate to create a meaningful opportunity for stock ownership. In addition, the Committee takes into consideration an individual's recent performance, his or her potential for future responsibility and promotion, and the number of vested options held by each individual at the time of the new grant. The relevant weight given to each of these factors varies among individuals at the Committee's discretion.

CEO Compensation. The Board established Mr. Howe's annual base salary and incentive compensation in December 1999. For the three calendar years 2000 through 2002 Mr. Howe received no increases in compensation, during which time the Committee was able to assess his performance from the perspective of the type of company, management team, and customer relationships he was establishing for the long-term success of Catuity. Effective January 1, 2003, as described in this proxy statement, the Board is recommending that the shareholders approve amendments to Mr. Howe's employment agreement. In determining the changes in Mr. Howe's compensation and his amended employment agreement, the Committee considered Mr. Howe's performance in the three years he has been the President and CEO of the Company, the Company's financial performance in very difficult market conditions relative to the performance of other U.S. technology companies over the same period, customer relationships established during the three years and their potential for future revenue to the Company, Mr. Howe's stature within the payment and loyalty industries in which the Company competes, and information available regarding the compensation levels of other Presidents and CEOs with similar responsibilities as Mr. Howe's. Due to the significant declines in the U.S. stock markets throughout the three year period, and particularly in the technology sector, the Committee determined that the options awarded to Mr. Howe in January 2000 no longer aligned Mr. Howe's interests to those of the shareholders in the manner the options originally were intended. Finally, it determined that a salary increase averaging approximately seven percent per year was within the increases other Presidents and CEOs received during the three year period of Mr. Howe's employment.

Mr. Howe does not participate in the discussions or determination of his own compensation.

Chairman Compensation. The Board approved the employment agreement of Mr. MacSmith in June 2001 and received shareholder approval in 2002. The agreement remained in effect during the period January 1 through December 31, 2002. On May 1, 2002 Mr. MacSmith received the salary increase specified in his employment agreement. In establishing Mr. MacSmith's compensation, the Committee considered the level of his involvement with the Company and his overall performance. A substantial portion of his total compensation, in the form of stock option grants, is tied to the Company's performance and stock price appreciation in order to align the goals of the chairman with the long-term interests of shareholders.

Mr. MacSmith does not participate in the discussions or determination of his own compensation.

Submitted by the Compensation Committee  
Alan L. Gilman -- Chairman  
David L. MacSmith  
Michael V. Howe  
Alexander S. Dawson

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#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee of the Board of Directors for the 2002 fiscal year are:

Alan L. Gilman - Chairman  
David L. MacSmith  
Michael V. Howe  
Alexander S. Dawson

No executive officer of Catuity has served on the Board of Directors or compensation committee of any other entity that has, or has had, one or more

# SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

## EXECUTIVE COMPENSATION

The following tables provide certain summary information concerning compensation and stock options for our Chief Executive Officer and the four most highly compensated named executive officers that earned more than \$100,000 (salary and bonus) for all services rendered in all capacities to Catuity during the year ended December 31, 2002.

### SUMMARY COMPENSATION TABLE

<TABLE>

<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$ (2))	OPTIONS (#)
<S>	<C>	<C>	<C>	<C>	<C>
Michael V. Howe.....	2002	232,000	60,000	-0-	-0-
President and CEO	2001	240,000	60,000	-0-	-0-
	2000	240,000	60,000	-0-	315,000
David L. MacSmith(1).....	2002	233,305	-0-	5,163	-0-
Chairman	2001	201,761	-0-	4,461	100,000
	2000	156,263	-0-	4,450	-0-
John H. Lowry III (3).....	2002	150,000	20,000	-0-	-0-
Vice President -- Finance and	2001	150,000	10,000	-0-	-0-
Administration	2000	99,000	-0-	-0-	150,000
Jonathan R.E. Adams (3).....	2002	136,250	-0-	-0-	-0-
Vice President - Corporate Development	2001	125,000	-0-	-0-	-0-
	2000	125,000	-0-	-0-	50,000
Anthony B. Garton (1)(3).....	2002	124,250	3,039	5,163	-0-
Vice President- Product Development	2001	85,527	-0-	4,461	20,000
and Implementation	2000	94,238	-0-	3,687	7,500

</TABLE>

(1) Salary amounts have been translated from Australian dollars at the average exchange rate for each year. The exchange rates were .544, .5182 and .5828, for the years 2002, 2001, and 2000 respectively.

(2) Includes Australian Superannuation Guarantee Levy, a compulsory payment that funds retirement benefits.

(3) A portion of the executive officers 2002 salary was used to purchase the Company's stock under an executive stock purchase plan. The shares were purchased at market price, therefore, no additional compensation resulted.

## OPTION GRANTS IN LAST FISCAL YEAR (INDIVIDUAL GRANTS)

<TABLE>

<CAPTION>

NAME AND PRINCIPAL POSITION	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE (\$/SH)	EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>
Michael V. Howe.....	-0-	--	--	--
President and CEO				
David L. MacSmith.....	-0-	--	--	--
Chairman				
John H. Lowry III.....	-0-	--	--	--
Vice President -- Finance and				
Administration				
Anthony B. Garton.....	-0-	--	--	--
Vice President - Product Development				

and Implementation

Jonathan R.E. Adams..... -0- -- -- --  
Vice President - Corporate Development  
</TABLE>

AGGREGATED OPTIONS EXERCISED IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION  
VALUES

<TABLE>  
<CAPTION>

NAME AND PRINCIPAL POSITION	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (2)	NUMBER OF UNEXERCISED OPTIONS AT FY-END EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END (1) EXERCISABLE/UNEXERCISABLE
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Michael V. Howe..... President and CEO	-0-	-0-	219,000/96,000	\$0/\$0
David L. MacSmith..... Chairman	-0-	-0-	188,000/12,000	\$0/\$0
John H. Lowry III..... Vice President -- Finance and Administration	-0-	-0-	100,000/50,000	\$0/\$0
Anthony B. Garton..... Vice President Product Development and Implementation	-0-	-0-	27,500/0	\$0/\$0
Jonathan R.E. Adams..... Vice President -- Corporate Development	-0-	-0-	20,000/30,000	\$0/\$0

</TABLE>

(1) Based on the closing price per share of common stock on the Nasdaq small cap market on the last day of 2002, less the option exercise price payable per share.

(2) Based upon the market price of the purchased shares on the exercise date less the option exercise price paid for such shares.

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TEN-YEAR OPTION REPRICINGS

<TABLE>  
<CAPTION>

NAME AND PRINCIPAL POSITION	DATE	SECURITIES UNDERLYING OPTIONS REPRICED (#)	MARKET PRICE OF STOCK AT TIME OF REPRICING (\$)	EXERCISE PRICE AT TIME OF REPRICING (\$)	NEW EXERCISE PRICE (\$)	LENGTH OF ORIGINAL OPTION TERM REMAINING AT REPRICING
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Michael V. Howe President and CEO	1/2/2003	100,000	\$2.20	\$9.50	\$2.64	6 YRS.

<TABLE>  
<CAPTION>

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
-----	-----	-----	-----
	(a)	(b)	(c)
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	1,026,325	\$6.91	468,675
Equity compensation plans not approved by security holders	see footnote (2)		

</TABLE>

(1) Some options were issued with exercise prices denominated in Australian Dollars. These amounts have been exchanged to U.S. dollars at .565, the exchange rate on December 31, 2002.

(2) A total of 25,000 shares of our Common Stock are reserved for issuance under an Executive Stock Purchase Plan. The Plan provides a means for our executive employees, other than the Chairman and CEO, to invest a predetermined portion of their after tax cash compensation in shares of our Common Stock at the closing price of such shares on the last trading day of each month.

#### DIRECTOR COMPENSATION

During 2002, non-employee Directors received a \$10,000 annual retainer fee, paid in quarterly payments of \$2,500 following each calendar quarter, for serving on the Board. In addition, each Director receives a \$1,000 fee for each meeting attended during the year. A fee of \$5,000 per year is paid to the Chairperson of a committee and a fee of \$2,000 per year is paid to Board members who serve as committee members as part of Director Compensation. Under the Director Stock Option Plan, upon the date a person first becomes a member of the Board, the Director automatically receives a stock option to acquire 10,000 Catuity shares. In addition, on the last business day of September of every year, each Director then in office will receive a stock option to acquire 5,000 Catuity shares. The exercise price per share of any option is the fair market value on the date of grant.

#### EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, AND CHANGE IN CONTROL AGREEMENTS

Michael V. Howe. We entered into a five-year employment agreement with our President and Chief Executive Officer, Michael Howe, dated December 5, 1999. Under the agreement, Mr. Howe is entitled to receive a base salary of \$240,000 USD, which is subject to annual review for possible increase by the Board in conjunction with performance. Mr. Howe is also entitled to receive a performance-based bonus, which will be determined by the Board each year as part of the budget review.

Mr. Howe received options to purchase up to 315,000 shares of common stock, at an exercise price of \$9.50 USD, which vested 75,000 on commencement of employment and 12,000 at the end of each calendar quarter through the quarter ending December 31, 2004 contingent upon his continued employment at the quarter end. All options expire on the earlier of December 31, 2008 or the date six months after cessation of employment.

If we terminate the agreement without cause, Mr. Howe is entitled to one year's written notice. We have the right to pay one year's base salary to effect immediate termination. Mr. Howe may voluntarily terminate the agreement at any time provided we are given 6 months' advance written notice.

David L. MacSmith. We entered into a two-year employment agreement with our Chairman, David L. MacSmith, effective June 1, 2001. Under the agreement, Mr. MacSmith received a base salary of \$410,000AUD from June 1, 2001 to May 1, 2002 and a 10% increase on May 1, 2002. Mr. MacSmith is also entitled to payment by us of certain required Australian withholding amounts. Under the agreement Mr. MacSmith received 100,000 options at an exercise price of \$7.75 AUD. The options vest at a rate of 26,000 shares on June 1, 2001 and 26,000 on June 1, 2002. The remaining 48,000 options vest at the rate of 2,000 shares per month beginning July 1, 2001. Mr. MacSmith may terminate the agreement by giving six months' notice in writing. If a person or party gives notice of its intention to acquire, or acquires, more than 30% of the issued capital of the Company or any parent of the Company, all unvested shares and options will vest and Mr. MacSmith may terminate the agreement at any time within a period of six months following such event by giving three months' notice. We may terminate the agreement for cause or, if Mr. MacSmith becomes unable to perform his duties, or agreement has not been reached prior to June 1, 2003 on continued employment after the term. If we terminate the agreement, Mr. MacSmith must resign as a Director.

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Under a previous employment contract, entered into on May 1, 1995, Mr. MacSmith was entitled to the equivalent of 10% of any shares issued until the time we became listed on the Australian Stock Exchange. A loan from us was made available to acquire these shares. At December 31, 2002, this non-interest bearing loan to Mr. MacSmith, at the year ending foreign currency exchange rate, amounted to \$509,000 USD. Our recourse for repayment of the loan is limited to dividends and share sale proceeds. Mr. MacSmith may transfer shares subject to the loan to members of his family or entities controlled by one or more members of his family without any obligation to repay the loan. However, the sale, any transfer, or any disposal of the shares to any other person will trigger repayment of the loan applicable to such shares.

John H. Lowry III. We entered into a five-year employment agreement with our Chief Financial Officer, John Lowry, effective May 1, 2000. Under the agreement, Mr. Lowry is entitled to receive a base salary of \$150,000, which is

subject to annual review for possible increase by the President and CEO. Mr. Lowry is also entitled to receive a performance-based bonus, which will be determined by the Board each year as part of the budget review.

Mr. Lowry received options to purchase up to 150,000 shares of common stock, at an exercise price of \$7.68, which vested 50,000 on commencement of employment and 5,000 at the end of each calendar quarter through the quarter ending June 30, 2005 contingent upon his continued employment at the quarter end. All options expire on the earlier of December 31, 2008 or the date six months after cessation of employment.

If we terminate the agreement without cause, Mr. Lowry is entitled to nine months' written notice. We have the right to pay nine months' salary to effect immediate termination. Mr. Lowry may voluntarily terminate the agreement at any time provided we are given 4 months' advance written notice.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no reportable relationships or transactions entered into in 2002 between the Company and a Director, executive officer or person beneficially owning more than 5% of our common stock.

#### STOCK PERFORMANCE GRAPH

The graph depicted below shows the Company's stock price as an index assuming \$100 invested on May 24, 2000 (the date on which Catuity's shares became registered under Section 12 of the Exchange Act), along with the composite prices of companies listed on Nasdaq and Catuity's SIC Code Index.

#### [PERFORMANCE CHART]

<TABLE> <CAPTION>				
COMPANY/INDEX	5/24/2000	12/29/2000	12/31/2001	12/31/2002
<S>	<C>	<C>	<C>	<C>
Catuity Inc.	100.00	105.76	17.82	17.64
SIC Code Index	100.00	66.66	36.05	23.47
NASDAQ Market Index	100.00	72.57	57.85	40.35
</TABLE>				

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate future filings made by the Company under those statutes, the preceding Compensation Committee Report and the Company Stock Performance Graph will not be incorporated by reference into any of those prior filings, nor will such report or graph be incorporated by reference into any future filings made by the Company under those statutes.

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#### SHAREHOLDER PROPOSALS FOR 2003 PROXY STATEMENT

The Company must have received any shareholder proposal that a shareholder intends to be presented at the Company's Annual Meeting of Shareholders to be held in 2003 no later than December 18, 2002 in order to be included in the proxy statement and related proxy materials. We did not receive any such proposals by the due date. A date for submission of proposals for our 2004 annual meeting will be established when we mail materials to shareholders for the 2003 meeting.

#### FORM 10-K

THE COMPANY WILL MAIL WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001, INCLUDING THE FINANCIAL STATEMENTS, SCHEDULES, AND LIST OF EXHIBITS. REQUESTS SHOULD BE SENT TO CATUITY INC., 2711 E. JEFFERSON AVE, DETROIT, MICHIGAN 48207, ATTN: INVESTOR RELATIONS.

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#### OTHER MATTERS

The Board knows of no other matters to be presented for Shareholder action at the Special Meeting. However, if other matters do properly come before the



Special Meeting or any adjournments or postponements thereof, the Board intends that the persons named in the proxies will vote upon such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ John H. Lowry  
JOHN H. LOWRY III  
Secretary

Dated: February 3, 2003

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#### APPENDIX A

##### CATUITY INC. 2003 EXECUTIVE DIRECTOR STOCK PURCHASE PLAN

**PURPOSE.** The purpose of the Catuity Inc. 2003 Executive Director Stock Purchase Plan (the "Plan") is to provide a direct means for any Directors who are also executives of Catuity Inc. (the "Company") to use a portion of their cash compensation to purchase shares of common stock (the "Stock") of the Company, at the market price thereof.

**COMMITTEE TO ADMINISTER PLAN.** The Compensation Committee of the Board of Directors of the Company (the "Committee") shall administer the Plan. The Committee may establish from time to time such regulations, provisions and procedures, within the terms of the Plan, as in the opinion of its members may be advisable in the administration of the Plan. The interpretation and construction by the Committee of any provisions of the Plan shall be final unless otherwise determined by the Board of Directors. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan.

**ELIGIBILITY.** Participation under the Plan shall be open only to Executive Directors (the "Eligible Executives") of the Company. No purchase rights shall be granted under the Plan to any person who is not an Eligible Executive.

**STOCK AVAILABLE FOR PLAN.** Purchase of Stock pursuant to and on behalf of this Plan for delivery under this Plan shall be made out of the Company's presently or hereafter authorized but unissued Stock. The maximum number of shares of Stock that may be purchased under the Plan is 100,000 shares and in no event may the number of shares be increased without shareholder approval.

**EFFECTIVE DATES.** This Plan shall become effective on the date it is approved by the Company's shareholders. The first Purchase Period under the Plan shall be the date of shareholder approval. The next Purchase Period shall commence on the day after shareholder approval and end on the last trading date of that month. Thereafter, and as long as the Plan remains in effect, a new Purchase Period shall commence on the first day of each calendar month and end on the last trading day of each such month. For purposes of the first Purchase Period, Eligible Executives shall be able to purchase shares with payroll deductions voluntarily foregone prior to the Plan's approval.

**PARTICIPATION.** An Eligible Executive at or prior to the first day of any Purchase Period may become a Participant as of such date by, prior to such date, completing and forwarding a payroll deduction authorization form (the "Authorization") to the Chief Financial Officer. The Authorization will direct a regular payroll deduction from the Participant's compensation to be made on each of the Participant's pay dates occurring during each Purchase Period in which he or she is a Participant.

**PAYROLL DEDUCTIONS AND LUMP SUM PAYMENTS.** The Company and its Participating Subsidiaries will maintain payroll deduction accounts for all of the Participants. Payments made by Participants by payroll deduction shall be credited to the Participant's Stock Purchase Account (the "Purchase Account"). No amounts other than payroll deductions authorized under this Plan may be credited to a Participant's Purchase Account. A Participant may authorize a payroll deduction in any amount not less than \$10 for each pay date, but not more than a maximum of twenty percent (20%) of the Participant's net earnings payable as wages, salary, and bonus compensation, after withholding or other deductions ("Net Earnings"), with respect to which payments are to be made to him or her by the Company or the Participating Subsidiary on such pay date. The Committee, in its discretion, may vary

the Purchase Period and the payroll deduction period of Eligible Executives in a manner necessary or convenient for participation in the Plan by Eligible Executives of a Participating Subsidiary, and the Committee shall have the authority to establish the terms and conditions of participation in the Plan by Eligible Executives of a Foreign Participating Subsidiary, provided that such terms and conditions are not materially inconsistent with the Plan.

**CHANGES IN PAYROLL DEDUCTION.** Payroll deductions shall be made for each Participant in accordance with the Participant's Authorization and shall continue until the Participant's participation terminates, the Authorization is revised or the Plan terminates. A Participant may, as of the beginning of any Purchase Period, increase or decrease the Participant's payroll deduction by filing a new Authorization three months prior to the beginning of such Purchase Period.

**TERMINATION OF PARTICIPATION; WITHDRAWAL OF FUNDS.** A Participant may for any reason at any time on written notice given to the Company prior to the Participant's last pay date in any Purchase Period elect to terminate his or her participation in the Plan and permanently draw out the balance accumulated in his or her Purchase Account (except for amounts foregone prior to the date of shareholder approval of the Plan, which are not payable to the Participants other than via shares under this Plan). Upon any termination by a Participant of participation, he or she shall cease to be a Participant, his or her Authorization shall be revoked insofar as subsequent payroll deductions are concerned, and the amount to his or her credit in his or her Purchase Account, and not previously used to purchase Stock theretofore under the Plan, as well as any unauthorized payroll deductions made after such revocation, shall be promptly refunded to the former Participant. Partial withdrawals of funds will not be permitted.

**PURCHASE OF SHARES.** Each Participant during each Purchase Period under this Plan will as of the "Purchase Date" (as herein defined) purchase as many whole shares of Stock as may be purchased with the funds then in his or her Purchase Account. This purchase shall be automatically made as provided in this Section unless the Participant terminates participation as provided in Section 9. The purchase price for each share of Stock purchased shall be the fair market value of a share of Stock on the "Purchase Date" (as herein defined). For purposes of this Plan, fair market value shall be the closing price on the Nasdaq or Australian Stock Exchange on the "Purchase Date" unless amended by the Committee as provided for herein. The first "Purchase Date" shall be the date of shareholder approval (as to amounts foregone and deferred prior to such date). Thereafter, the Purchase Dates shall be the last trading day of each Purchase Period. If, as of each Purchase Date, the Participant's Purchase Account contains funds, the Participant shall purchase the maximum whole number of shares possible with the Purchase Account funds at the purchase price. The Participant's Purchase Account shall be charged for the amount of the purchase, and a stock certificate shall be issued or an entry shall be made to the Participant's account maintained by the Company's transfer agent. Any residual balance, insufficient to purchase a whole share, which remains in the Purchase Account shall be used in the subsequent purchase period to purchase shares. As of each subsequent Purchase Date when funds have again accrued in the Participant's Purchase Account, shares will be purchased in the same manner.

**REGISTRATION OF CERTIFICATES.** Upon the request of a Participant during participation in the Plan, and upon a Participant's termination of participation, a stock certificate representing the full number of shares of Stock owned by such Participant under the Plan, if not previously issued, shall be issued and delivered to the Participant. Certificates may be registered only in the name of the Participant or the names of the Participant and his or her spouse.

**RIGHTS ON RETIREMENT, DEATH, OR TERMINATION OF EMPLOYMENT.** In the event of a Participant's retirement, death or termination of employment, no payroll deduction shall be taken from any pay due and owing to a Participant at such time and the balance in the Participant's Purchase Account shall be paid to the Participant or, in the event of the Participant's death, to the Participant's estate.

**RIGHTS NOT TRANSFERABLE.** Rights under this Plan are not transferable by a Participant and are exercisable only by the Participant during his or her lifetime.

**APPLICATION OF FUNDS.** The Company or such Participating Subsidiary may use all funds received or held by the Company or a Participating Subsidiary under this Plan for any corporate purpose.

**AMENDMENT OF THE PLAN.** The Board of Directors of the Company may at any time, or from time to time, amend this Plan in any respect, except that, without

shareholder approval, no amendment shall be made increasing the number of shares approved for this Plan (other than as provided in Section 4).

TERMINATION OF THE PLAN. Unless sooner terminated as hereinafter provided, this Plan shall terminate on August 31, 2004. The Company may, by action of its Board of Directors, terminate the Plan at any time. Notice of termination shall be given to all then Participants, but any failure to give such notice shall not impair the termination. Upon termination of the Plan, all amounts in Purchase Accounts of Participants shall be promptly refunded.

GOVERNMENTAL REGULATIONS. The Company's obligation to sell and deliver Stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such Stock. If at any time shares of Stock deliverable hereunder are required to be registered or qualified under any applicable law, or delivery of such shares is required to be accompanied or preceded by a prospectus or similar circular, delivery of certificates for such shares may be deferred for a reasonable time until such registrations or qualifications are effected or such prospectus or similar circular is available.

<TABLE>  
<CAPTION>  
<S><C>

CATUITY INC.  
ARBN 089 327 882

Mark this box with an "X" if you have made any changes  
to your name or address details (see reverse) [X]

[BAR CODE]  
000001  
MR JOHN SMITH  
FLAT 123  
123 SAMPLE STREET  
SAMPLEVILLE VIC 3030

CAT

PROXY FORM  
ALL CORRESPONDENCE TO:  
Computershare Investor Services Pty Limited  
GPO Box 7045 Sydney  
New South Wales 1115 Australia  
Enquiries (within Australia) 1300 855 080  
(outside Australia) 61 3 9615 5970  
Facsimile 61 2 8234 5050  
www.computershare.com

Securityholder Reference Number (SRN)

[BAR CODE]

APPOINTMENT OF PROXY  
I/We being a member/s of the Catuity Inc. and entitled to attend and vote hereby appoint

| 1234567890 | ND

[X] the Chairman  
of the Meeting, OR  
(mark with an "X")

Write here the name of the person you are  
appointing if this person is someone other  
than the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Special Meeting of Catuity Inc. to be held at AAP Theatre, AAP Centre, 259 George Street, Sydney NSW 2000 on Thursday 20 March 2003 at 9:30am and at any adjournment of that meeting.

IMPORTANT  
TO ENSURE YOUR PROXY VOTES COUNT, YOU SHOULD MARK THIS BOX.

[X] By marking this box, when you have not directed your proxy how to vote below, you acknowledge that the Chairman of the Meeting (whether nominated or by default), acting as your proxy, may exercise your undirected proxy votes even if he has an interest in the outcome of each resolution which carries a voting exclusion, and that votes casts by him, other than as a proxyholder, will be disregarded because of those interests. The Chairman of the Meeting intends to vote undirected proxies in favour of each such resolution. If you direct your proxy how to vote, it is not necessary to mark this box.

VOTING DIRECTIONS TO YOUR PROXY - PLEASE MARK [X] TO INDICATE YOUR DIRECTIONS

FOR AGAINST ABSTAIN\*  
1. To approve a sale of shares

to Mr D P F Mount [ ] [ ] [ ]

2. To approve an amendment to the executive employment agreement of Mr M V Howe [ ] [ ] [ ]
3. To approve the Catuity Inc. 2003 Executive Director Stock Purchase Plan [ ] [ ] [ ]

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll, or if your voting entitlement cannot be voted by the Chairman of the Meeting, your votes will not be counted in computing the required majority on a poll.

#### APPOINTING A SECOND PROXY

I/We wish to appoint a second proxy

[X] Mark with an "X" if you wish to appoint a second proxy. AND \_\_\_\_\_ % OR \_\_\_\_\_ State the percentage of your rights or the number of securities for this Proxy Form.

AUTHORIZED SIGNATURE/S This section MUST be signed in accordance with the instructions overleaf to enable your directions to be implemented.

INDIVIDUAL OR SECURITYHOLDER 1	SECURITYHOLDER 2	SECURITYHOLDER 3
-----	-----	-----
-----	-----	-----
INDIVIDUAL/SOLE DIRECTOR AND SOLE COMPANY SECRETARY	DIRECTOR	DIRECTOR/COMPANY SECRETARY

-----	-----	-----/-----/-----
CONTACT NAME	CONTACT DAYTIME TELEPHONE	DATE

C A T 7 P R

#### HOW TO COMPLETE THE PROXY FORM

- 1 YOUR NAME AND ADDRESS  
This is your name and address as it appears on the share register of Catuity Inc.. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. PLEASE NOTE, YOU CANNOT CHANGE OWNERSHIP OF YOUR SECURITIES USING THIS FORM.
- 2 APPOINTMENT OF A PROXY  
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy need not be a securityholder of Catuity Inc..
- 3 VOTES ON ITEMS OF BUSINESS  
You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy will vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.
- 4 APPOINTMENT OF A SECOND PROXY  
If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the share registry of Catuity Inc. or you may copy this form.

To appoint a second proxy you must:

- indicate that you wish to appoint a second proxy by marking the box.
- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form.
- return both forms together in the same envelope.

5 AUTHORIZED SIGNATURE(S)

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s204A of the Corporations Act 2001. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the share registry of Catuity Inc..

#### LODGEMENT OF A PROXY

This Proxy Form (and any Power of Attorney under which it is signed) must be received not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

#### DOCUMENTS MAY BE LODGED :

- - By posting, delivery or facsimile to the Company's share registry at the address opposite, or
- - By delivery or facsimile to the Registered Office of Catuity Inc being Level 4 Ballarat House

68-72 Wentworth Avenue  
Surrey Hills NSW 2010 Australia  
Facsimile : 61 2 92811242

Catuity Inc. share registry  
Computershare Investor Services Pty Limited  
GPO Box 7045  
Sydney New South Wales 1115  
Australia  
Facsimile 61 2 8234 5050

#### PROXY - CATUITY, INC.

LEVEL 4 BALLARAT HOUSE  
68-72 WENTWORTH AVE.  
SURREY HILLS, NSW 2010 AUSTRALIA

2711 E. JEFFERSON AVE.  
DETROIT, MI 48207 USA

#### MEETING DETAILS

AAP THEATRETTE, AAP CENTRE, 259 GEORGE STREET, SYDNEY, NSW 2000 AUSTRALIA

PROXY SOLICITED BY BOARD OF DIRECTORS FOR SPECIAL MEETING - MARCH 19, 2003 AT 7:30 P.M. EASTERN DAYLIGHT TIME IN THE UNITED STATES  
MARCH 20, 2003 AT 9:30 A.M. AUSTRALIAN EASTERN STANDARD TIME

David L. MacSmith and Michael V. Howe, or one of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Special Meeting of Shareholders of Catuity, Inc. to be held on March 19, 2003 at 7:30 p.m. Eastern Daylight Time in the United States and March 20, 2003 at 9:30 a.m. Australian Eastern Standard Time or at any postponement or adjournment thereof.

SHARES REPRESENTED BY THIS PROXY WILL BE VOTED BY THE SHAREHOLDER. IF NO SUCH DIRECTIONS ARE INDICATED, THE PROXIES WILL HAVE AUTHORITY TO VOTE FOR APPROVAL OF THE SHARE SALE IN ITEM 1, FOR THE AMENDMENT TO THE EXECUTIVE EMPLOYMENT AGREEMENT OF M. V. HOWE IN ITEM 2 AND FOR APPROVAL OF THE 2003 EXECUTIVE DIRECTOR STOCK PURCHASE PLAN IN ITEM 3.

IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

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CATUITY, INC.

MR A SAMPLE  
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an X inside the grey areas [X]  
this example.

Mark this box with an X if you have made changes  
[ ] to your name or address details above. as shown in

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ANNUAL MEETING PROXY CARD  
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A. The Board of Directors recommends a vote FOR the following proposals.

	FOR	AGAINST	ABSTAIN
1. Approve share sale to D. P. F. Mount.	[ ]	[ ]	[ ]
2. Approve agreement amendment for M. V. Howe.	[ ]	[ ]	[ ]
3. Approve Executive Director Stock Purchase Plan.	[ ]	[ ]	[ ]

B. AUTHORIZED SIGNATURES - SIGN HERE - THIS SECTION MUST BE COMPLETED FOR YOUR INSTRUCTIONS TO BE EXECUTED.  
NOTE: Please sign your name(s) EXACTLY as your name(s) appear(s) on this proxy. All joint holders must sign. When signing as attorney, trustee, executor, administrator, guardian or corporate officer, please provide your FULL title.

Signature 1 - Please keep signature within the box	Signature 2 - Please keep signature within the box	Date (dd/mm/yyyy)
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