EVOLVING SYSTEMS INC
Form DEF 14A
April 14, 2008

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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

EVOLVING SYSTEMS, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 10, 2008

To the Stockholders of Evolving Systems, Inc.:

You are invited to attend the annual meeting of the stockholders of Evolving Systems, Inc. which will be held at 9:00 a.m. local time at the Company s headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on June 10, 2008.

At the meeting, you will be asked to act on the following matters:

1. election of three directors to serve for a term of three years;

2. the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm to audit the consolidated financial statements of Evolving Systems for its fiscal year ending December 31, 2008; and

3. such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The Proxy Statement accompanying this Notice describes these items more fully.

Only holders of record of shares of Evolving Systems common stock at the close of business on April 14, 2008 are entitled to vote at the meeting or any postponements or adjournments of the meeting.

YOUR VOTE IS IMPORTANT. PLEASE READ THE PROXY STATEMENT AND VOTE BY FOLLOWING THE VOTING INSTRUCTIONS SENT TO YOU.

By order of the Board of Directors,

Englewood, Colorado	Anita T. Moseley
April 15, 2008	*Secretary*

9777 Pyramid Court, Suite 100
Englewood, Colorado 80112

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
June 10, 2008

This proxy statement contains information related to the annual meeting of stockholders of Evolving Systems, Inc. which will be held at 9:00 a.m. local time at the Company s headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on June 10, 2008, and any postponements or adjournments thereof. Evolving Systems first mailed, or made available on the Internet, these proxy materials to stockholders on or about April 18, 2008. In this proxy statement, Company, Evolving Systems, we, us, and our each refer to Evolving Systems, Inc. and its subsidiaries.

ABOUT THE PROXY MATERIALS

We are pleased to take advantage of the new Securities and Exchange Commission (SEC) rules that allow issuers to provide proxy materials to stockholders on the Internet. We will be able to provide our stockholders with the information they need, while lowering the cost of the delivery of materials and reducing the environmental impact of printing and mailing hard copies.

Only holders of record of shares of Evolving Systems common stock at the close of business on April 14, 2008, the record date, are entitled to vote at the meeting or any postponements or adjournments of the meeting. As of the record date, Evolving Systems had 19,373,507 shares of common stock outstanding. The presence at the meeting of a majority of the outstanding shares, in person or by proxy relating to any matter to be acted upon at the meeting, is necessary to constitute a quorum for the meeting. Each outstanding share of common stock is entitled to one vote.

The cost of solicitation of the proxies will be paid by Evolving Systems. Officers, directors and regular employees of Evolving Systems, without additional compensation, also may solicit proxies by further mailing, by telephone or personal conversations. Evolving Systems has no plans to retain any firms or otherwise incur any extraordinary expense in connection with the solicitation.

The proxy materials include:

- Our proxy statement for the Annual Meeting; and
- Our 2007 Annual Report to Stockholders, which includes our audited consolidated financial statements.

If you are a holder of record, or if you requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting.

As permitted by the new SEC rules, we are also sending a Notice of Internet Availability of Proxy Materials (the Notice) to the beneficial owners of our stock. All beneficial owners will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, beneficial owners may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

The Notice will provide you with instructions regarding how to:

- View our proxy materials for the Annual Meeting on the Internet; and

- Instruct us to send our future proxy materials to you electronically by email.

Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual stockholders meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

If you are a holder of record (that is, if your shares are registered in your own name with our transfer agent), we have furnished to you the proxy materials, including the enclosed proxy card. You may vote by mail, telephone, on the Internet, or by attending the meeting and voting in person.

If you hold your shares in street name (that is, you hold your shares through a broker, bank or other holder of record), please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

The Board recommends stockholders vote FOR all proposals. Unless you instruct otherwise on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. Specifically, the Board s recommendations are set forth below. In summary, the Board recommends a vote:

- **FOR** the election of the nominated slate of directors; and

- **FOR** the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm to audit the consolidated financial statements of Evolving Systems for our fiscal year ending December 31, 2008.

The proxy holders will vote as recommended by the Board of Directors with respect to any other matter that properly comes before the Annual Meeting, including any postponements or adjournments thereof. If the Board of Directors on any such matter gives no recommendation, the proxy holders will vote in their own discretion.

After you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Secretary of Evolving Systems either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and request to recast your vote. Attendance at the Annual Meeting will not, by itself, revoke a previously granted proxy.

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (*e.g.*, brokers) to satisfy the delivery requirements for proxy statements with respect to two or more security holders sharing the same address by delivering a single proxy statement addressed to those security holders. This process, which is commonly referred to as householding, potentially means extra convenience for security holders and cost savings for companies.

This year, a number of brokers with account holders who are Evolving Systems stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker, direct your written request to Evolving Systems, Inc., Anita T. Moseley, Secretary, 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, or contact Anita T. Moseley at 303-802-1000.

Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

We encourage you to access and review all of the important information contained in the proxy materials before voting.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Our certificate of incorporation and bylaws provide that the Board of Directors is divided into three (3) classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with each class having a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the Board of Directors) will serve for the remainder of the full term of the class of directors in which the vacancy occurred and until the director s successor is elected and qualified.

We increased our Board of Directors from five (5) to seven (7) members in June 2007. In addition, in February 2008 we entered into a Standstill Agreement (the Standstill Agreement) with Karen Singer, Trustee of the Singer Children s Management Trust (the Singer Trust) in which we agreed to increase the size of our Board of Directors from seven (7) to nine (9) members and to appoint two persons nominated by the Singer Trust (the Singer Nominees) to serve in those positions, provided those individuals satisfied Nasdaq s current listing standards for independence and the Singer Nominees were qualified and acceptable to serve as directors of the Company.

Under the Standstill Agreement, for a period of 18 months following the appointment of the Singer Nominees (the Standstill Period) the Singer Trust and its affiliates agreed they:

- would not nominate (other than the Singer Nominees) or oppose directors for election at any Annual Meeting of Stockholders of the Company;
- would vote all shares owned by any of them (collectively, the Shares) as of the record date, to be present for quorum purposes; and
- for any meeting of stockholders of the Company at which directors are to be elected, they would vote all Shares as of the record date in favor of the Company s nominees for directors.

Pursuant to the Standstill Agreement, on March 31, 2008, our Board of Directors adopted a resolution to increase the size of the Board from seven (7) to nine (9) members and we appointed David S. Oros and Richard R. Ramlall as Directors. Mr. Oros was appointed to the Class of Directors whose term expires in 2008 and the Board has nominated him for re-election as described below. Mr. Ramlall was appointed to the Class of Directors whose term expires in 2010.

Six (6) of the Directors (Messrs. Armstrong, Neches, Nicol, Oros, Ramlall and Warnecke) are independent under Nasdaq s current listing standards. Mr. Dupper, who is the Company s Chief Executive Officer and President, Mr. Gartside, who was an executive officer of the Company until April 2, 2007, and Mr. Hallenbeck, who was an executive officer of the Company until September 2, 2005, are not considered independent under Nasdaq s current listing standards.

There are three (3) Directors, Thaddeus Dupper, David S. Oros and Steve B. Warnecke, whose terms of office expire in 2008. The Board has nominated Messrs. Dupper, Oros and Warnecke for re-election. Proxies cannot be voted for a greater number of persons than the number of nominees named. If elected at the Annual Meeting, each of the nominees would serve until the 2011 annual meeting and until his successor is elected and has qualified, or until such director s earlier death, resignation or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as management may propose. The persons nominated for election have agreed to serve if elected, and management has no reason to believe that the nominees will be unable to serve.

Set forth below is biographical information for the persons nominated and each person whose term of office as a director will continue after the Annual Meeting. Ages are as of April 14, 2008, the record date.

Vote Required and Recommendation of Board of Directors

The election of directors is a routine matter for brokers that hold their clients shares in street name. If a quorum is present and voting, the three nominees receiving the highest number of votes will be elected to the board of directors. Abstentions and broker non-votes will not be counted in the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH NAMED NOMINEE.

Nominees for Election for a Three Year Term Expiring at the 2011 Annual Meeting

Thaddeus Dupper

Thaddeus Dupper, 51, was named President of the Company on January 1, 2007, and assumed the additional position of Chief Executive Officer on April 2, 2007. He became a member of the Board of Directors in June 2007. He joined the Company in February 2004 as Vice President of Sales and Business Development. In January 2005 he was promoted to Executive Vice President of Worldwide Sales & Marketing. Before joining Evolving Systems, Mr. Dupper was Vice President of Sales and Marketing from October 2002 until February 2004 with Expand Beyond, a wireless software company. Prior to that, Mr. Dupper was Vice President of International Sales for Terabeam, a technology development and service provider that deploys Metropolitan Area Networks using Gigabit Ethernet, IP and Free Space Optics, from June 2000 until September 2002. In addition, he served as Senior Vice President of Valued-Added Products and Professional Services at Dun & Bradstreet, a global provider of company credit reports, from January 1998 until May of 2000. Mr. Dupper was an early member of the Teradata management team where he held a variety of sales and sales management positions from 1985 until 1997. Mr. Dupper began his career at Amdahl Corporation as a systems engineer from 1979 until 1985. Mr. Dupper received a B.S. degree in Computer Information Systems from Manhattan College.

David S. Oros

David S. Oros, 47, joined the Company s Board of Directors in March 2008. Since 2006, Mr. Oros has served as Chairman of NexCen Brands, Inc. (Nasdaq: NEXC), a leading vertically integrated brand acquisition and management firm focused on brand management. Mr. Oros is also Chairman of Surroundart, a full service fine arts company. From 1996 to 2006, Mr. Oros was the Chairman and CEO of Aether Systems, Inc., a leading provider of wireless and mobile data solutions for the transportation, fleet management and public safety industries. From 1994 until 1996, Mr. Oros was President of NexGen Technologies, L.L.C., a wireless software development company. From 1992 until 1994, he was President of the Wireless Data Group at Westinghouse Electric. Prior to that, from 1982 until 1992 Mr. Oros was at Westinghouse Electric directing internal research and managing large programs in advanced airborne radar design and development. Mr. Oros received a B.S. in mathematics and physics from the University of Maryland, and holds a U.S. patent for a multi-function radar system. Mr. Oros currently serves on the board of directors for the University of Maryland School of Nursing, Baltimore s Port Discovery Children s Museum, and on the board of trustees for the University of Maryland Baltimore Foundation, Inc. Mr. Oros is also a managing partner for Global Domain Partners, LLC.

Steve B. Warnecke

Steve B. Warnecke, 51, joined the Company s Board of Directors in March 2003. He is currently the Chief Financial Officer of The Children s Hospital Foundation, a Colorado not-for-profit foundation, Chief Executive Officer of Children s Partners Foundation and serves on the Board of Directors of the Cystic Fibrosis Foundation and Boppy Company, a private company that sells baby products. In 1983, Mr. Warnecke founded and he remains President of Children s Business Partners, Inc., a venture capital company. He is also CEO and majority owner of Sixty-Five Roses Ranch, Inc. In addition, from August 2001 through January 2002, Mr. Warnecke served as Senior Vice President Strategic Planning for First Data Corp. s Western Union subsidiary. From August 1999 through June 2001 Mr. Warnecke served as Chief Financial Officer for Denver based Frontier Airlines. Mr. Warnecke holds a B.B.A. from the University of Iowa and passed the C.P.A. exam in 1979.

Directors Continuing in Office until the 2009 Annual Meeting

Bruce W. Armstrong

Bruce W. Armstrong, 46, joined our Board of Directors in June 2007. He previously served as President and CEO of publicly-traded KNOVA Software (KNVS) from February 2005 to March 2007. KNOVA Software was acquired by Consona CRM in March 2007. From November 2002 to February 2005, Mr. Armstrong served as President and CEO of privately-held Kanisa, a leading provider of customer service, self-service and intelligent search applications. From March 2000 to August 2002, Mr. Armstrong was a partner at Internet Capital Group (ICGE). Prior to March 2000, Mr. Armstrong was President and CEO of CMPnet; EVP of Sales & Marketing at Broadbase Software (now KANA); and VP & GM of the Server Products Group at Sybase. Mr. Armstrong started his career in June 1985 at Teradata Corporation, where he was named to lead the Enterprise Solutions Division after the company was acquired by AT&T/NCR. Mr. Armstrong has served on the boards of several private companies and currently serves on the boards of ITM Software, a leading provider of IT business management software, and The Bay School of San Francisco, an independent, coeducational college preparatory high school located in the Presidio of San Francisco. He holds a Bachelor s Degree in Computer Science from the University of California at Berkeley.

George A. Hallenbeck

George A. Hallenbeck, 66, was a founder of the Company in June 1985 and has been a member of the Board of Directors since that time. He served as Chairman of the Board of Directors from June 1985 until April 1, 2007. Mr. Hallenbeck served as the Company s Chief Executive Officer from June 1985 until December 1996; he resumed the position as Chief Executive Officer in October 1998 until December 2003. In January 2004, Mr. Hallenbeck resigned as Chief Executive Officer and became the Company s Chief Technology Officer, a position he held until September 2, 2005. Mr. Hallenbeck received a B.A. from the University of Colorado.

David J. Nicol

David J. Nicol, 62, became a member of the Board of Directors in March 2004. Since December 2005 he has served as Executive Vice President and Chief Financial Officer for Solutionary, an IT security services provider. From 2001 to the end of 2003, Mr. Nicol served as Sr. Vice President of Product Management and Development for VeriSign Communications Services. VeriSign provides signaling, intelligent network services and related e-commerce solutions to all service provider segments of the communications industry. Prior to VeriSign s acquisition of Illuminet, Inc. in 2001, Mr. Nicol held the same position at Illuminet since 1999. In those capacities, Mr. Nicol was responsible for product management, product development, application support, and business development for network services, IN services, clearinghouse services, CALEA compliance services and wireless services. Prior to 1999, Mr. Nicol held the positions of Vice President of Business Development for ITN, Chief Operating Officer for International Micronet Systems, Inc., and Chief Operating Officer and Partner for iLAN, Inc. From 1984 to 1990, Mr. Nicol held various officer positions with Sprint Corporation, lastly serving as Corporate Vice President of Planning. Mr. Nicol holds a B.Sc. from Ohio State University, an M.A. from Case Institute of Technology and a Ph.D. from Case Western Reserve University.

Directors Continuing Until the 2010 Annual Meeting

Stephen K. Gartside, Jr.

Stephen K. Gartside, Jr., 42, became a member of the Board of Directors in January 2004, and was named Chairman of the Board of Directors on April 2, 2007. He held the positions of President and Chief Executive Officer of the Company from January 2004 until April 1, 2007. Mr. Gartside joined the Company in August 2001 as Vice President of Marketing and Corporate Business Development. He was promoted to the position of Executive Vice President of Sales and Operations in January 2003. Before joining the Company, from July 1998 through October 2000, Mr. Gartside served as Senior Vice President of Corporate Development of Terabeam Corporation, a technology development and service provider that deploys Metropolitan Area Networks using Gigabit Ethernet, IP and Free Space Optics. Prior to Terabeam, Mr. Gartside was the Regional Director, Communications Division, for Stratus Computers, where he had responsibility for sales of platform, OSS and Network Element solutions to carriers in the Western United States. Mr. Gartside has also held a number of sales, marketing and sales management positions with NCR and AT&T Global Information Solutions. In his eleven-year career with NCR and AT&T GIS, his focus was on selling solutions for the communications industry. Mr. Gartside holds a B.B.A. in Marketing from the University of Texas and has pursued M.B.A. studies at the University of St. Thomas.

Philip M. Neches

Dr. Neches, 56, became a member of the Board of Directors in August 2005, when he was appointed by the Board of Directors of the Company to fill a vacancy on the Board. He is currently the Chairman of Foundation Ventures LLC, a New York City based investment bank serving information technology and life science companies. Since September 1996, Dr. Neches has acted as an independent consultant, advisor and board member for a number of public and private information technology companies. Prior to 1996, Dr. Neches served as Vice President and Group Technology Officer, Multimedia Products and Services Group, AT&T Corporation (1994-1996) and Senior Vice President and Chief Scientist at NCR Corporation (1989-1994). Dr. Neches founded Teradata Corporation in July 1979, where he served as Vice President and Chief Scientist (1979-1988). Teradata pioneered the application of parallel processing to commercial applications with hardware and software products that implement the world s largest relational databases. Dr. Neches currently serves on the Board of Trustees of the California Institute of Technology, sits on its Alumni Relations, Audit & Compliance Committee, Business & Finance, Development, JPL, and Executive Committees, and chairs the Technology Transfer Committee and the Visiting Committee for the Division of Engineering and Applied Science. Dr. Neches received his formal training at the California Institute of Technology, where he holds a B.S. (1973), M.S. (1977), and Ph.D. (1983) in Computer Science.

Richard R. Ramlall

Richard R. Ramlall, 52, became a member of the Board of Directors in March 2008. He currently serves as Senior Vice President, Strategic External Affairs and Programming at RCN Corporation, a leading broadband provider of video, data, and voice services to residential, business and commercial/carrier customers. Prior to joining RCN in March 2005, Mr. Ramlall served as Senior Managing Director and Executive Vice President of Spencer Trask Media and Communications Group, LLC (a division of New York-based venture capital firm Spencer Trask & Company) based in Reston, Virginia, from June 1999 to March 2005. From March 1997 to June 1999, Mr. Ramlall served as Vice President and Managing Director for Strategy, Marketing and International Government Affairs for Bechtel Telecommunications. Prior to that, Mr. Ramlall was Executive Director for International Business Affairs for Bell Atlantic International and spent over 18 years at Bell Atlantic. In 1990, Mr. Ramlall was selected to serve a one year appointment under the Presidential Exchange Executive Program of the White House. Mr. Ramlall currently serves on the Board of Directors of the TelecomHUB, a networking organization for Washington DC area senior telecom and industry-related professionals, and Gateway Communications Services, Inc., an advanced communications and IT solutions company. Mr. Ramlall holds a B.S. in Business Administration and an M.G.A. (Technology Management) from the University of Maryland.

INFORMATION REGARDING THE BOARD AND ITS COMMITTEES

Meetings and Committees of the Board of Directors

Our business, property and affairs are managed under the direction of our Board of Directors and its committees. Our Board of Directors provides management oversight, helps guide the Company on strategic planning, approves the Company s operating budgets and meets regularly in executive sessions. Members of our Board are kept informed of our business through discussions with our Chief Executive Officer and other officers and employees, by reviewing materials provided to them, by visiting our offices and by participating in meetings of the Board and its committees.

Our Board holds regularly scheduled quarterly meetings. In addition to the quarterly meetings, typically there is at least one other regularly scheduled meeting and several special meetings each year. At each quarterly Board meeting, time is set aside for the independent directors to meet without management present. Our Board met 8 times during fiscal year 2007 and the Board acted by unanimous consent 6 times. In fiscal year 2007 each director attended at least 75% of all Board meetings held after becoming a member of the Board.

The Board has an Audit Committee, a Compensation Committee and a Governance and Nominating Committee. Below is a table that provides membership and meeting information for each of the Board committees. In fiscal year 2007 each committee member attended at least 75% of the meetings of each applicable committee held after becoming a member of that committee.

Name	Audit	Compensation	Governance & Nominating
Mr. Armstrong		X	X
Mr. Dupper			
Mr. Gartside			
Mr. Hallenbeck			
Mr. Neches	X	X	X*
Mr. Nicol	X	X*	
Mr. Oros			

Mr. Ramlall			
Mr. Warnecke	X*		X
Total meetings in fiscal year 2007	6	4	2

* Denotes Committee Chairperson as of December 31, 2007.

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the independence requirements under the Nasdaq s current listing standards and each member is free of any relationship that would interfere with his individual exercise of independent judgment.

The Audit Committee. The Audit Committee assists the Board of Directors in its oversight of the integrity of the Company s accounting, auditing, and reporting practices. The Audit Committee meets with our independent registered public accounting firm at least annually to review the results of the annual audit and discuss the financial statements. The Committee also meets with our independent registered public accounting firm quarterly to discuss the results of the accountants quarterly reviews as well as quarterly results and quarterly earnings releases; recommends to the Board the registered public accounting firm to be retained; and receives and considers the accountants comments as to internal controls and procedures in connection with audit and financial controls. The Audit Committee reviews all financial reports prior to filing with the Securities and Exchange Commission (SEC) and reviews all financial press releases prior to release. The specific responsibilities in carrying out the Audit Committee s oversight role are set forth in the Audit Committee s Charter, a copy of which is posted on the Company s website, *www.evolving.com*, under Company Corporate Governance. The Audit Committee consists of Messrs. Neches, Nicol and Warnecke, all of whom are independent directors as required under Exchange Act Section 10A(m)(3) and Nasdaq listing standards. The Board of Directors has determined that Mr. Warnecke is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission. For more information concerning the Audit Committee see the Report of the Audit Committee contained in this Proxy Statement.

The Compensation Committee. The primary responsibilities of the Compensation Committee are to review and recommend to the Board the compensation of the Chief Executive Officer and our other executive officers, to review and recommend an incentive compensation plan, approve grants of stock awards to employees and consultants under our stock incentive plan and otherwise determine compensation levels and perform such other functions regarding compensation as the Board may delegate. The Compensation Committee consists of Messrs. Armstrong, Neches and Nicol.

The Committee has delegated the authority to make stock option grants to eligible individuals who are not executive officers. The delegation applies principally to awards to new employees and promotions. The delegation does not cover grants made to executive officers.

The Compensation Committee meets outside the presence of all of our executive officers, including the named executive officers (the individuals listed in the Summary Compensation Table on page 19), to consider appropriate compensation for our chief executive officer (CEO). For all other named executive officers, the Compensation Committee meets outside the presence of all executive officers except our CEO. Our CEO annually reviews each other named executive officer s performance with the Compensation Committee and makes recommendations to the Compensation Committee with respect to the appropriate base salary, payments to be made under our incentive compensation plan and equity incentive awards for all executive officers, excluding himself. Based in part on these recommendations from our CEO and other considerations described in the Compensation Discussion and Analysis, the Compensation Committee approves the annual compensation package of our executive officers other than our CEO. The Compensation Committee also annually analyzes our CEO s performance and determines his base salary and incentive compensation and stock awards, based on its assessment of his performance. Periodically, the Compensation Committee has engaged the services of an independent compensation consultant to assist the Committee in establishing compensation levels for executive officers.

The specific responsibilities and functions of the Compensation Committee are discussed in the Compensation Committee Charter, which is posted on our website, *www.evolving.com*, under Company Corporate Governance.

Governance and Nominating Committee. The primary responsibilities of the Governance and Nominating Committee (the Nominating Committee) are to monitor corporate governance matters, to determine the slate of Director nominees for election to the Company s Board of Directors and to identify and recommend candidates to fill vacancies occurring on the Board of Directors.

In filling vacancies that occur on the Board, and nominating candidates for election, the Nominating Committee takes into account certain minimum qualifications and qualities that the Committee believes are necessary for one or more of the Company s directors to possess. These qualifications and qualities are as follows:

- Experience with businesses and other organizations comparable to the Company. For example, experience in the telecommunications industry and/or experience in a software development company is desirable.

- Experience in reviewing, and the ability to understand, financial statements.

- Experience in the operational and corporate governance aspects of running a public company.

- Experience working with or overseeing management and establishing effective compensation strategies to align management with Company objectives and stockholder financial returns.

- The candidate s independence from conflict or direct economic relationship with the Company. For example, individuals who are employed by one of our customers or a competitor would not be eligible for our Board.

- The candidate s contacts within the telecommunications industry, and/or within the finance and investment banking industry.

- Experience with mergers and acquisitions.

- The ability of the candidate to attend Board and committee meetings regularly (either in person or by telephone) and devote an appropriate amount of effort in preparation for those meetings.

- A reputation, strength of character and business judgment befitting a director of a publicly held company.

Candidates for the Board should have some, but not necessarily all, of the above-described criteria. The Committee will also consider factors relating to the current composition of the Board, including, but not limited to, the diversity of the Board.

The process used by the Nominating Committee for identifying and evaluating nominees for directors is as follows:

- **Nomination of an existing Board member whose term is expiring**. Each year prior to preparation of the Proxy Statement for the Annual Meeting, the Nominating Committee meets to determine whether any Board member whose term will expire at the upcoming Annual Meeting desires to remain on the Board and, if so, whether such individual should be recommended for nomination. The Committee evaluates whether the individual continues to meet the then current qualifications and qualities established by the Committee for Board membership, as well as the contributions made by the individual during his or her tenure on the Board. The Committee, among other things, takes into consideration the individual s attendance at Board and committee meetings and his or her participation in, and preparation for, such meetings. In the event the Committee determines that it is in the Company s best interest to nominate an existing Board member whose term is expiring for re-election, the Committee will adopt a formal recommendation for consideration and adoption by the full Board of Directors, which, if adopted by the Board of Directors, will be contained in the Proxy Statement.

- **Consideration of candidates proposed by stockholders.** The Nominating Committee will consider candidates for the Board proposed by stockholders. Stockholders wishing to nominate a candidate for consideration by the Committee may do so by writing to the Company s Secretary and providing the candidate s name, biographical data and qualifications. The Committee will consider the candidate for nomination in the same manner as described below, Consideration of new candidates for the Board. A stockholder proposal for inclusion in the Proxy Statement (and received in accordance with the procedures described in our Bylaws and our previous year s Proxy Statement) will be included in the Proxy Statement in accordance with SEC regulations.

- **Consideration of new candidates for the Board.** The Nominating Committee will consider new candidates for the Board to fill vacancies that occur on the Board. Recommendations for candidates may be submitted to the Committee through the Company s Secretary. The Secretary will forward names and qualifications of proposed candidates to the Committee members. The Committee will review the materials to determine whether the candidate appears to meet the qualifications and qualities established by the Committee for Board membership. If the candidate appears to be qualified, the Committee will conduct an interview of the candidate, which may include interviews with management as well as other members of the Board. The Committee may recommend a candidate for membership on the Board, subject to final approval of a majority of the Board of Directors, and the results of a background investigation and reference check of the candidate.

The specific responsibilities and functions of the Nominating Committee are set forth in the Nominating Committee Charter. The Committee s charter is posted on our website, *www.evolving.com*, under Company Corporate Governance. The current members of the Nominating Committee are Messrs. Armstrong, Neches and Warnecke.

DIRECTOR COMPENSATION

The 2007 compensation plan for non-employee members of the Board of Directors and the committees of the Board is described in the table below. Annual compensation is pro-rated to dates of appointment and termination.

	Annual retainer (payable in quarterly increments)	Additional annual cash compensation for Chairperson
Board of Directors	$ 20,000	$ 70,000(1)
Audit Committee	$ 0	$ 5,000

(1) From April 2, 2007 through December 31, 2007, Mr. Gartside served as Chairman of the Board. Mr. Gartside s compensation as Chairman of the Board of Directors is reported in the Summary Compensation Table on page 19. Annual additional cash compensation for the Chairman of the Board position was reduced to $10,000 in January 2008.

In addition, we grant non-employee Directors stock options upon joining the Board of Directors (currently, 30,000 shares vesting one-third on the one-year anniversary date of appointment with the balance vesting quarterly over a 2 year period) and annually thereafter (typically, 10,000 shares, vesting quarterly over a 1 year period), with annual grants being made on the date of the annual stockholders meeting to Board members who have served at least 6 months. All options are priced at the closing price for the Company s stock on the date of the grant. In December of 2007, we also granted non-employee Directors 5,000 shares of restricted stock, vesting quarterly over a one year period. We expect to continue awarding stock options and restricted stock awards to our non-employee Directors consistent with prior practices.

We do not provide any deferred compensation, health or other personal benefits to our Directors. We reimburse each Director for reasonable out-of-pocket expenses incurred to attend Board and Committee meetings.

2007 Director Compensation Table

The table below summarizes the compensation earned by non-employee Directors for the fiscal year ended December 31, 2007.

(a) Name (1)	(b) Fees Earned or Paid in Cash ($)	(c) Stock Awards (3)(4)	(d) Option Awards ($)(5)(6)(7)	(e) Total ($)
Bruce W. Armstrong (2)	$ 10,659	$ 460	$ 10,627	$ 21,746
George A. Hallenbeck	$ 20,000	$ 460	$ 27,487	$ 47,947
Philip M. Neches	$ 20,000	$ 460	$ 44,342	$ 64,802
David J. Nicol	$ 20,000	$ 460	$ 27,487	$ 47,947
Steve B. Warnecke	$ 25,000	$ 460	$ 27,487	$ 52,947

(1) Messrs. Oros and Ramlall do not appear in this table because they were not members of the Board of Directors during fiscal 2007. See the Summary Compensation Table on page 19 for information on compensation earned by Messrs. Dupper and Gartside during fiscal year 2007.

(2) Mr. Armstrong became a member of the Board of Directors in June 2007.

(3) The amounts in column (c) relate to restricted stock granted under the Company s 2007 Stock Incentive Plan during fiscal year 2007. The amounts are valued based on the compensation cost recognized by the Company during fiscal 2007 under the Financial Accounting Standards Board Statement of Financial Accounting Standards No 123 (revised 2004), *Share-Based Payment* (which we refer to as FAS 123R). See Note 7, Share Based Compensation of our Form 10-K for the year ended December 31, 2007, filed with the SEC on March 13, 2008 for information on the assumptions made in the valuations.

(4) The grant date fair value of each restricted stock award granted in 2007, computed in accordance with FAS 123R is $460. The aggregate number of shares of restricted stock held by each Director (other than Messrs. Dupper, Oros and Ramlall) as of December 31, 2007 is 5,000. See 2007 Grants of Plan-Based Awards table on page 21 for information concerning Messrs. Dupper and Gartside.

(5) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 in accordance with FAS 123R. As of December 31, 2007, each Director named above had the following number of options (vested and unvested) outstanding: Bruce W. Armstrong: 30,000; George A. Hallenbeck: 811,112; Philip M. Neches: 80,000; David J. Nicol: 100,000; and Steve B. Warnecke: 163,334.

(6) The grant date fair value of stock options granted in 2007, computed in accordance with FAS 123R, is as follows: Bruce W. Armstrong: $10,627; Messrs. Hallenbeck, Neches, Nicol and Warnecke: $10,608. See 2007 Grants of Plan-Based Awards table on page 21 for information concerning Messrs. Dupper and Gartside.

(7) Each of the Company s non-employee Directors has been granted options which provide for acceleration of vesting of the number of options which would have vested over the 12-month period following the date on which a Change of Control occurs.

Information Regarding Stockholder Communication with the Board of Directors; Attendance of Board Members at the Annual Meeting

Stockholders may contact an individual director, the Board as a group, or a specified Board committee or group, including the non-employee directors as a group, at the following address: Corporate Secretary, Evolving Systems, Inc., 9777 Pyramid Ct., Suite 100, Englewood, CO 80112 Attn: Board of Directors. Our Secretary will process communications before forwarding them to the addressee. Directors generally will not be forwarded stockholder communications that are primarily commercial in nature, relate to improper or irrelevant topics, or request general information about the Company.

We encourage, but do not require, Board members to attend our Annual Meeting of Stockholders. At the 2007 Annual Stockholders Meeting, there were two (2) members of the Board present.

Statement on Corporate Governance

We regularly monitor developments in the area of corporate governance by reviewing federal laws affecting corporate governance, such as the Sarbanes-Oxley Act of 2002, as well as rules adopted by the SEC and Nasdaq. In response to those developments, we review our processes and procedures and implement corporate governance practices which we believe are in the best interests of the Company and its stockholders. Among other things, we have established a Disclosure Committee, comprised of executives and senior managers who are actively involved in the disclosure process, to specify, coordinate and oversee the review procedures that we use each quarter, including at fiscal year end, to prepare our periodic SEC reports.

The Board has approved a set of corporate governance guidelines to promote the functioning of the Board and its Committees and to set forth a common set of expectations as to how the Board should perform its functions. Our Corporate Governance Guidelines are posted on the Company s website under Company Corporate Governance. On an annual basis, each Director and executive officer is obligated to complete a Director and Officer Questionnaire which requires disclosure of any transactions with the Company in which the Director or executive officer, or any member of his or her immediate family, has a direct or indirect material interest. The Board also evaluates its performance annually.

The Board has also approved a Code of Business Conduct and a Code of Ethics for Finance Employees (collectively, the Code of Conduct), posted on our website, *www.evolving.com*, under Company Corporate Governance. We require all employees and Directors to adhere to the Code of Conduct in discharging their Company-related activities. Employees and Directors are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. We intend to disclose on our website, or on a Current Report on Form 8-K, any amendments to or waivers of the Code applicable to those of our senior officers to whom the Code applies within five business days following the date of such amendment or waiver. We have also established a confidential hotline to answer employees ethics questions and report ethical concerns. In accordance with the requirements of the Sarbanes-Oxley Act of 2002, the Audit Committee has established procedures to receive, retain and treat complaints we receive regarding accounting, internal accounting controls of auditing matters, and to allow for the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters.

Policies and Procedures for Approval of Related Person Transactions

We may encounter business arrangements or transactions with businesses and other organizations in which one of our directors or executive officers or their immediate families may also be a director, executive officer or investor or have some other direct or indirect material interest. We refer to these transactions as related person transactions. Related person transactions have the potential to create actual or perceived conflicts of interest between Evolving Systems and its directors and officers or their immediate family members.

In March 2007, the Board formally adopted a policy with respect to related person transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds $120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K. The Nominating and Governance Committee, with assistance from the Company s General Counsel, is responsible for reviewing, approving and/or ratifying any related person transaction. The Nominating and Governance Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders.

PROPOSAL NO. 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors has selected Grant Thornton LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008, and has further directed that management submit the selection of the independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from stockholders present at the meeting.

Stockholder ratification of the selection of Grant Thornton LLP as the Company s independent registered public accounting firm is not required by our bylaws or otherwise. However, the Board is submitting the selection of Grant Thornton LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the Board in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

Required Vote and Recommendation of Board of Directors

The ratification of Grant Thornton LLP as Evolving Systems independent registered public accounting firm is a routine matter for brokers that hold their clients shares in street name. The affirmative vote of a majority of the shares of our common stock, present or represented and voting at the annual meeting, will be required to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm. Abstentions will have the effect of a vote against this proposal and broker non-votes will have no effect on the outcome of the vote with respect to this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL NO. 2, RATIFICATION OF GRANT THORNTON LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2008.

Fees Billed by Independent Registered Public Accounting Firms

The following table sets forth information regarding fees for services rendered by Grant Thornton LLP related to the fiscal year ended 2007 and KPMG LLP, the Company s previous independent registered public accounting firm, related to the fiscal year ended December 31, 2006:

Types of Fees	Grant Thornton Fees 2007	KPMG Fees 2006
Audit Fees	$ 250,224(1)	$ 465,000
Tax Fees	$ 6,000	$ 5,100
Total Fees	$ 256,224	$ 470,100

(1) Includes fees for statutory audits of our UK and Indian subsidiaries

Audit Fees were for professional services for the audit of the consolidated financial statements and other fees for services that only our independent registered public accounting firm can perform such as the review of our interim consolidated financial statements included in our Form 10-Q filings, consents and assistance with and review of documents filed with the SEC. Additionally, in 2006 and 2007 we engaged KPMG LLP and Grant Thornton LLP, respectively, to perform audit related services for the statutory audits of our

United Kingdom and Indian subsidiaries. The fees incurred for these services during the year ended December 31, 2006 were $47,000, and $48,949 for the year ended 2007.

Tax Fees were for services related to certain tax compliance at our foreign subsidiaries and transfer pricing at our Indian subsidiary, including the preparation of tax returns, tax planning and advice.

The Audit Committee has considered the nature of all non-audit services and believes that such services are compatible with maintaining the independent registered public accounting firm s independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee has established a process for review and approval of fees and services of the independent registered public accounting firm. Requests to the Audit Committee for approval of fees and services for the independent registered public accounting firm are made in writing or via e-mail by our Chief Financial Officer. The request must be specific as to the particular services to be provided, but may be either for specific services or a type of service for predictable or recurring services. The Audit Committee reviews the request and provides a response, in writing or via e-mail, to our Chief Financial Officer. All of the services provided by the independent registered public accounting firm in 2006 and 2007 were pre-approved by the Audit Committee.

The Audit Committee, with the ratification of the stockholders, engaged Grant Thornton LLP to perform an annual audit of the Company s consolidated financial statements for the fiscal year ended December 31, 2007. Our Audit Committee entered into an engagement agreement with Grant Thornton LLP which sets forth the terms by which Grant Thornton LLP performed audit services for the Company. That agreement is subject to alternative dispute resolution procedures

Information Regarding Change in Accountants

On April 6, 2007, following a competitive bidding process, the Audit Committee approved the decision to change the Company s independent registered public accounting firm and dismissed KPMG LLP (KPMG) as our principal accountants. The following information is provided with respect to such change:

The change in our principal accountants was made for cost-savings reasons. On April 17, 2007, the Audit Committee selected Grant Thornton LLP as the Company s independent registered public accounting firm for the fiscal year ended December 31, 2007.

The audit reports of KPMG on the Company s consolidated financial statements as of and for the years ended December 31, 2006 and 2005 did not contain any adverse opinion or disclaimer of opinion, nor were the reports qualified or modified as to uncertainty, audit scope or accounting principles, except as follows:

KPMG s report on the Company s consolidated financial statements as of and for the years ended December 31, 2006 and 2005 contained a separate paragraph stating that As discussed in note 8 to the accompanying consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment.*

During the two fiscal years ended December 31, 2006, and the subsequent interim period through April 6, 2007, there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which disagreements, if not resolved to KPMG s satisfaction, would have caused KPMG to make reference in connection with their opinion to the subject matter of the disagreement. During the two fiscal years ended December 31, 2006, and the subsequent interim period through April 6, 2007, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

During 2005 and 2006, and through April 17, 2007, the Company had not consulted with Grant Thornton LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or (ii) the type of audit opinion that might be rendered on the Company s financial statements, and neither a written report was provided to the Company nor was oral advice provided that Grant Thornton LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue.

The Company provided each of KPMG and Grant Thornton LLP with a copy of the foregoing disclosures prior to the filing of this Proxy Statement with the SEC.

MANAGEMENT

As of April 14, 2008, the Company s executive officers are as follows:

Name	Age	Position
Thaddeus Dupper	51	Chief Executive Officer and President
Brian R. Ervine	46	Executive Vice President, Chief Financial & Administrative Officer, Treasurer and Assistant Secretary
Anita T. Moseley	56	Sr. Vice President, General Counsel and Secretary
Stuart Cochran	38	Chief Technology Officer
James King	35	Vice President, Worldwide Sales and Marketing

Thaddeus Dupper. For biographical information on Mr. Dupper, please see Proposal No. 1, Election of Directors.

Brian R. Ervine joined the Company in January 2002 as Senior Vice President of Finance, Chief Financial Officer, Treasurer and Assistant Secretary. In January 2005 he was promoted to the position of Executive Vice President, Chief Financial and Administrative Officer. He came to the Company from Brain Ranger, a content management software developer, where he was Chief Financial Officer and responsible for all financial and business planning activities and day-to-day operations from February 2001 to January 2002. Prior to Brain Ranger, Mr. Ervine was Executive Vice President, Chief Financial Officer and Treasurer for Convergent Communications, a provider of voice communication systems, and managed the finance and treasury operations from December 1999 to December 2000. He joined Convergent Communications from Metapath Software International, a global provider of enterprise-wide wireless software and services, where he was Vice President of Finance and managed the worldwide financial operations in 9 countries from December 1995 to December 1999. Previous to then, Mr. Ervine was Vice President and Chief Financial Officer of PC ServiceSource, Inc., Assistant Controller for CompuCon Systems, Inc. and Audit Senior Manager at KPMG Peat Marwick, LLP. Mr. Ervine received a B.B.A. in Accounting from the University of Texas at Austin (1984) and is a Certified Public Accountant.

Anita T. Moseley joined the Company in May 1994 as corporate counsel of the Company and held that position until June 1997 when she assumed the positions of Vice President, General Counsel and Secretary of the Company. In June 2000 she was promoted to Senior Vice President. Between September 1991 and May 1994, she held counsel positions with the Federal Deposit Insurance Corporation and the Resolution Trust Corporation. Prior to that time, Ms. Moseley was a partner in the Salt Lake City law firm of Prince, Yeates and Geldzahler. Ms. Moseley holds a B.A. degree in Political Science from Syracuse University and a J.D. from the University of Utah.

Stuart Cochran joined the Company as a Vice President of the Activation Market Unit in November 2004 when the Company acquired Tertio Telecoms Limited (now known as Evolving Systems Limited). In April 2005, he also assumed responsibility for the Company s Mediation Market Unit. In July 2005, he became an executive officer of the Company and in September 2007, he was named Chief Technology Officer. Mr. Cochran joined Tertio Telecoms in August 1994 and held a number of technical, pre-sales and product management positions until July 2000 when he was appointed Director of Product Strategy and Management, reporting to the company s chief executive officer and sitting on the management team. In January 2003, Mr. Cochran became the Director of Product Management, Development and Marketing, a position he held at the time of the Tertio Telecoms acquisition. Mr. Cochran has an MSc degree in Computing and Computer Modeling of Optoelectronic Devices and Systems and a BSc (Honours) degree in Theoretical Physics.

James King joined the Company in March 2007 as Vice President, Worldwide Sales and Marketing. He became an executive officer of the Company in March 2008. He came to the Company from SmartTrust, a market leader in mobile device and OTA SIM management, where he was the General Manager for Europe, the Middle East and Africa from December 2003 to March 2007 and was responsible for all aspects of sales, delivery and strategy across more than 40 countries and 50 mobile carrier customers. From July 2001 to October 2003 Mr. King was a global accounts director for the mobile location-based services division of MapInfo Corporation. Prior to that time, Mr. King held positions with Eqos Ltd. and Toshiba s Information Systems Division. Mr. King holds a BSc (Honours) in Surveying Science from the University of Newcastle upon Tyne and has a postgraduate qualification in marketing undertaken at Nottingham Business School.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Objectives and Practice

We designed the compensation program for our named executive officers to:

- Attract and retain talented and productive executives;

- Provide executives with competitive, but above-average, compensation that maintains a balance between cash and stock compensation;

- Align the interests of executive officers with our stockholders by putting a significant portion of total compensation at risk, tied to quarterly and annual revenue and/or EBITDA targets established by the Board; and

- Motivate executives to achieve the business goals set by the Company and reward executives for achieving such goals.

The Compensation Committee evaluates both performance and compensation to ensure that the Company maintains its ability to attract and retain superior employees in key positions and compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of other software companies.

Role of Executive Officers in Compensation Decisions

The Compensation Committee meets outside the presence of all of our executive officers, including the named executive officers (the individuals listed in the Summary Compensation Table on page 19), to consider appropriate compensation for our chief executive officer (CEO). For all other named executive officers, the Compensation Committee meets outside the presence of all executive officers except our CEO. Our CEO annually reviews each other named executive officer s performance with the Compensation Committee and makes recommendations to the Compensation Committee with respect to the appropriate base salary, payments to be made under our incentive compensation plan and equity incentive awards for all executive officers, excluding himself. Based in part on these recommendations from our CEO and other considerations described in the Compensation Discussion and Analysis, the Compensation Committee approves the annual compensation package of our executive officers other than our CEO. The Compensation Committee also annually analyzes our CEO s performance and determines his base salary and incentive compensation and stock awards, based on its assessment of his performance.

Elements of Executive Compensation

Our compensation for senior executive officers generally consists of the following elements: base salary, performance-based incentive compensation determined primarily by reference to objective financial operating criteria, long-term equity compensation in the form of stock options and restricted stock and employee benefits that are generally available to all our employees, plus additional life and disability insurance benefits.

Base Salary

The Company provides named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. It is our policy to set base salary levels competitively with corporations in the software industry, taking into account a number of factors, such as annual revenue, the nature of the software businesses, the structure of other companies compensation programs and the availability of compensation information. When setting base salary levels, in a manner consistent with the objectives outlined above, the Compensation Committee considers competitive market conditions for executive compensation, our performance, the individual s breadth of knowledge, performance and levels of responsibility. The Compensation Committee did not engage a compensation consultant in setting compensation for 2007. In evaluating salaries for 2008, the Compensation Committee purchased a comprehensive software industry executive compensation survey covering 104 companies in the software industry prepared by Presidio Pay Advisors, Inc. The survey did not provide specific compensation information for each company in the survey and our Compensation Committee did not engage additional consultants to assist with compensation comparisons with individual companies which might be considered in our peer group. During the review of base salaries for executives, the Compensation Committee considered the data contained in the survey as well as the individual performance of the executive.

Salary levels are typically considered annually as part of the Company s performance review process as well as upon a promotion or other change in job description responsibility. Merit based increases to salaries are based on the Compensation Committee s assessment of the individual s performance.

For executive officers as a group, 2007 base salaries were increased by 2% compared to fiscal 2006 in response to increases in the general cost of living. There were no increases made in base salaries for 2008.

Quarterly and Annual Performance-Based Incentive Compensation

Our performance-based incentive compensation program is designed to motivate executives to work effectively to achieve our financial performance goals and to reward them when those goals are achieved. Executives have the opportunity to earn quarterly and annual cash compensation equal to a percentage of their base salary. In 2007, on an annual basis, the potential incentive compensation percentages ranged from 25% of the executive s base salary to 100% (as specifically noted in the Grants of Plan Based Awards table below), with the opportunity to receive up to 150% of the targeted incentive compensation if certain stretch Company performance targets were attained. These Company performance targets also serve as the basis for incentive compensation paid to non-executive officers to assure that all employees are motivated toward the same corporate financial goals.

Each year the Compensation Committee determines the appropriate performance measurement criteria that it believes best align with the Company s goals for the year. For fiscal 2007, to focus executive and non-executive employees on the Company s growth objectives, the Compensation Committee determined that payment of incentive compensation should be based solely upon attainment of quarterly and annual revenue targets. To the extent the Company exceeded these 2007 revenue targets, twenty-five percent of the excess was used to fund the Company s incentive compensation plan, for executive and non-executive employees on varying percentages, provided the Company remained compliant with its banking covenants after paying incentive compensation. The balance of the excess over budget was used to fund the Company s growth objectives.

For 2008, the Compensation Committee has determined that payment of incentive compensation should be based upon attainment of quarterly revenue targets and an annual earnings target before interest, taxes, depreciation and amortization (EBITDA) target. The CEO will also have the ability to earn an additional $20,000 if the Company achieves its annual revenue target.

Because the Company does not give quarterly earnings guidance, we believe it would be harmful to the Company to disclose the specific performance targets used by the Compensation Committee in establishing incentive compensation targets. In general, we set targeted levels of performance for fiscal year 2007 to require improvements in performance as compared with actual 2006 results. Performance required to qualify at the threshold range was more attainable, performance required to qualify for payouts at the target range was achievable, but more difficult, and performance required to qualify for payouts at the maximum end of the range was extremely difficult to achieve. We achieved the following percentages of the targets established by the Compensation Committee and the Board for 2007:

2007 Measurement Period	**Percentage Attainment**
First Quarter	4%
Second Quarter	54%
Third Quarter	66%
Fourth Quarter	47%

Full Year	49%

The Compensation Committee s policy with respect to the adjustment or recovery of compensation in the event of a material change in our financial statements requiring an accounting restatement is to retain discretion over all pay elements and reserve the right to reduce or forego future compensation based on any required restatement or adjustment. The Compensation Committee intends to review its policies with respect to such adjustment or recovery of compensation on an ongoing basis as part of its annual review.

Long-Term Incentive Compensation Equity Compensation

Historically, our executive officers have been eligible for stock awards. We believe that stock awards give executives a significant, long-term interest in our success, help retain key executives in a competitive market, and align executive interests with stockholder interests and long-term performance of the Company.

In 1996 we adopted our Stock Option Plan in order to provide equity based performance incentives to our employees. Our 1996 Stock Option Plan expired in January 2006. In June 2007 our stockholders approved our 2007 Stock Incentive Plan. The Compensation Committee believes that having a stock incentive plan assists us in attracting, retaining and motivating officers and other employees, as well as qualified directors. Under our previous Stock Option Plan, we granted only stock options; in 2007, under our 2007 Stock Incentive Plan, we granted options as well as restricted stock. Grants were designed to align the interests of the executives with those of the stockholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. Moreover, the long-term vesting schedule (which is generally four years for employees and one year for non-employee directors) encourages a long-term commitment to the Company by our executive officers and other awardees. The size of the equity grant was set at a level that the Compensation Committee deemed appropriate in order to create a meaningful opportunity for stock ownership based upon the individual s current position with the Company, but also took into account the individual s potential for future responsibility and promotion over the vesting period, and the individual s performance in recent periods. The Compensation Committee reviewed the number of shares owned by, or subject to options held by, each executive officer, and additional awards were considered based upon past performance of the executive officer. The Compensation Committee continues to believe that equity compensation should be an important element of the Company s compensation package.

Typically, we have awarded options to executives upon joining the Company and thereafter annual grants have been made in December or January in conjunction with annual compensation adjustments. On occasion, we also make grants upon the occurrence of an event, such as the acquisition of Tertio Telecoms Limited in 2004. Options are priced at the closing price of the Company s common stock on the date of each grant, or, in the case of new employees, such later date as the employee joins the Company. 2007 was the first year in which we granted restricted stock to members of the Board of Directors, executive officers, and a limited number of non-executive officers.

The majority of the options granted vest at a rate of 25% per year over the first four years of a ten-year option term. Restricted stock awards also vest quarterly over a four year period. Vesting rights cease upon termination of employment, and exercise rights generally terminate within three months of termination of employment, subject to longer exercise periods in the case of disability or death and certain changes of control. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to the option, including voting rights and the right to receive dividends or dividend equivalents. Recipients of restricted stock, on the other hand, have voting rights and the rights to receive dividends or dividend equivalents during the vesting period.

We do not have a formal written policy relating to the timing of option grants and we do not limit option grants to any trading windows. However, there is no relationship between the timing of our equity award grants and our release of material, non-public information. The options are granted with an exercise price equal to the closing price for the Company s stock on the date of grant. Under certain limited circumstances (non-executive employee grants below 25,000 shares per grant), the Compensation Committee has authorized the CEO to award stock options, for example, when a new employee is hired, or when an employee is promoted. These option awards are made pursuant to forms signed by the CEO, the General Counsel and the Director of Human Resources, and are reported to the Board at the regular quarterly Board meetings. All other equity awards have been made by the Compensation Committee or the Board of Directors.

We do not require that our executive officers own stock in the Company; however, each executive officer owns stock in varying amounts.

Retirement and Other Benefits

All employees in the United States, who are at least twenty-one years of age and who have worked 1,000 hours in a calendar year, are eligible to participate in the Company s 401(k) plan. This plan is intended to be a tax-qualified retirement savings plan to which eligible U.S.-based employees, including the named executive officers, are able to contribute an amount equal to their annual compensation or the limits prescribed by the Internal Revenue Service. All employee contributions to the 401(k) plan are fully vested upon contribution. The Company matches contributions on a discretionary basis, depending upon availability of funds. Historically, the annual matching contribution has been 2% to 3%

of the employee s eligible compensation. Company matching contributions vest over a three-year period.

Employees of the Company s subsidiaries outside of the United States are eligible for separate retirement benefits in accordance with local law. One of the Company s named executive officers, Mr. Cochran, is an employee of the Company s London-based subsidiary and participates in its retirement plan. This plan is a defined contribution plan, similar to the U.S. 401(k) plan. The Company makes a mandatory five percent (5%) matching contribution to this plan annually.

Stock Purchase Plan

The Company maintains an employee stock purchase plan (the Purchase Plan). Generally, any employee, including each named executive officer, who is customarily employed at least 20 hours per week and five (5) months per calendar year by the Company (or by any parent or subsidiary of the Company) on the first day of an offering is eligible to participate. Offerings occur quarterly.

No employee may accrue the right to purchase more than $25,000 worth of common stock (determined at the fair market value of the shares at the time such rights are granted) in any calendar year. Rights granted under the Purchase Plan are not transferable and may be exercised only by the employee to whom such rights are granted.

Employees are eligible to participate in the first offering commencing after the date they are employed by the Company or an affiliate of the Company. Employees who participate in an offering may have up to 15% of their compensation withheld pursuant to the Purchase Plan and applied at the end of each offering period to the purchase of shares of common stock. The price of common stock purchased under the Purchase Plan is equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period or the purchase date. Employees may end their participation in the offering at any time prior to the end of the offering and participation ends automatically upon termination of employment with the Company.

Rights granted under the Purchase Plan are intended to qualify for favorable federal income tax treatment associated with rights granted under an employee stock purchase plan which qualifies under provisions of Section 423 of the Internal Revenue Code. For U.S.-based employees, no income will be taxable to a participant until disposition of the acquired shares, or until the participant s death while holding the acquired shares, and the amount of taxation will depend upon the holding period of the acquired shares. Employees located outside of the United States may be subject to different tax treatment based upon local tax laws.

Life Insurance and Disability Insurance

The Company provides executive officers with $300,000 in life insurance coverage over and above what is provided to non-executive employees under Company-sponsored life insurance benefits. The Company pays the premiums on these policies, but the amount of premiums attributable to coverage greater than $50,000 is taxable to the executive.

For U.S.-based executives, the Company also makes available additional long-term disability benefits over and above what is provided to non-executive employees. The regular benefit for U.S.-based employees provides a benefit at the rate of 66 2/3% of an employee s base pay, with a monthly benefit cap of $5,667. The additional-long term disability benefit provides the lesser of $6,000 a month or the difference between 66 2/3% of an executive officer s monthly base salary and the benefit provided under the regular benefit. (For example, if an executive s monthly base salary is $15,000, the additional long-term disability benefit will provide $4,334, the difference between the regular benefit ($5,667) and 66 2/3% of his or her base salary.) This additional benefit is payable until age 65. The executive is responsible for paying the premiums on this policy, but if he or she elects this benefit, the Company reimburses the executive for the amount of the premiums and the taxes attributable to those premiums (tax gross-up).

Perquisites and Other Personal Benefits

Our UK-based executive officers receive car allowances, and we allow our executive officers to upgrade to business class on certain international flights for business purposes. Except for these benefits, and as noted above relating to life and disability insurance benefits, we do not provide additional perquisites and other personal benefits to our executive officers.

Indemnification Agreements

We have entered into an indemnification agreement with each of our named executive officers and members of our Board of Directors. Information regarding those agreements is provided under the heading Certain Relationships and Related Transactions on page 34.

Employment and Severance Agreements

The executive officers each have severance provisions in their compensation agreements providing for payments to the executive upon termination of employment, subject to certain limitations. Information regarding potential payments and benefits under such agreements for the named executive officers is provided under the heading Potential Payments Upon Termination or Change of Control on page 24. All U.S.-based executive officers are employed at-will and do not have employment contracts, although the Company has entered into compensation agreements with each of the named executive officers describing compensation and certain provisions that apply in the case of termination of employment. Consistent with local practice, the Company s London-based subsidiary has entered into employment contracts with Mr. Cochran and Mr. King.

Change of Control Agreements

We have entered into a Change of Control Agreement with each of our named executive officers. In our experience, change of control agreements for executive officers are common among our peer group and our Board of Directors and Compensation Committee believe that providing these agreements to our named executive officers will protect stockholders interests in the event of a change of control by enabling executives to consider corporate transactions that are in the best interests of the stockholders and other constituents of the Company without undue concern over whether the transaction may jeopardize the executive s own employment. Information regarding potential payments and benefits under such agreements for the named executive officers is provided under the heading Potential Payments Upon Termination or Change of Control on page 24.

Limitation on Deduction of Compensation Paid to Certain Executive Officers

Section 162(m) of the Internal Revenue Code (the Code) limits the Company deduction for federal income tax purposes to no more than $1 million of compensation paid to each of the named executive officers in a taxable year. Compensation above $1 million may be deducted if it is performance-based compensation within the meaning of the Code. The Compensation Committee intends to continue to evaluate the effect of Section 162(m) of the Code in the future to the extent consistent with the best interests of the Company.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, the Company began accounting for stock-based compensation payments including its stock option program and its stock purchase program in accordance with the requirements of Statement of Financial Standards No. 123R, Share-Based Payment (FAS 123R). FAS 123R sets forth accounting requirements for share-based compensation and requires companies to recognize in their income statements the grant-date fair value of stock options and other equity-based compensation.

Compensation of Chief Executive Officer

In 2007, Mr. Dupper was promoted from Executive Vice President of Sales and Marketing, to President and Chief Executive Officer. His base salary was increased from $229,500 to $260,000 and his incentive compensation percentage was increased from 60% of his base salary to 100% of base salary for 2007; for 2008 his incentive compensation was set at 75% of base salary, with the potential to earn an additional $20,000 in incentive compensation if the Company achieved its stretch revenue target. Mr. Dupper also was awarded 65,000 shares of restricted stock and options to purchase 162,500 shares of the Company s common stock, at a purchase price of $2.32 per share. Both awards vest in equal quarterly increments over a four year period.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the

Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

David J. Nicol, Chairman
Bruce W. Armstrong
Philip M. Neches

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Armstrong, Hallenbeck, Neches and Nicol served as members of the Compensation Committee of the Board of Directors during fiscal 2007. Mr. Hallenbeck was an executive officer of the Company until September 2, 2005 and became a member of the Compensation Committee in November 2005. He served on the Compensation Committee through June 2007 when Mr. Armstrong replaced him on the Committee. Mr. Neches became a member of the Compensation Committee in November 2005 and Mr. Nicol became a member of the Compensation Committee in March 2004. Except as noted for Mr. Hallenbeck, none of the members of the Compensation Committee were, at any time during fiscal 2007, nor at any other time, officers or employees of the Company. No member of the Compensation Committee or executive officer of the Company has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal year ended December 31, 2007 and December 31, 2006.

(a) Name and Principal Position	(b) Year	(c) Salary ($)	(d) Bonus ($) (1)	(e) Stock Awards ($) (2)	(f) Option Awards ($) (3)	(g) Non-Equity Incentive Plan Compensation ($) (4)	(h) All Other Compensation ($) (5)	(i) Total ($)
Thaddeus Dupper President and Chief Executive Officer	2007	$ 260,000	$ 0	$ 1,378	$ 59,598	$ 114,744	$ 9,330	$ 445,050
	2006	$ 229,500	$ 0	$ 0	$ 50,410	$ 10,465	$ 58,787(6)	$ 349,162
Brian R. Ervine Executive Vice President, Chief Financial & Administrative Officer, Treasurer	2007	$ 260,000	$ 0	$ 212	$ 36,347	$ 68,847	$ 9,764	$ 375,170
	2006	$ 255,000	$ 0	$ 0	$ 44,540	$ 11,628	$ 9,291	$ 320,459
Anita T. Moseley Sr. Vice President, General Counsel, Secretary	2007	$ 239,200	$ 0	$ 159	$ 33,262	$ 52,782	$ 10,440	$ 335,843
	2006	$ 234,600	$ 0	$ 0	$ 43,559	$ 8,915	$ 10,053	$ 297,127
Stuart Cochran Chief Technology Officer (7)	2007	$ 240,039	$ 0	$ 159	$ 30,133	$ 52,968	$ 17,747	$ 341,046
	2006	$ 230,782	$ 72,242(9)	$ 0	$ 23,770	$ 7,016	$ 11,539(8)	$ 345,349
James King Vice President, Worldwide Sales & Marketing (10)	2007	$ 173,585	$ 0	$ 106	$ 29,278	$ 26,046	$ 162,083(11)	$ 391,098
Stephen K. Gartside, Jr. Former President & Chief Executive Officer (12)	2007	$ 84,681	$ 0	$ 460	$ 126,231	$ 1,779	$ 67,500	$ 280,651
	2006	$ 280,500	$ 0	$ 0	$ 268,502	$ 15,989	$ 8,947(13)	$ 573,938

(1) Other than Mr. Cochran in 2006, the named executive officers did not receive payments which would be characterized as Bonus payments for fiscal year 2006 or 2007.

(2) The amounts in column (e) relate to restricted stock granted under the Company s 2007 Stock Incentive Plan during fiscal year 2007. The amounts are valued based on the compensation cost recognized by the Company during fiscal 2007 under FAS 123R. For further information on these awards, see the Grants of Plan-Based Awards table on page 21 of this Proxy Statement and Note 7, Share Based Compensation of our Form 10-K for the year ended December 31, 2007, filed with the SEC on March 13, 2008.

(3) The amounts in column (f) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal years ended December 31, 2006, and December 31, 2007 in accordance with FAS 123R of awards granted pursuant to the Company s 1996 Stock Option Plan and the 2007 Stock Incentive Plan. Assumptions used in the calculation of this amount are included in Note 7 to the Company s audited financial statements for the fiscal year ended December 31, 2007 included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2008.

(4) The amounts shown in column (g) represent incentive compensation earned for 2007, some of which was paid in 2008. The Company achieved incentive compensation targets established by the Compensation Committee as follows: first quarter 4%; second quarter 54%; third quarter 66%; fourth quarter 47% and full year 49%.

(5) The amounts shown in column (h) reflects amounts paid for each named executive officer as follows:

Named Executive Officer		Retirement Plan Matching Contributions	Life Insurance Premiums	Disability Insurance Premiums	Tax Gross-Ups
Thaddeus Dupper	2007	$ 4,400	$ 407	$ 2,665	$ 1,858
	2006	$ 4,200	$ 407	$ 2,665	$ 1,451
Brian R. Ervine	2007	$ 4,400	$ 272	$ 3,000	$ 2,092
	2006	$ 4,200	$ 272	$ 3,000	$ 1,819
Anita T. Moseley	2007	$ 4,400	$ 380	$ 3,335	$ 2,325
	2006	$ 4,200	$ 380	$ 3,335	$ 2,138
Stuart Cochran	2007	$ 12,002	$ 153	$ 0	$ 0
	2006	$ 11,539	$ 0	$ 0	$ 0
James King	2007	$ 8,987	$ 250	$ 0	$ 0
Stephen K. Gartside, Jr.	2007	$ 0	$ 0	$ 0	$ 0
	2006	$ 4,200	$ 224	$ 2,707	$ 1,816

(6) Amount includes $50,064 in commissions earned by Mr. Dupper as Executive Vice President of World Wide Sales and Marketing. Commissions were calculated at .3% of the value of booked orders for licenses and professional services.

(7) Mr. Cochran resides in the United Kingdom and is paid in Pounds Sterling (GBP). The amounts reported are based upon an exchange rate of 1.997 USD : 1 GBP, determined as of December 31, 2007.

(8) Amount includes a car allowance of $5,592.

(9) Mr. Cochran was an employee of Tertio Telecoms Limited, acquired by the Company in November 2004. In conjunction with the acquisition, to induce Mr. Cochran to remain with the Company, the Company agreed to pay Mr. Cochran a retention bonus. The bonus was paid in January 2006.

(10) Mr. King joined the Company on March 12, 2007. He resides in the United Kingdom and is paid in GBP. The amounts reported are based upon an exchange rate of 1.997 USD : 1 GBP, determined as of December 31, 2007.

(11) Amount includes $140,710 in commissions earned by Mr. King as Vice President of World Wide Sales and Marketing and a car allowance of $12,136.

(12) Mr. Gartside resigned as President in January of 2007 and as CEO in April 2007, when Mr. Dupper assumed those respective roles. Mr. Gartside assumed the position of Chairman of the Board of Directors in April 2007.

(13) Compensation shown in column (g) is a pro-rated portion of annual director compensation earned in 2007 and additional compensation earned as Chairman of the Board.

2007 GRANTS OF PLAN-BASED AWARDS

		Estimated future payouts under non-equity incentive plan awards						
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name	**Grant Date**	**Threshold ($)**	**Target ($) (1)**	**Maximum ($)**	**All other stock awards; Number of shares of stock (#)**	**All other option awards: number of securities underlying options (#)**	**Exercise price of option awards ($/share)**	**Grant date fair value of stock and option awards ($)**
Thaddeus Dupper (2)	12/18/2007	$ 1.00	$ 260,000	$ 390,000	65,000	162,500	$ 2.32	$ 4,137
Brian R. Ervine (3)	12/18/2007	$ 1.00	$ 156,000	$ 234,000	10,000	27,500	$ 2.32	$ 679
Anita T. Moseley (4)	12/18/2007	$ 1.00	$ 119,600	$ 179,400	7,500	22,500	$ 2.32	$ 541
Stuart Cochran (5)	12/18/2007	$ 1.00	$ 120,020	$ 180,030	7,500	22,500	$ 2.32	$ 3,582
	9/4/2007					25,000	$ 1.81	
James King (6)	12/18/2007	$ 1.00	$ 47,434	$ 71,150	5,000	10,000	$ 2.32	$ 29,384
	3/12/2007					100,000	$ 1.72	
Stephen K. Gartside, Jr. (7)	12/18/2007	$ 1.00	$ 42,075	$ 63,113	5,000	0	0	$ 460

(1) Columns (c) (d) and (e) reflect the amounts that would have been earned by the named executive officers had the Company achieved its 2007 performance objectives established by the Compensation Committee (see Compensation Discussion and Analysis discussion on page 14). The 2007 incentive compensation plan provided that for every dollar of revenue over targets established by the Compensation Committee, 25% would be allocated to the Company s incentive compensation pool and be paid evenly (as a percentage) to eligible employees up to a maximum of 150% of the employee s individual incentive compensation target. Target amounts shown in column (d) would have been earned if the Company had achieved 100% of its revenue objectives; and the Maximum amount (150% of the Target amount) would have been earned if the Company had achieved 150% or more of its revenue objectives.

(2) Mr. Dupper s 2007 compensation plan provided for target incentive pay equal to 100% of his base salary.

(3) Mr. Ervine s 2007 compensation plan provided for target incentive pay equal to 60% of his base salary.

(4) Ms. Moseley s 2007 compensation plan provided for target incentive pay equal to 50% of her base salary.

(5) Mr. Cochran s 2007 compensation plan provided for target incentive pay equal to 50% of his base salary. Mr. Cochran resides in the United Kingdom and is paid in GBP. The amounts reported are based upon an exchange rate of 1.997 USD : 1 GBP, determined as of

December 31, 2007.

(6) Mr. King s 2007 compensation plan provided for target incentive pay equal to 25% of his base salary. The amounts reflected in this table for non-equity incentive pay have been pro-rated for the calendar year based upon Mr. King s March employment date. Mr. King resides in the United Kingdom and is paid in GBP. The amounts reported are based upon an exchange rate of 1.997 USD : 1 GBP, determined as of December 31, 2007.

(7) Mr. Gartside s employment with the Company terminated on April 2, 2007. His 2007 compensation plan provided for target incentive pay equal to 75% of his base salary. The amounts reflected in this table for non-equity incentive pay have been pro-rated to his employment termination date. The shares listed in column (f) are a restricted stock award granted to Mr. Gartside as a member of the Board of Directors.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007

	Option Awards (1)				Stock Awards (2)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/share)	Option Expiration Date	Number of shares of stock that have not vested (#)	Market value of shares of stock that have not vested ($)(3)
Thaddeus Dupper		162,500	$ 2.32	12/17/2017	65,000	$ 193,700
	50,000	50,000	$ 2.15	12/27/2015		
	40,000		$ 4.64	11/1/2014		
	21,875	3,125	$ 4.44	5/5/2014		
	100,000		$ 8.80	2/22/2014		
Brian R. Ervine		27,500	$ 2.32	12/17/2017	10,000	$ 29,800
	50,000	50,000	$ 2.15	12/27/2015		
	40,000		$ 4.64	11/1/2014		
	45,000		$ 11.78	1/4/2014		
	100,000		$ 0.95	1/5/2013		
	25,000		$ 0.75	2/27/2012		
	118,000		$ 1.32	1/6/2012		
Anita T. Moseley		22,500	$ 2.32	12/17/2017	7,500	$ 22,350
	37,500	37,500	$ 2.15	12/27/2015		
	25,000		$ 4.64	11/1/2014		
	20,000		$ 11.78	1/4/2014		
	60,000		$ 2.93	4/6/2013		
	24,750		$ .75	2/27/2012		
	52,350		$ .58	12/4/2011		
	50,000		$ 2.85	1/2/2011		
	19,792		$ 2.85	7/27/2010		
	25,000		$ 2.85	5/24/2010		
	25,000		$ 2.85	10/26/2009		
	25,500		$ 2.85	11/5/2008		
	52,500		$ 2.85	11/4/2008		
Stuart Cochran		22,500	$ 2.32	12/17/2017	7,500	$ 22,350
	1,562	23,438	$ 1.81	9/3/2017		
	37,500	37,500	$ 2.15	12/27/2015		
	75,000		$ 4.64	11/1/2014		
James King		10,000	$ 2.32	12/17/2017	5,000	$ 14,900
		100,000	(4)	$ 1.72	3/11/2017	