

EVOLVING SYSTEMS INC
Form DEF 14A
March 28, 2003

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SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14a of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or 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)

- No fee required.
- Rules 14a-6(i)(4) and 0-11.

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

EVOLVING SYSTEMS, INC.
9777 Mt. Pyramid Court
Englewood, Colorado 80112

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 15, 2003

To the Stockholders of Evolving Systems, Inc.:

The Annual Meeting of Stockholders of Evolving Systems, Inc., a Delaware corporation (the "Company"), will be held on Thursday, May 15, 2003, at 9:00 a.m. local time at the Hilton Garden Inn, 9290 Meridian Blvd., Englewood, Colorado 80112 for the following purposes:

1. To elect two (2) directors to hold office until the 2006 Annual Meeting of Stockholders.
2. To ratify the selection of PricewaterhouseCoopers LLP as independent accountants of the Company for its fiscal year ending December 31, 2003.
3. To transact 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.

The Board of Directors has fixed the close of business on March 20, 2003 as the record date for determining the stockholders entitled to notice of the meeting and to vote at this Annual Meeting and at any adjournment or postponement of the meeting.

By Order of the Board of Directors,

Anita T. Moseley
Secretary

Englewood, Colorado
April 4, 2003

All stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from the record holder.

EVOLVING SYSTEMS, INC.
9777 Mt. Pyramid Court
Englewood, Colorado 80112

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS**

MAY 15, 2003

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited by the Board of Directors of Evolving Systems, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on May 15, 2003, at 9:00 a.m. local time (the "Annual Meeting"), or at any adjournment or postponement of the Annual Meeting, for the purposes described in this proxy statement and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the Hilton Garden Inn, located at 9290 Meridian Blvd., Englewood, Colorado. The Company intends to mail this proxy statement and accompanying proxy card on or about April 4, 2003, to all stockholders entitled to vote at the Annual Meeting.

Solicitation

The Company will bear the entire cost of soliciting proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to stockholders. The Company will furnish copies to banks, brokerage houses, fiduciaries and custodians holding in their names shares of Common Stock beneficially owned by others to forward to the beneficial owners. The Company may reimburse persons representing beneficial owners of Common Stock for their costs of forwarding solicitation materials to the beneficial owners. Directors, officers or other regular employees of the Company may supplement the original mailed solicitation of proxies by telephone, telegram or personal solicitation. No additional compensation will be paid to directors, officers or other regular employees for these services.

Voting Rights and Outstanding Shares

Only holders of record of Common Stock at the close of business on March 20, 2003 will be entitled to notice of the Annual Meeting and to vote at the Annual Meeting. At the close of business on March 20, 2003, the Company had outstanding and entitled to vote 13,846,489 shares of Common Stock.

Each holder of record of Common Stock on March 20, 2003 will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately count affirmative and negative votes, abstentions and broker non-votes. Abstentions and broker non-votes are counted towards a quorum, and will have the effect of a vote against each of the matters, other than election of directors.

Revocability of Proxies

If you give a proxy in response to this solicitation you have the power to revoke it at any time before it is voted. You may revoke it by delivering a written notice of revocation or a properly executed proxy with a later date to the Secretary of the Company at the Company's principal executive office, 9777 Mt. Pyramid Court, Englewood, Colorado 80112. A proxy also may be revoked by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy; you must still notify the Secretary of the Company that you want to revoke your proxy.

Stockholder Proposals

The deadline for submitting a stockholder proposal for inclusion in the Company's proxy statement and form of proxy for the Company's 2004 annual meeting of stockholders provided under Rule 14a-8 of the Securities and Exchange Commission is December 4, 2003. A stockholder proposal or nomination for director for consideration at the 2004 annual meeting but not included in the proxy statement and proxy must be received by the Secretary of the Company no earlier than February 13, 2004 and no later than March 15, 2004.

Delivery of this Proxy Statement

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 securityholders and cost savings for companies.

This year, a number of brokers with account holders who are Evolving Systems, Inc. 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 Mt. Pyramid Court, 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.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Restated Certificate of Incorporation and Bylaws provide that the Board of Directors be 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.

The Board of Directors is presently composed of five (5) members. There are two Class 2 Directors, Donald R. Dixon and George A. Hallenbeck whose terms of office expire in 2003. The Board has nominated each of Mr. Dixon and Mr. Hallenbeck for re-election. There are currently two vacancies on the Board which will remain following this election. The Board may fill these vacancies pursuant to the Bylaws. 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 2006 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 each of the two (2) 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

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voted for the election of such substitute nominee as management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

Set forth below is biographical information for each person nominated and each person whose term of office as a director will continue after the Annual Meeting.

As of March 27, 2003, the Directors of the Company are as follows*:

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<u>Name</u>	<u>Age</u>	<u>Position</u>
George A. Hallenbeck	60	Chairman of the Board, CEO & President
Donald R. Dixon	55	Director; Compensation & Audit Committees
Robert J. Loarie	60	Director; Compensation & Audit Committees
Brendan F. Reidy	49	Director
Steve B. Warnecke	46	Director; Audit Committee

* Edward H. Sproat resigned from the Board in July 2002. Mr. Sproat served on the Company's Board from April 2001 until July 15, 2002. Mr. Sproat was also a member of the Audit Committee. Michael R. Perusse and James M. Ross resigned from the Board in March 2003. Michael R. Perusse served on the Company's Board from December 2001 until March 24, 2003. He was also a member of the Audit Committee. James M. Ross served on the Company's Board from November 1999 until March 21, 2003.

Nominees for Election for a Three-year Term Expiring at the 2006 Annual Meeting

Donald R. Dixon

Donald R. Dixon has served as a member of the Company's Board of Directors since December 1997 and previously served as a member of the Company's Board of Directors from May 1996 to November 1996. Since 1993, Mr. Dixon has been associated with Trident Capital, L.P., a venture capital firm ("Trident"), which he helped found. Trident manages Information Associates L.P. and Information Associates, C.V., both of which are stockholders of the Company. Mr. Dixon serves as a director and member of the audit and compensation committees of Epicor Software Corporation, as well as a director of several privately-held companies. Mr. Dixon holds a B.S. from Princeton University and an M.B.A. from Stanford University.

George A. Hallenbeck

George A. Hallenbeck currently serves as the Company's Chief Executive Officer and President. Mr. Hallenbeck was a founder of the Company in June 1985 and has served as Chairman and a member of the Board of Directors since that time. 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. Mr. Hallenbeck served as the Company's President from June 1985 until December 1988; he resumed the position of President from October 1998 through November 1999, and again assumed the position in July 2002. Mr. Hallenbeck currently serves as Chairman of the Presence and Availability Management Forum, Inc. a non-stock corporation organized to develop and extend an industry standard interface for storing and accessing presence and availability data in communications networks. Mr. Hallenbeck received a B.A. from the University of Colorado.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF EACH NAMED NOMINEE.

Directors Continuing in Office Until the 2004 Annual Meeting

Brendan F. Reidy

Brendan F. Reidy became a member of the Board of Directors in September 2002.* Mr. Reidy is currently an independent consultant providing strategic services to telecommunications and financial services firms. From November 2000 through December 2001, Mr. Reidy served as Vice President of Strategy and Corporate Development of Latis Networks, Inc. From January 1995 through November of 2000, he was employed at Qwest Communications International/US WEST, serving in a variety of positions, including Vice President of International Business Development, Vice President of Corporate Strategy, Vice President of Strategic Planning and Executive Director of Strategic Marketing. Prior to his service at US WEST, Mr. Reidy served as Vice President and General Manager of Litton Integrated Automation and was co-founder and Vice President, Sales and Marketing of Software Alliance Corporation. He received his A.B. from Stanford University and M.B.A. from the Wharton School of the University of Pennsylvania.

* Mr. Reidy was appointed by the Board following the resignation of Edward H. Sproat in July, 2002.

Directors Continuing in Office Until the 2005 Annual Meeting

Robert J. Loarie

Robert J. Loarie has served as a member of the Company's Board of Directors since May 1996. Since August 1992, Mr. Loarie has been a Principal of, and since December 1997, a Managing Director of, Morgan Stanley & Co. Incorporated, a diversified investment firm, and a general partner of Morgan Stanley Venture Partners, L.P. and Morgan Stanley Venture Partners II, L.P., venture capital investment partnerships. Since November 1996, Mr. Loarie has also served as a managing member of Morgan Stanley Venture Partners III, L.L.C., and since October 1999, of Morgan Stanley Dean Witter Venture Partners IV, L.L.C., venture capital investment companies. Mr. Loarie also serves as a director and a member of the audit committee of Adaptec, Inc., and as a director and member of the compensation committee of Websense, Inc. He also serves as a director of several privately-held companies. Mr. Loarie holds a B.S. from the Illinois Institute of Technology and an M.B.A. from Harvard University Graduate School of Business.

Steve B. Warnecke

Steve B. Warnecke joined the Company's Board of Directors in March, 2003*. He also serves on the Board of Directors of the Cystic Fibrosis Foundation. In 1983, Mr. Warnecke founded and he remains President of Integrated Management Company, a venture capital company that has operated primarily in the construction industry. 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.

* Mr. Warnecke was appointed by the Board following the resignation of Michael R. Perusse in March 2003.

INFORMATION REGARDING THE BOARD AND ITS COMMITTEES

The Board has an Audit Committee and a Compensation Committee.

The Audit Committee. The Audit Committee meets with the Company's independent accountants at least annually to review the results of the annual audit and discuss the financial statements. The Audit Committee also meets with the Company's independent accountants quarterly to discuss the results of the accountants' quarterly reviews as well as quarterly results and quarterly earnings releases; recommends to the Board the independent accountants to be retained; and receives and considers the accountants' comments as to controls, adequacy of staff and management performance 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). The Audit Committee consists of Messrs. Dixon, Loarie and Warnecke. For more information concerning the Audit Committee see the "Report of the Audit Committee" contained in this proxy statement.

The Compensation Committee. The Compensation Committee makes recommendations concerning salaries and incentive compensation, awards stock options to employees and consultants under the Company's stock option plan and otherwise determines compensation levels and performs such other functions regarding compensation as the Board may delegate. The Compensation Committee consists of Messrs. Dixon and Loarie. For more information concerning the Compensation Committee see the "Report of the Compensation Committee" contained in this proxy statement.

Meetings. During the fiscal year ended December 31, 2002, the Board of Directors held seven (7) meetings; the Audit Committee met seven (7) times and the Compensation Committee met three (3) times. Michael R. Perusse, who was a member of the Board and the Audit Committee during 2002, was unable to attend three (3) meetings of the Board of Directors and two (2) meetings of the Audit Committee. Each of the other Board members attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he served, held during the period for which he was a director or committee member, respectively.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

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The Board of Directors has selected PricewaterhouseCoopers LLP as the Company's independent accountants for the fiscal year ending December 31, 2003, and has further directed that management submit the selection of independent accountants for ratification by the stockholders at the Annual Meeting. PricewaterhouseCoopers LLP has audited the Company's financial statements since 1997. Representatives of PricewaterhouseCoopers 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.

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent accountants is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of PricewaterhouseCoopers 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 different independent auditors 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.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of PricewaterhouseCoopers LLP.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2.

INFORMATION CONCERNING EQUITY COMPENSATION PLANS STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLAN

STOCK OPTION PLAN

The Company's Amended and Restated Stock Option Plan (the "Stock Option Plan") was adopted by the Board of Directors on January 19, 1996 and was amended each year thereafter through 2000 by the Board of Directors to increase the number of shares available under the Stock Option Plan. Each of these amendments was approved by the stockholders. No amendments were made in 2001 or 2002. There are currently 6,850,000 shares of Common Stock authorized for issuance under the Stock Option Plan. As of March 27, 2003 options (net of canceled or expired options) covering an aggregate of 1,979,801 shares of Common Stock had been granted under the Stock Option Plan. 3,525,770 shares of Common Stock (plus any shares that might in the future be returned to the Option Plan as a result of cancellations or expiration of options) remain available for future grant under the Stock Option Plan. The per share price for the Company's Common Stock on March 27, 2003 was \$2.65.

On September 4, 2002, the Board approved a stock option exchange program ("Exchange Program"), offering employees, including executive officers, the opportunity to exchange outstanding options to purchase shares of the Company's Common Stock ("Eligible Option Grants") for replacement options to purchase shares of the Company's Common Stock ("Replacement Options"). Participation in the Exchange Program was voluntary; however, if an employee elected to exchange any of his options, he was required to also exchange all of his options that had been granted since March 4, 2002. Employees who elected to participate had until October 2, 2002, to make their election. Replacement Options will be granted on April 3, 2003 and will have an exercise price equal to the greater of (a) the closing price of the Company's Common Stock as reported on the Nasdaq SmallCap Market on April 3, 2003, or (b) \$1.00. In addition, six (6) months will be added to the vesting schedule of the Eligible Option Grants for the Replacement Options. For example, options that would have been vested on April 3, 2003 under the original option grant, will not be vested until October 3, 2003 under

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the Replacement Options. Employees must be employed on April 3, 2003 to be eligible to receive their Replacement Options. Employees tendered 1,586,254 shares for exchange; of that amount, 1,248,949 were tendered by executive officers.

The Board is not requesting any additional shares for the Stock Option Plan at this time.

Description of Stock Option Plan

The Stock Option Plan provides for the grant of incentive stock options under the Internal Revenue Code of 1986, as amended (the "Code"), to employees and non-statutory stock options, stock appreciation rights, restricted stock purchase awards and stock bonuses to employees, directors and consultants. The Board of Directors or a committee appointed by the Board of Directors administers the Stock Option

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Plan and determines recipients and types of awards to be granted, including the exercise price, exercisability and number of shares subject to the award.

The terms of stock options granted under the Stock Option Plan generally may not exceed 10 years. The Board of Directors determines the exercise price of options granted under the Stock Option Plan. However, the exercise price of an incentive stock option cannot be less than 100% of the fair market value of the Common Stock on the date of the option grant, and the exercise price of a nonstatutory stock option cannot be less than 85% of the fair market value of the Common Stock on the date of the option grant. Options granted under the Stock Option Plan vest at the rate specified in the option agreement. The optionee may not transfer a stock option other than by will or the laws of descent or distribution or, in certain limited instances, pursuant to a domestic relations order. An optionee whose service to the Company or its affiliates ceases for any reason (other than by death or disability) generally may exercise an option for three (3) months thereafter (unless the option terminates or expires sooner by its terms). An optionee generally may exercise an option for up to 12 months and 18 months after the optionee's service to the Company and its affiliates ceases due to disability or death, respectively.

The Board of Directors may not grant an incentive stock option to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the Company or any affiliate of the Company, unless the option exercise price is at least 110% of the fair market value of the Common Stock on the date of grant, and the option term is five (5) years or less. The aggregate fair market value, determined at the time of grant, of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year (under all such plans of the Company and its affiliates) may not exceed \$100,000. However, no person may be granted options under the Stock Option Plan exercisable for more than 1,260,000 shares of Common Stock during any calendar year ("Section 162(m) Limitation"). Options may be immediately exercisable, at the discretion of the Company, whether vested or not, subject to repurchase by the Company of any unvested shares.

Shares subject to stock awards that have expired or otherwise terminated without having been exercised in full become available again for the grant of awards under the Stock Option Plan. Shares with respect to which stock appreciation rights have been exercised are not available for the grant of new awards or stock options.

The Board of Directors has the specific authority to reprice outstanding options and the general authority to reprice stock appreciation rights and to offer optionees and holders of stock appreciation rights the opportunity to replace outstanding options and stock appreciation rights with new options or stock appreciation rights for the same or a different number of shares.

The Board of Directors may grant restricted stock purchase awards under the Stock Option Plan pursuant to a repurchase option in favor of the Company in accordance with a vesting schedule and at a price determined by the Board of Directors. Restricted stock purchases must be at a price equal to at

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least 85% of the stock's fair market value on the award date, but stock bonuses may be awarded in consideration of past services without a purchase payment.

The holder of a restricted stock purchase award must pay the purchase price of the stock either in cash or, at the discretion of the Board, by delivery of other Common Stock of the Company, pursuant to a deferred payment arrangement or in any other form of legal consideration acceptable to the Board.

A participant may not transfer his or her rights under a stock bonus or restricted stock purchase agreement other than by will, the laws of descent and distribution or a domestic relations order while the stock awarded pursuant to such an agreement remains subject to the agreement. Stock appreciation rights granted under the Stock Option Plan may be tandem rights, concurrent rights or independent rights.

Transactions not involving receipt of consideration by the Company, such as a merger, consolidation, reorganization, stock dividend, or stock split, may change the class and number of shares of Common Stock subject to the Stock Option Plan and outstanding awards. In that event, the Stock Option Plan will be appropriately adjusted as to the class and the maximum number of shares of Common Stock subject to the Stock Option Plan and the Section 162(m) Limitation. Outstanding awards also will be adjusted as to the class, number of shares and price per share of Common Stock subject to such awards.

Upon certain changes in control of the Company, the successor corporation may assume outstanding stock awards or substitute equivalent stock awards. If the successor corporation refuses to do so, such stock awards will become fully vested and exercisable for a period of 15 days after notice from the Company but the option will terminate if not exercised during that period. In addition, restricted shares acquired upon exercise of options will be released from the Company's repurchase option.

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The Board of Directors may amend the Stock Option Plan at any time or from time to time. However, no amendment will be effective unless approved by the stockholders of the Company within 12 months before or after its adoption by the Board of Directors if such modification requires stockholder approval in order to comply with Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or to satisfy the requirements of Section 422 of the Code or any securities exchange listing requirements. The Board may submit any other amendment to the Stock Option Plan for stockholder approval, including, but not limited to, amendments intended to satisfy the requirements of Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limitation on the deductibility of compensation paid to certain employees.

The Board of Directors may suspend or terminate the Stock Option Plan without stockholder approval or ratification at any time or from time to time. Unless sooner terminated, the Stock Option Plan will terminate on December 15, 2007.

Federal Income Tax Information

Incentive Stock Options. Incentive stock options under the Stock Option Plan are intended to be eligible for the favorable federal income tax treatment accorded "incentive stock options" under the Code.

There generally are no federal income tax consequences to the participant or the Company by reason of the grant or exercise of an incentive stock option. However, the exercise of an incentive stock option may increase the participant's alternative minimum tax liability, if any.

If a participant holds stock acquired through exercise of an incentive stock option for at least two (2) years from the date on which the option is granted and at least one (1) year from the date on

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which the shares are transferred to the participant upon exercise of the option, any gain or loss on a disposition of such stock will be a long-term capital gain or loss.

Generally, if the participant disposes of the stock before the expiration of either of these holding periods (a "disqualifying disposition"), then at the time of disposition the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the participant's actual gain, if any, on the disposition. The participant's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year.

To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, the Company will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

Non-statutory Stock Options, Restricted Stock Purchase Awards and Stock Bonuses. Non-statutory stock options, restricted stock purchase awards and stock bonuses granted under the Stock Option Plan generally have the following federal income tax consequences:

There are no tax consequences to the participant or the Company by reason of the grant. Upon acquisition of the stock, the participant normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. With respect to employees, the Company is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Upon disposition of the stock, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to participants who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Stock Appreciation Rights. No taxable income is realized upon the receipt of a stock appreciation right, but upon exercise of the stock appreciation right the fair market value of the shares (or cash in lieu of shares) received must be treated as compensation taxable as ordinary income to the participant in the year of such exercise. Generally, with respect to employees, the Company is required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the

ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a reporting obligation, the Company will be entitled to a business expense deduction equal to the taxable ordinary income recognized by the participant.

Potential Limitation on Company Deductions. Section 162(m) of the Code denies a deduction to any publicly-held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation to such covered employee exceeds \$1 million. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from the Company, may cause this limitation to be exceeded in any particular year.

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Certain kinds of compensation, including qualified "performance-based compensation," are disregarded for purposes of the deduction limitation. In accordance with Treasury regulations issued under Section 162(m), compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation if the award is granted by a compensation committee comprised solely of "outside directors" and the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders, and (i) either the exercise price of the award is no less than the fair market value of the stock on the date of grant, or (ii) the award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) prior to vesting or exercisability of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the award is approved by stockholders.

Restricted stock and stock bonuses qualify as performance-based compensation under the Treasury regulations only if (i) the award is granted by a compensation committee comprised solely of "outside directors," (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied and (iv) prior to the granting (or exercisability) of the award, stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount-or formula used to calculate the amount-payable upon attainment of the performance goal).

EMPLOYEE STOCK PURCHASE PLAN

The Company's Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors on December 16, 1997 and amended by the stockholders each year since 1997 to increase the number of shares available under the Purchase Plan. There are currently 900,000 shares of Common Stock authorized for issuance under the Purchase Plan. During the fiscal year ended December 31, 2002, shares of Common Stock were purchased in the amounts and at the weighted average prices per share under the Purchase Plan as follows: all employees (excluding executive officers) as a group purchased 14,917 shares (\$.21768 per share) and current executive officers during the fiscal year ended December 31, 2002 purchased no shares. As of March 27, 2003, purchase rights (net of canceled or expired purchase rights) covering an aggregate of 614,881 shares of Common Stock had been granted under the Purchase Plan; 285,119 shares of Common Stock remain available for future grant under the Purchase Plan.

On March 27, 2003, the per share price for the Company's Common Stock was \$2.65.

The Board is not requesting any additional shares for the Purchase Plan at this time.

Description of Purchase Plan

The Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. Under the Purchase Plan, the Board of Directors may authorize participation by eligible employees, including officers, in periodic offerings following the adoption of the Purchase Plan. The Board of Directors currently plans that the offering period for any offering will be six months, provided there are shares available for sale under the Purchase Plan. For 2003, the first offering period began on January 1, 2003, and the second offering period will begin on July 1, 2003.

The Board of Directors, through its Compensation Committee, administers the Purchase Plan and has the final power to construe and interpret both the Purchase Plan and the rights granted under it. The Board of Directors has the power, subject to the provisions of the Purchase Plan, to determine when and how rights to purchase Common Stock of the Company will be granted, the provisions of

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each offering of such rights (which need not be identical), and whether employees of any parent or subsidiary of the Company will be eligible to participate in the Purchase Plan.

Generally, any person 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 designated by the Board) on the first day of an offering is eligible to participate in that offering. However, no employee is eligible to participate in the Purchase Plan if, immediately after the grant of purchase rights, the employee would own, directly or indirectly, stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any parent or subsidiary of the Company (including any stock which such employee may purchase under all outstanding rights and options). In addition, 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) under all employee stock purchase plans of the Company and its affiliates in any calendar year. Rights granted under the Purchase Plan are not transferable and may be exercised only by the person 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 earnings 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 will be 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 period (except as otherwise provided by the Board of Directors for that offering), and participation ends automatically upon termination of employment with the Company.

If the aggregate number of shares to be purchased upon exercise of rights granted in the offering exceeds the maximum aggregate number of shares of Common Stock available, the Board will make a pro rata allocation of available shares in a uniform and equitable manner. Unless the employee's participation is discontinued, his or her right to purchase shares is exercised automatically at the end of the offering at the applicable price.

In the event of a change of control in the Company, the Company and the Board of Directors have discretion to provide that each right to purchase Common Stock will be assumed or an equivalent right substituted by the successor corporation. Alternatively, the Board of Directors may shorten the offering period and provide for all sums collected by payroll deductions to be applied to purchase stock immediately prior to the change in control. The Purchase Plan will terminate at the direction of the Board of Directors.

The Board may amend the Purchase Plan at any time. Any amendment of the Purchase Plan must be approved by the stockholders within 12 months of its adoption by the Board if the amendment would (i) increase the number of shares of Common Stock reserved for issuance under the Purchase Plan, (ii) modify the requirements relating to eligibility for participation in the Purchase Plan, or (iii) modify any other provision of the Purchase Plan in a manner that would materially increase the benefits accruing to participants under the Purchase Plan if such approval is required in order to comply with the requirements of Rule 16b-3 under the Exchange Act or any other applicable rule or regulation. Rights granted before amendment or termination of the Purchase Plan will not be altered or impaired by any amendment or termination of the Purchase Plan without consent of the employee to whom such rights were granted.

Federal Income Tax Information

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 Code.

A participant will be taxed on amounts withheld for the purchase of shares of Common Stock as if such amounts were actually received. Other than this, 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 method of taxation will depend upon the holding period of the acquired shares.

If the stock is disposed of at least two (2) years after the beginning of the offering period and at least one (1) year after the stock is transferred to the participant, or if the participant dies while holding stock acquired under the Purchase Plan, then the lesser of (i) the excess of the fair market value of the stock at the time of such disposition or death over the exercise price or (ii) the excess of the fair market value of the stock as of the beginning of the offering period over the exercise price (determined as of the beginning of the offering period) will be treated as ordinary income. Any further gain or any loss will be taxed as a long-term capital gain or loss. The Company is not entitled to a corresponding deduction for the amount treated as ordinary income.

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If the stock is sold or disposed of before the expiration of either of the holding periods described above, then the excess of the fair market value of the stock on the exercise date over the exercise price will be treated as ordinary income at the time of such disposition. The Company is entitled to a deduction to the extent amounts are taxed as ordinary income to a participant (subject to the requirement of reasonableness, Section 162(m) with respect to certain officers, and the satisfaction of tax reporting obligations). The balance of any gain will be treated as capital gain. Even if the stock is later disposed of for less than its fair market value on the exercise date, the same amount of ordinary income is attributed to the participant. A capital loss is recognized equal to the difference between the sales price and the fair market value of the stock on such exercise date. Any capital gain or loss will be short-term or long-term, depending on how long the stock has been held.

TABLE OF EQUITY COMPENSATION PLANS

The following table contains summary information as of December 31, 2002 concerning the Company's Purchase Plan and Stock Option Plan. Both of the Plans have been approved by the stockholders. See "Security Ownership of Certain Beneficial Owners and Management," Footnotes 11 & 13 for a description of warrants outstanding on December 31, 2002 and exercised in March, 2003.

	Number of shares to be issued upon exercise outstanding of options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plan
Stock Option Plan	2,062,010	\$ 1.10	3,537,061
Employee Stock Purchase Plan	0	\$ 2.42	285,119
Warrants	910,633	\$.80	

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MANAGEMENT

As of March 27, 2003 the executive officers of the Company are as follows:

Name	Age	Position
George A. Hallenbeck	60	Chief Executive Officer and President
Stephen K. Gartside, Jr.	37	Executive Vice President of Sales and Operations
Brian R. Ervine	41	Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
Anita T. Moseley	51	Senior Vice President, General Counsel and Secretary
Joseph P. Murray	37	Vice President of Software Development
Patrick Shane Furlong	38	Vice President and Principal Consulting Practice

See "Proposal 1 Election of Directors" for the biography of Mr. Hallenbeck.

Stephen K. Gartside, Jr. 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.

Brian R. Ervine joined the Company in January 2002 as Senior Vice President of Finance, Chief Financial Officer, Treasurer and Assistant Secretary. He came to the Company from Brain Ranger, a content management software developer, where he was Chief Financial

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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 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 Senior Audit 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 an in-house corporate counsel position with the Federal Deposit Insurance Corporation/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. from Syracuse University and a J.D. from the University of Utah.

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Joseph P. Murray joined the Company in May 1999 as Director of Local Number Portability (LNP) Solutions and held that position until January 2001 when he assumed the position of Vice President & General Manager of OSS Solutions. In January 2002, Mr. Murray became the Vice President of Software Development. From October 1995 until joining the Company, Mr. Murray served as the Director of Software Business Systems at JCIT, Inc., a company specializing in providing education, consulting services and applications for manufacturing flow operations. Mr. Murray is an active faculty member of the University of Phoenix Graduate School of Business. He holds an MBA/Organizational Management Degree from the University of Phoenix and a B.S. in Mechanical Engineering from the University of Denver.

Patrick Shane Furlong joined the Company in December of 1994 as a Software Engineer in the Wireless Data Group. From 1998 to 1999 Mr. Furlong served as a Business Development Manager for the Company. In October of 1999, Mr. Furlong became the Director for Wireless Technologies for the Company, managing the Wireless Data Group. He was promoted to the position of Vice President and General Manager of Wireless Data in January 2001. In December 2001, Mr. Furlong became the Vice President, Market Strategy and in December 2002, his position was changed to Vice President and Principal Consulting Practice. Mr. Furlong is a veteran of the United States Army and holds a B.S. in Computer Science from Hawaii Pacific University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's Common Stock as of March 27, 2003 by: (i) each director and nominee for director; (ii) each executive officer named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent (5%) of its Common Stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
George A. Hallenbeck(2) c/o Evolving Systems, Inc. 9777 Mt. Pyramid Court Englewood, CO 80112	1,482,700	10.7%
Donald R. Dixon(3) c/o Trident Capital 505 Hamilton Avenue, Suite 200 Palo Alto, CA 94301	831,257	6%
Robert J. Loarie(4) c/o Morgan Stanley Venture Partners 3000 Sand Hill Road, Building 4, Suite 250	881,005	6.4%

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Beneficial Ownership(1)

Menlo Park, CA 94025		
Brendan F. Reidy(5) P.O. Box 880 Evergreen, CO 80437	26,664	*
Steve B. Warnecke(6) 1026 Anaconda Dr. Castle Rock, CO 80108	3,333	*

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Harry B. Fair(7) c/o The Brogden Group, LLC 14823 East Hinsdale Avenue Englewood, CO 80112	1,023,250	7.4%
Ashford Capital Management(8) P. O. Box 4172 Wilmington, DE 19807	1,290,000	9.3%
Management Insights, Inc./ Robert Coates/Suzanne Coates(9) 5501 LBJ Freeway Dallas, TX 75240	1,319,900	9.5%
Morgan Stanley Venture Partners(10) 3000 Sand Hill Road, Building 4, Suite 250 Menlo Park, CA 94025	881,005	6.4%
Royce & Associates, LLC(11) 1414 Avenue of the Americas New York, NY 10019	901,200	6.5%
Trident Capital Management, L.L.C.(12) 505 Hamilton Avenue, Suite 200 Palo Alto, CA 94301	791,657	5.7%
Brian R. Ervine(13)	60,936	*
Stephen K. Gartside(14)	24,999	*
Anita T. Moseley(15)	51,924	*
Joseph P. Murray(16)	21,134	*
Marc D. Abbott (former executive officer)	5,000	*
James M. Ross (former executive officer)(17)	357,126	2.6%
All current executive officers and directors as a group (10 persons)(18)	3,390,202	24.5%

*

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Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the "SEC"). Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 13,846,489 shares outstanding on March 27, 2003, adjusted as required by rules promulgated by the SEC.
 - (2) Includes 355,700 shares held by Mr. Hallenbeck's former spouse as to which Mr. Hallenbeck retains voting power. Also includes 100,000 shares held by the George A. Hallenbeck Irrevocable Trust, of which Mr. Hallenbeck's wife is trustee. Mr. Hallenbeck disclaims beneficial ownership of such shares. Also includes 62,500 shares subject to stock options exercisable within 60 days of March 27, 2003.
-
- (3) Includes shares owned by investment funds managed by Trident Capital (see Note 13 below). Mr. Dixon is President of Trident Capital Management, L.L.C., the Investment General Partner of Information Associates, C.V. and the General Partner of Information Associates, L.P. Mr. Dixon disclaims beneficial ownership of such shares, except to the extent of his proportional ownership interest in these entities. Also includes 39,600 shares held by the Dixon Family Trust; Mr. Dixon disclaims beneficial ownership of such shares.
 - (4) Consists solely of shares owned by investment funds managed by Morgan Stanley Venture Partners (see Note 11 below). Mr. Loarie is a General Partner of Morgan Stanley Venture Partners II, L.P., the General Partner of each of the funds. He is also a Vice President of Morgan Stanley Venture Capital II, Inc., the Managing General Partner of Morgan Stanley Venture Partners II, L.P. Mr. Loarie disclaims beneficial ownership of such shares except to the extent of his proportional ownership in these entities.
 - (5) Represents shares subject to stock options exercisable within 60 days of March 27, 2003.
 - (6) Represents shares subject to stock options exercisable within 60 days of March 27, 2003.
 - (7) Includes 250,000 shares held by a trust for which Mr. Fair's spouse serves as trustee.
 - (8) Based solely upon Schedule 13G information filed with the SEC by Ashford Capital Management on November 13, 2000.
 - (9) Based solely upon Schedule 13G information filed with the SEC by Management Insights on January 7, 2002. Management Insights, Inc. directly owns 1,276,500 shares of Common Stock of the Company, or approximately 9.21%. Since Robert Coates and Suzanne Coates have the power to direct the affairs of Management Insights, Inc., they may be deemed to be beneficial owners of the Common Stock of the Company directly owned by Management Insights, Inc. Robert Coates directly owns 43,400 shares of Common Stock of the Company, or approximately .31%, over which he has sole voting and dispositive power.
 - (10) Includes 138,819 shares owned by Morgan Stanley Venture Capital Fund II, C.V., 557,484 shares owned by Morgan Stanley Venture Capital Fund II, L.P. and 144,700 shares owned by Morgan Stanley Venture Investors, L.P. Also includes 40,002 shares subject to stock options exercisable within 60 days of March 27, 2003. On December 31, 2002 there were warrants to purchase an aggregate of 483,460 shares of Common Stock, 79,838 of which were owned by Morgan Stanley Venture Capital Fund II, C.V., 320,453 of which were owned by Morgan Stanley Venture Capital Fund II, L.P. and 83,169 of which were owned by Morgan Stanley Venture Investors, L.P. These warrants were net-exercisable, and were exercised on March 13, 2003, based upon the average fair market value for the Company's stock for the prior 5 days, or \$1.552 per share. The net exercise of these warrants resulted in 234,253 shares being issued on March 13, 2003, as follows: 38,684 to Morgan Stanley Venture Capital Fund II, C.V.; 155,271 to Morgan Stanley Venture Capital Fund II, L.P.; and 40,298 to Morgan Stanley Venture Investors, L.P.

(11)

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Based solely upon Schedule 13G information filed with the SEC by Royce & Associates, LLC on February 5, 2003.

- (12) Includes 20,369 shares owned by Information Associates, C.V. and 731,286 shares owned by Information Associates, L.P. Also includes 40,002 shares subject to stock options exercisable within 60 days of March 27, 2003. On December 31, 2002 there were warrants to purchase an aggregate of 427,173 shares of Common Stock, 11,597 of which were owned by Information Associates, C.V. and 415,576 of which were owned by Information Associates, L.P. These warrants were net-exercisable, and were exercised on March 12, 2003, based upon the average fair market value for the Company's stock for the prior 5 days, or \$1.512 per share. The net exercise of these warrants

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resulted in 201,155 shares being issued on March 12, 2003, as follows: 5,461 to Information Associates, C.V. and 195,694 to Information Associates, L.P.

- (13) Represents 60,936 shares subject to stock options exercisable within 60 days of March 27, 2003.
- (14) Represents 24,999 shares subject to stock options exercisable within 60 days of March 27, 2003.
- (15) Includes 32,992 shares subject to stock options exercisable within 60 days of March 27, 2003.
- (16) Includes 12,500 shares subject to stock options exercisable within 60 days of March 27, 2003.
- (17) Includes 355,626 shares subject to stock options exercisable within 60 days of March 27, 2003.
- (18) Includes 792,915 shares subject to stock options exercisable within 60 days of March 27, 2003. Also see Notes 2-7, 11, 13-17 above.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act") requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2002, Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

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EXECUTIVE COMPENSATION

Compensation of Directors

The Company's directors did not receive any cash compensation for serving as directors, except that they were eligible to receive reimbursement of any expenses incurred in attending Board and committee meetings. During fiscal 2002, each director received options to purchase shares of the Company's Common Stock. The exercise price of each option was the closing price of the Company's Common Stock on the date of grant. See stock option information contained in this proxy statement for information concerning stock options held by members of the Board of Directors.

Compensation of Executive Officers*Summary of Compensation*

The following table shows for the fiscal years ended December 31, 2000, 2001 and 2002, compensation awarded or paid to, or earned by, each person who served as Chief Executive Officer of the Company during fiscal year 2002, and each of the other four (4) most highly compensated executive officers of the Company at December 31, 2002 as well as two (2) former officers of the Company who received compensation during 2002 but were not Executive Officers on December 31, 2002 (the "Named Executive Officers"):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation	All Other Compensation(\$) (2)
		Salary (\$)	Bonus (\$)	Other Annual Compensation(\$) (1)	Securities Underlying Options (#)	
George A. Hallenbeck Chief Executive Officer	2000	\$ 225,000	\$ 126,684		101,250	\$ 17,985
	2001	225,000	113,625(3)		267,500	18,397
	2002	225,000				13,684
Stephen K. Gartside, Jr., Executive Vice President of Sales and Operations	2000					
	2001	\$ 59,077			160,000	\$ 4,652
	2002	180,000	\$ 10,000		25,000	8,719
Brian R. Ervine, Sr. Vice President and Chief Financial Officer	2000					
	2001					
	2002	\$ 196,154			175,000	\$ 8,994
Anita T. Moseley Sr. Vice President, General Counsel and Secretary	2000	\$ 185,000	\$ 29,275	\$ 51,958	44,792	\$ 20,790
	2001	185,000	31,868(3)	1,356	110,000	28,397
	2002	195,000			25,000	11,461
Joseph P. Murray, Vice President of Development	2000	\$ 135,103	\$ 33,510		48,500	\$ 10,200
	2001	160,000	20,480(3)		75,000	17,884
	2002	170,000				5,577
James M. Ross, former President and Chief Operating Officer	2000	\$ 200,000	\$ 83,173		81,563	\$ 16,837
	2001	225,000	96,400(3)		350,000	51,476
	2002	112,500			51,677	142,901(4)
Marc D. Abbott, former Vice President of Marketing(5)	2000	\$ 175,000	\$ 27,813	\$ 26,200	25,000	\$ 15,216
	2001	185,000	31,771(3)		50,000	22,116
	2002	185,000				17,794

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- (1) Includes dollar value of the difference between the price paid by the named executive officer for stock purchased under the Company's stock option plan and the fair market value of the Company's stock at the time of option exercise.
- (2) Includes value of Company-provided insurance premiums paid by the Company, flexible spending credits, amounts paid for earned but unused time-off, and contributions made by the Company on behalf of the individuals which are currently managed under the Company's 401(k) Plan.
- (3)

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Includes cash portion of the individual's bonus under his or her compensation plan. Bonuses were paid in 2001 for Company performance in the fourth quarter of 2000 and the first quarter of 2001. No bonuses were paid for the balance of 2001.

- (4) Mr. Ross resigned as an officer of the Company, effective June 30, 2002. Amount shown includes \$112,500 severance payments made in 2002.
- (5) Mr. Abbott resigned as an officer of the Company, effective December 27, 2002.

STOCK OPTION GRANTS AND EXERCISES

The Company grants options to its executive officers under its Amended and Restated Stock Option Plan (the "Stock Option Plan"). As of March 27, 2003, options to purchase a total of 1,979,801 shares were outstanding under the Stock Option Plan, and options to purchase 3,525,770 shares remained available for grant thereunder.

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The following tables show for the fiscal year ended December 31, 2002, certain information regarding options granted to, exercised by, and held at year-end by, the Named Executive Officers and Directors:

Option Grants in Last Fiscal Year

Officers	Number of Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year(2)	Exercise Price (\$/Share)(3)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(4)	
					5%	10%
George A. Hallenbeck						
Stephen K. Gartside, Jr.	25,000	3.4%	\$.75	2/27/12	\$ 30,542	\$ 48,633
Brian R. Ervine(5)	150,000	20.6%	\$ 1.32	1/6/12	\$ 322,521	\$ 513,561
	25,000	3.4%	\$.75	2/27/12	30,542	48,633
Anita T. Moseley	25,000	3.4%	\$.75	2/27/12	\$ 31,542	\$ 48,633
Joseph P. Murray						
Marc D. Abbott						
Directors						
Robert J. Loarie	51,677	7.1%	\$.39	10/29/12	\$ 32,829	\$ 52,274
Donald R. Dixon	51,677	7.1%	\$.39	10/29/12	\$ 32,829	\$ 52,274
Michael R. Perusse(6)	51,677	7.1%	\$.39	10/29/12	\$ 32,829	\$ 52,274
Brendan F. Reidy						

- (1) The amount shown does not reflect compensation actually received by the non-employee director. Instead, the amount shown reflects the compensation expense recognized in our financial statements for fiscal 2008 in respect of the grants of restricted stock to our non-employee directors under our 2006 equity incentive plan listed below. The amount shown was computed in accordance with Statement of Financial Accounting Standards No. 123(R), *Share-Based Compensation* or "SFAS No. 123(R)," using a grant date fair value, indicated in the table below, based upon the fair

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market value of our common stock on the date of grant. Pursuant to SEC rules, the amount shown excludes the impact of estimated forfeitures related to service-based vesting conditions.

Name	Grant date	Shares (#)	Grant date fair value (\$)
Rowland T. Moriarty	4/21/2006	1,487	\$ 75,019
	4/20/2007	1,434	75,013
	4/17/2008	2,215	74,978
Basil L. Anderson	4/21/2006	1,487	75,019
	4/20/2007	1,434	75,013
	4/17/2008	2,215	74,978
William F. Concannon	4/21/2006	1,487	75,019
	4/20/2007	1,434	75,013
	4/17/2008	2,215	74,978
Ronald T. Maheu	4/21/2006	1,487	75,019
	4/20/2007	1,434	75,013
	4/17/2008	2,215	74,978
Nancy L. Rose	4/21/2006	1,487	75,019
	4/20/2007	1,434	75,013
	4/17/2008	2,215	74,978
Steven C. Salop	10/20/2006	722	37,508
	5/18/2007	1,434	73,851
William T. Schleyer	1/31/2008	1,796	74,965
	4/17/2008	2,215	74,978
Carl Shapiro	10/20/2006	722	37,508
	5/18/2007	1,434	73,851

(2)

Each non-employee director held the number of unvested shares of our common stock underlying restricted stock awards outstanding as of November 29, 2008, set forth in the table below. Our compensation committee has determined that the awards granted to Drs. Salop and Shapiro will continue to vest, even though they no longer serve on our board of directors, so long as they remain exclusive consultants to us.

Name	Shares (#)
Rowland T. Moriarty	4,035
Basil L. Anderson	4,035
William F. Concannon	4,035
Ronald T. Maheu	4,035
Nancy L. Rose	4,035

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Steven C. Salop	1,438
William T. Schleyer	4,011
Carl Shapiro	1,438

(3)

Amount shown reflects amounts earned by Drs. Salop and Shapiro, or their respective wholly-owned companies, for their services as outside experts, including consulting services to clients, and

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for the generation of engagements for us. The amount shown for Dr. Shapiro additionally includes the bonus described in footnote (4) below.

(4)

Based on the terms of an agreement we entered into with Dr. Shapiro when we acquired the Tilden Group in December 1998, Dr. Shapiro is eligible for a specified bonus payment if certain billable hour conditions are met. Pursuant to that agreement, in January 2008, we paid Dr. Shapiro a performance bonus of \$127,114 for fiscal 2008.

Compensation committee interlocks and insider participation

The members who served on our compensation committee during fiscal 2008 were Messrs. Concannon and Schleyer and Drs. Moriarty and Rose. None of these members was an officer or employee during fiscal 2008, and none of these members is a former officer. None of our executive officers serves (or served during fiscal 2008) on the board of directors or compensation committee of an entity that has one or more executive officers serving (or who served during fiscal 2008) on our board of directors or compensation committee.

Compensation discussion and analysis

This compensation discussion and analysis describes the material elements of our compensation programs as they relate to our executive officers listed in the following compensation tables, who are sometimes referred to as our "named executive officers." This compensation discussion and analysis focuses on the information contained in the following tables and related footnotes, but also describes other arrangements and actions taken since the end of fiscal 2008 to the extent such discussion enhances the understanding of our executive compensation for fiscal 2008.

Role of our compensation committee. The compensation committee established by our board of directors is currently composed of Messrs. Concannon and Schleyer and Drs. Moriarty and Rose. Our compensation committee is governed by a written charter adopted by our board of directors. A copy of our compensation committee charter is available through the Investor Relations page of our website at www.crai.com. Under the charter, our compensation committee is responsible for recommending to our board the compensation philosophy and policies that we should follow, particularly with respect to the compensation of our senior management. In addition to the other duties set forth in the section of this proxy statement entitled "Executive Officers and Directors Compensation committee," the committee is responsible for reviewing and approving, or recommending for approval by our board, the compensation of our executive officers, including our chief executive officer, and for overseeing the evaluation of our chief executive officer and senior executives. When developing recommendations for the compensation of our executive officers other than our chief executive officer, the committee also takes into account recommendations made by our chief executive officer. In addition, our board has delegated to the committee the authority to administer, review, and make recommendations with respect to our employee benefit plans, including our incentive compensation plans and our equity-based plans.

Compensation consultant. The compensation committee also received advice from an external executive compensation consulting firm, Semler Brossy Consulting Group, LLC, in fiscal 2008 with respect to the compensation of our named executive officers. In addition to providing us with peer group information, as discussed in more detail below under the heading "Setting executive compensation," our compensation consultant also discusses various possible incentive compensation arrangements and structures with us, and helps us design our executive compensation programs. Our compensation committee consultant often participates, by invitation, in portions of our compensation committee meetings, including executive sessions without any members of management present. In addition, both the chair of our compensation committee and, with respect to compensation for our other executive officers, our chief executive officer, regularly consult with our compensation consultant

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outside of these meetings. We are currently working with our compensation consultant to consider new long term incentive plan programs. Semler Brossy reports to the committee and provides services to us solely for and at the direction of the committee.

Compensation objectives. Our growth and long term success depends upon our ability to attract and retain talented and highly qualified employees. The main objectives of our compensation program are:

to align compensation with our long-term and short-term business objectives, individual performance and the interest of our shareholders;

to motivate and reward high levels of performance;

to recognize and reward the achievement of practice-specific (under the current grouping of our services into two broad practice categories: litigation, regulatory and financial consulting and business consulting), platform-specific (during fiscal 2008, when our services were grouped into three platforms) and firm-wide goals; and

to enable us to attract, retain, and reward highly qualified individuals who will contribute to our long-term success.

We believe these objectives are furthered by the use of executive compensation packages that include both short-term and long-term cash and equity-based compensation and that are designed to measure performance against pre-established goals.

Setting executive compensation. To achieve our executive compensation objectives, our compensation committee strives to make decisions concerning executive compensation that:

establish incentives that link executive officer compensation to our financial performance and that motivate executives to attain our annual financial targets; and

provide a total compensation package that is competitive among companies offering similar consulting services.

We compete with similarly situated consulting firms to retain top talent. We strive to attract and retain our key employees, including our named executive officers, by providing compensation that is competitive with the compensation paid to the similarly situated executives of our peers. To that end, in fiscal 2008 we used the services of our compensation consultant to help us establish compensation that was in line with the similarly situated key employees of our peers. In setting our fiscal 2008 named executive officer compensation, we considered the compensation being paid by the following comparable public professional service firms: FTI Consulting, Inc., Huron Consulting Group Inc., LECG Corporation and Navigant Consulting, Inc. In addition, in setting the fiscal 2008 compensation of our chief financial officer, we considered the compensation being paid by a range of other public companies outside the consulting industry that are headquartered in either Massachusetts or Connecticut and that have revenues of \$300 million to \$500 million. In the case of each of our named executive officers, the total compensation for fiscal 2008, as well as each of the components of this compensation described below, was in line with the ranges for such type of compensation drawn from the peers we considered.

Additionally, the compensation committee attempts to establish compensation parameters that link executive officer compensation to the attainment of goals that serve both our interest and the interest of our shareholders. A significant percentage of the total compensation of our named executive officers consists of incentives tied to our performance, growth, and profitability, with additional metrics allocated to specific and individualized goals for practice (currently or, in the case of fiscal 2008, platform) and personal performance, all of which we believe are critical to our long-term success. For our named executive officers, this incentive compensation takes the form of performance awards

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granted under our 2007 cash incentive plan, which our shareholders approved at our 2007 annual meeting of shareholders. We believe that the plan promotes our growth and performance by linking a portion of the total compensation for certain key employees to the attainment of pre-established corporate and platform objectives, which are approved by the committee each year. The 2007 cash incentive plan is effective until our 2012 annual meeting of shareholders.

Executive officer compensation elements. For our fiscal year ended November 29, 2008, the principal components of our named executive officer compensation were:

cash compensation, consisting of base salary, special one-time bonuses and awards of performance-based annual incentive compensation (to the extent that such awards were paid in cash); and

long-term equity incentive compensation, including awards of performance-based annual incentive compensation (to the extent that such awards were paid in shares of restricted stock).

Cash compensation. Our named executive officer compensation includes three types of cash compensation: base salary, special one-time bonuses and cash payable under performance-based annual incentive compensation. We include base salary in our executive officer compensation packages because we believe it appropriate for a portion of compensation to be fixed and predictable, and because the use of base salary for our named executive officers is consistent with the compensation provided to the similarly situated executives of our peers. Each named executive officer's base salary reflects his or her position, experience, and past contributions. The committee evaluates these and other factors underlying the base salary of our named executive officers each year, and makes adjustments, as appropriate. We use special one-time bonuses to recognize special achievements relating to unique circumstances. Our cash compensation also includes performance-based annual incentive compensation (discussed below) because it permits us to provide our executives with incentives to pursue particular objectives in any given year that are consistent with our overall goals and strategic direction set by our board of directors.

Salary. The compensation committee generally fixes the annual base salary of our named executive officers at its regularly scheduled meeting in the first fiscal quarter of each year. Annual changes to a named executive officer's base salary are based on the committee's assessment of our performance and the performance of our business practices and the named executive officer, as well as general economic conditions such as inflation and economic forecasts. The committee has sole discretion to set the base salary of each named executive officer. In determining these base salaries, the committee is generally mindful of its overall goal of remaining competitive with firms offering similar consulting services and of our desire to reward and retain key employees.

One-time bonuses. As fiscal 2008 progressed, the significant and unprecedented downturn in global economic conditions had a negative effect on our business. As a result, some of our executive officers were asked to place greater emphasis on initiatives that were outside of the business criteria established in the performance awards granted to our executive officers for fiscal 2008, which are described in more detail below, such as focusing more on the reduction of expenses than the growth of our revenues. These initiatives, which were not contemplated at the time the performance awards were granted, related to the divestiture of underperforming assets and reductions in our ongoing cost structure, as well as a business process improvement review that improved administrative practices and brought new efficiencies to our internal infrastructure. Because Dr. Burrows and Messrs. Mackie and Maleh each played especially important roles in these initiatives, our compensation committee decided to award each of them special one-time bonuses outside of our 2007 cash incentive plan. The amounts of these bonuses are set forth in the "Summary Compensation Table for Fiscal 2008" below under the heading "Bonus."

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Long-term equity compensation. We believe that long-term equity compensation is an important component of our compensation program because it promotes the long-term retention of our key employees, motivates high levels of performance, and recognizes our key employees' contributions to our success. In addition, equity compensation aligns the long-term interests of our management and our shareholders. We recognize that we conduct our business in an increasingly competitive environment. In order to remain competitive, we must employ top-flight key employees who have abundant talent, demonstrated skills, and experience. We also believe that long-term equity compensation may give us an advantage in attracting and retaining such employees.

We feel that our 2006 equity incentive plan, which is discussed in more detail below, plays an important role in our long-term equity executive officer compensation package. The plan allows us to compensate our employees, including our named executive officers, who are expected to make important contributions to our success with a variety of long-term equity-based awards, including stock options and restricted stock. All grants under our 2006 equity incentive plan vest over a four year or longer time period, which promotes the long-term retention of our key employees. To the extent awards granted under our 2006 equity incentive plan do not arise from the satisfaction of performance-based annual incentive awards under our 2007 cash incentive plan, they are subject to the limitations on deductibility set forth in section 162(m) of the Internal Revenue Code discussed below.

Performance-based annual incentive compensation. Our 2007 cash incentive plan authorizes the grant of performance awards to our executive officers and other salaried employees. A performance award granted under the plan is payable only to the extent certain performance targets, based on objective business criteria specified by our compensation committee, are achieved in the relevant measurement period. These annual performance targets can be based on certain financial performance criteria, including, but not limited to, revenue; net revenue; revenue growth; earnings before interest, taxes, depreciation and amortization; funds from operations; net earnings; earnings per share growth; return on equity; share price performance; total shareholder return; economic value added; improvement in cash flow; and confidential business unit objectives. Performance awards are payable in cash or shares of restricted stock, at the discretion of our compensation committee, and the maximum amount payable to any executive officer in a given fiscal year under performance awards granted under the plan is \$8,000,000. The plan is designed to promote our growth and performance while preserving, where possible, our ability to deduct in full certain compensation paid to our executive officers for federal tax purposes.

On February 21, 2008, our compensation committee determined the performance awards to be granted to our named executive officers for fiscal 2008, as well as the performance targets and the target and maximum amounts payable under these awards. In establishing the targets for our 2008 performance awards, our compensation committee decided, as in past years, to provide for a portion of the target awards to be payable in cash and the remainder to be payable in the form of shares of restricted stock granted under our 2006 equity incentive plan. The committee's decision on the relative mix between cash compensation and restricted stock compensation was based on its desire to strike a balance between annual and longer term incentives, and to incorporate long term incentives as part of our retention strategy for executive officers. The committee also considered the mix of cash and equity paid to similarly situated executives at the following comparable public professional service firms: FTI Consulting, Inc., Huron Consulting Group Inc., LECG Corporation and Navigant Consulting, Inc., as well as other advice provided by our compensation consultant.

The cash portion of each award consisted of a "management" component, an award based upon the named executive officer's management performance in fiscal 2008, and, in the case of Mr. Maleh, Dr. Noether and Gregory K. Bell, an additional "sourcing" component, based on their respective generation of engagements for us in fiscal 2008.

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Our compensation committee set the following target amounts payable under the management components of the performance award granted to each of our named executive officers in fiscal 2008: for Dr. Burrows, \$1,000,000; for Mr. Mackie: \$250,000; for Mr. Maleh: \$1,000,000; for Dr. Noether: \$1,000,000; and for Dr. Bell: \$1,000,000. The maximum amount payable under each of these management components was twice the target amount. The target amount for each management component was payable only to the extent certain performance targets were achieved in fiscal 2008. For Dr. Burrows and Mr. Mackie, 100% of these target amounts were tied to the achievement of certain overall corporate performance targets. For Mr. Maleh and Drs. Noether and Bell, 40% of these target amounts were tied to the achievement of these overall corporate performance targets and 60% of these target amounts were tied to the net revenues and pre-bonus operating incomes (after allocated corporate overhead and excluding the impact of our NeuCo subsidiary, acquisitions, discontinued operations and extraordinary and special items, as approved by the compensation committee of our board of directors) of the following platforms: for Mr. Maleh, our finance platform; for Dr. Noether, our litigation and applied economics platform; and for Dr. Bell, our business consulting platform. For each of these management components, the portion of the target amount tied to overall corporate performance targets was split as follows: 40% was tied to our achieving corporate net revenue (excluding the impact of our NeuCo subsidiary, acquisitions, discontinued operations and extraordinary and special items, as approved by the compensation committee of our board of directors) in fiscal 2008 of \$431.8 million and 60% was tied to our achieving earnings per share in fiscal 2008 of \$3.02. The \$431.8 million corporate net revenue target reflects an aggregate of \$12.2 million in reductions to our fiscal year 2008 corporate net revenue due to the impact of our NeuCo subsidiary, discontinued operations and extraordinary and special items approved by the compensation committee. The net revenue and pre-bonus operating income platform performance targets tied to 60% of the management components payable to Mr. Maleh and Drs. Noether and Bell represented the expected contribution of the applicable platforms to the overall corporate performance targets. Accordingly, the likelihood of these platform performance targets being achieved was approximately equal to the likelihood of the overall corporate performance targets being achieved.

In the event that a performance target tied to the management component of a named executive officer's award was exceeded, the target amount of the award tied to that performance target was increased by a percentage equal to five times the percentage by which the performance target was exceeded. For this purpose, any percentage increase in net revenue over its target of \$431.8 million was counted only to the extent of any percentage increase of earnings per share over its target of \$3.02. In the event that a performance target tied to the management component of a named executive officer's award was missed, the target amount of the award tied to that performance target was reduced by a percentage equal to five times the percentage by which the performance target was missed.

As noted above, the cash portion of the performance awards granted to Mr. Maleh and Drs. Noether and Bell in fiscal 2008 also included a sourcing component. This component was payable in an amount equal to a percentage of their respective sourcing revenues in excess of specified threshold amounts. We set these thresholds sufficiently high, so that only sourcing levels that significantly exceeded our expectations would lead to formulaic bonus amounts under these sourcing components. As a result, Dr. Bell was the only named executive officer to receive a payment under the sourcing component in fiscal 2008. This use of thresholds represented a change from the sourcing component of the performance awards granted to these named executive officers in fiscal 2007, which had no such thresholds. Additionally, in fiscal 2008, we increased the target amounts of the management components of the performance awards granted to these named executive officers. Both of these changes were designed to give these named executive officers a greater incentive to work towards overall corporate objectives instead of individual sourcing goals.

The performance awards to be granted to our named executive officers for fiscal 2008 also contained equity portions, which were payable in shares of restricted stock that vest in four equal

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annual installments, beginning on the first anniversary of the date of grant. Our compensation committee set the following target and maximum values payable (which implies target and maximum numbers of shares of restricted stock based upon the fair market value of our common stock on the date our compensation committee finally determines the amount payable under the performance award) under the equity portion of the performance award granted to each of our named executive officers in fiscal 2008: for Dr. Burrows, \$800,000; for Mr. Mackie: \$250,000; for Mr. Maleh: \$500,000; for Dr. Noether: \$500,000; and for Dr. Bell: \$500,000. Each target amount was payable only to the extent certain overall corporate performance targets were achieved in fiscal 2008. For each of our named executive officers, 40% of this target amount was tied to our achieving corporate net revenue (excluding the impact of our NeuCo subsidiary, acquisitions, discontinued operations and extraordinary and special items, as approved by the compensation committee of our board of directors) in fiscal 2008 of \$431.8 million and 60% was tied to our achieving earnings per share in fiscal 2008 of \$3.02.

In the event that a performance target tied to the equity portion of a named executive officer's performance award was missed, the target amount of the award tied to that performance target was reduced by a percentage equal to five times the percentage by which the performance target was missed.

Each year, the committee must determine and certify in writing (1) the extent to which each of our executive officers has achieved the applicable prior fiscal year's performance targets, and (2) the appropriate amount, if any, to be paid with respect to such executive officer's performance-based annual incentive award. The committee determines this amount after reviewing our performance and the performance of the executive officer. Even if certain performance targets are achieved, the committee may exercise "negative discretion" and thereby reduce the payment made under a performance award.

On February 24, 2009 our compensation committee certified and determined the amounts payable to our named executive officers with respect to the cash and equity components of their performance awards for fiscal 2008, and these amounts are reported in the "Summary Compensation Table for Fiscal 2008" under the heading "Non-Equity Incentive Plan Compensation." Each of our named executive officers was awarded the formula amount of their respective performance awards based on our fiscal 2008 results, and we did not exercise negative discretion in determining the final payouts to any of our named executive officers. The amounts payable under these performance awards that was based upon our overall corporate performance targets were calculated as described above, specifically:

Awards tied to corporate net revenue. Our corporate net revenue for fiscal 2008 was 12.9% below our named executive officers' performance target for corporate net revenue (reduced for the impact of our NeuCo subsidiary, discontinued operations and extraordinary and special items approved by the compensation committee as described above) of \$431.8 million. Accordingly, the formula amount payable under any performance award tied to corporate net revenue equaled the target amount reduced by five times 12.9% or approximately 65%.

Awards tied to earnings per share. Our earnings per share for fiscal 2008 were 43.7% below our named executive officers' performance target for earnings per share of \$3.02. Accordingly, the formula amount payable under any performance award tied to earnings per share equaled the target amount reduced, but not below zero, by five times 43.7%, yielding a formula amount of zero.

Because our fiscal 2008 results did not meet the expectations we had for fiscal 2008 at the beginning of the year, the effect of which was amplified by the five times multiplier used to reduce the target amounts under performance awards granted to our named executive officers in fiscal 2008 for sub-target performance, the resulting performance award payments to our named executive officers were lower than in prior years. For confidentiality reasons that we believe could result in competitive harm, we do not disclose our platform specific results, but the performance targets related to the

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finance platform resulted in no bonus payouts in fiscal 2008, the performance targets related to the business consulting platform resulted in a minimal payout in fiscal 2008, and the performance targets related to the litigation and applied economics platform, although still below target levels, resulted in the highest payouts among all of our performance targets for fiscal 2008. In fiscal 2008, our named executive officers were awarded, with respect to the management components of their respective performance awards, the following percentages of their target amounts: for Dr. Burrows: 14.1%; for Mr. Mackie: 14.1%; for Mr. Maleh: 5.7%; for Dr. Noether: 47.8%; and for Dr. Bell: 8.2%. Even with the one-time bonuses described above, the relatively low payouts on the performance awards resulted in overall compensation for fiscal 2008 for all but one of our named executive officers being lower than the overall compensation received by the same named executive officer for fiscal 2007.

In part based on the current general economic conditions, our compensation committee has decided to eliminate this five times leverage multiplier, both in the event that a performance target is missed or exceeded, from the performance awards granted to our executive officers for fiscal 2009. We made this decision in part on advice from our compensation consultant that lower leverage multipliers were appropriate when performance targets are more unpredictable and volatile, as they are in uncertain economic times. In addition, in line with our desire to give our executive officers a greater incentive to work towards overall corporate objectives, all of the target amounts of performance awards granted in fiscal 2009 to each of our executive officers, other than the target amount of the management component of the performance award granted to Dr. Noether, are tied exclusively to overall corporate performance targets. Similarly, the percentage of the target amount of the management component of Dr. Noether's fiscal 2009 performance award tied to corporate performance targets was increased to 70%, compared to 40% in fiscal 2008.

The payment of performance-based annual incentive awards under our 2007 cash incentive plan is generally made shortly following the certification mentioned above. All of the shares of stock underlying restricted stock awards payable under performance awards are subject to our right of first refusal in the event of a proposed transfer of the shares, in accordance with our 2006 equity incentive plan. We have been advised that these performance awards qualify as "qualified performance-based compensation" under section 162(m) of the Internal Revenue Code, which preserves the deductibility of the payments made under them. We can only grant performance-based annual incentive awards to employees and, to receive payment under such an award, the recipient must be an employee on the last day of the period over which his or her performance targets are being measured, unless the committee exercises its discretion to make prorated payments to former or retired employees or to a deceased employee's estate. All of our named executive officers were employed by us on November 29, 2008, the last day of our fiscal 2008 performance award period.

2006 equity incentive plan. Our 2006 equity incentive plan provides for the following types of long-term equity awards:

options to purchase shares of our common stock intended to qualify as "incentive stock options," as defined in section 422 of the Internal Revenue Code;

nonqualified options, which do not qualify as incentive stock options;

restricted stock awards consisting of shares of our common stock subject to restrictions;

restricted stock unit awards consisting of the contractual right to receive shares of our common stock in the future contingent upon the completion of service and/or the achievement of performance or other objectives;

performance awards consisting of the right to receive payment of cash and/or shares of our common stock upon the achievement of predetermined performance targets; and

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other stock-based awards in the form of stock purchase rights, awards of shares of our common stock, and awards valued in whole or in part by or otherwise based on our common stock.

To date, the awards granted to our executive officers have primarily taken the form of either stock options or restricted stock:

Stock options. Stock options granted under our 2006 equity incentive plan may vest upon the passage of time and continued employment. This vesting occurs over four years, typically in equal annual installments beginning on the first anniversary of the date of grant. Stock options granted under our 2006 equity incentive plan have a seven-year term. The stock options granted under our prior equity plans have a ten-year term. All stock options are granted with an exercise price equal to the fair market value of our common stock on the date of grant, and option repricing is not permitted.

Restricted stock. Shares of restricted stock awarded under our 2006 equity incentive plan may vest on the basis of the passage of time and continued employment. This vesting occurs over four years, typically in equal annual installments beginning on the first anniversary of the date of grant. Recipients of restricted stock awards may receive dividends on and may vote the shares subject to the awards. Unvested shares of restricted stock may not be sold or otherwise transferred.

The relative mix of long-term equity compensation consisting of stock options and restricted stock may change from year to year. Prior to the adoption of our 2006 equity incentive plan, we generally used stock options for long-term equity compensation. However, since the adoption of the 2006 plan, we have relied primarily on restricted stock, which we believe better directly aligns the interests of our executive officers with those of our shareholders. The long-term equity compensation granted to our executive officers in respect of fiscal 2008 took the form of shares of restricted stock granted under our 2006 equity incentive plan. Some of these awards were granted in fiscal 2009 to satisfy payments determined under performance-based annual incentive awards based on fiscal 2008 performance under our 2007 cash incentive plan, as discussed above. As a result, these awards were tied to the achievement of performance targets. The restricted stock awards made during fiscal 2008 were determined in connection with our compensation committee's review of the executive's fiscal 2007 performance, and were designed to provide the executive officers with long-term incentives. Additionally, on October 29, 2008, Mr. Maleh was granted an additional 31,341 shares of restricted stock in connection with his promotion to the position of chief operating officer. This restricted stock award vests in two equal installments on October 29, 2011 and October 29, 2012, subject to the deferral of vesting to a later date if and to the extent necessary to ensure that Mr. Maleh's compensation for a particular fiscal year remains deductible under section 162(m) of the Internal Revenue Code. This award was made to provide Mr. Maleh with a significant long term incentive to grow shareholder value in his new role as chief operating officer.

The amount of long-term equity compensation provided to each executive officer takes into account the role, performance and overall compensation package of the executive officer, as well as the compensation levels of his or her peers at other similar companies. This amount is targeted and capped by the committee, which is also mindful of additional considerations affecting our ability to retain and provide incentives to our executive officers.

Practices regarding the grant of equity awards. The committee has generally followed a practice of making all equity awards to our executive officers on a single date each year. This year, the committee authorized the awards for fiscal 2008 on February 24, 2009, after determining the payments to be made under performance-based annual incentive awards for fiscal 2008. The committee believes that it is appropriate that equity awards granted in respect of a fiscal year be made only after the material information regarding our performance for the fiscal year has been determined and disclosed. The committee is currently contemplating additional long-term incentive plan programs, which may result in

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additional grants of equity awards during fiscal 2009. We do not otherwise have any program, plan, or practice related to the timing of the granting of equity awards to our executive officers as it relates to the release of material non-public information.

All equity awards made to our executive officers, or to any of our other employees or directors, are made pursuant to our 2006 equity incentive plan. All stock options under this plan are granted with an exercise price equal to the fair market value of our common stock on the date of grant. Fair market value is defined under the plan to be the closing price per share on the applicable date as reported by a nationally recognized stock exchange. We do not have any program, plan or practice of awarding stock options or setting the exercise price of stock options based on the stock's price on a date other than the grant date. We do not have a practice of determining the exercise price of stock option grants by using average prices (or lowest prices) of our common stock over a period preceding, surrounding or following the grant date. While the committee's charter permits the committee to delegate its authority to grant equity awards in certain circumstances, all grants to employees are made by the committee itself and not pursuant to any delegated authority.

Perquisites. Our named executive officers have typically received modest perquisites paid by us mainly parking, group term life insurance, and supplemental health insurance.

Employment agreements. We have an employment agreement with Mr. Mackie that is described in the section below entitled "Agreements with named executive officers." Mr. Mackie's employment agreement provides for certain payments upon a change of control, as described in that section. Our other executive officers do not have employment agreements, other than our standard employee agreements related to confidentiality, non-competition and non-solicitation. As described in the section entitled "Agreements with named executive officers," a change of control may also trigger payments to our executive officers under our 2007 cash incentive plan.

401(k) savings plan. Under our 401(k) savings plan, a tax-qualified retirement savings plan, participating employees, including our named executive officers, may contribute up to 80% of regular earnings on a before-tax basis, up to the applicable calendar year limit, which is \$15,500 in calendar year 2008 and \$16,500 in calendar year 2009, into their 401(k) plan accounts. Participants age 50 and over may also contribute catch-up contributions of up to \$5,000 per year. In addition, under the 401(k) plan, we match an amount equal to fifty cents for each dollar contributed by participating employees on the first 6% of their regular earnings up to a maximum amount. This maximum matching amount was \$6,900 in calendar year 2008 and will be \$7,050 in calendar year 2008. Amounts held in 401(k) plan accounts on behalf of an employee may not be withdrawn prior to the employee's termination of employment, total and permanent disability, or such earlier time as the employee reaches the age of 59 1/2, subject to certain exceptions set forth in the regulations of the Internal Revenue Service. We maintain the 401(k) plan because we wish to encourage our employees to save some percentage of their cash compensation for their retirement. The 401(k) plan permits employees to make such savings in a manner that is relatively tax efficient.

Stock ownership guidelines. We have not, to date, established stock ownership guidelines for our executive officers, although our compensation committee is reviewing the matter.

Policy on deductibility of compensation. Section 162(m) of the Internal Revenue Code limits our tax deduction for compensation in excess of \$1.0 million paid to our chief executive officer and our four other most highly compensated executive officers at the end of any fiscal year, unless the compensation is "qualified performance-based compensation." Our policy with respect to section 162(m) is to make a reasonable effort to cause compensation to be deductible by us while simultaneously providing our executive officers with appropriate rewards for their performance. Because of this limitation, in fiscal 2006, we were unable to deduct all of the compensation paid to our executive officers. As a result, in fiscal 2007, we adopted, and our shareholders approved, our 2007 cash

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incentive plan. The cash incentive plan enables us to compensate our executive officers with performance awards designed to be treated as "qualified performance-based compensation" under section 162(m). We have also at times deferred the payment of compensation to executive officers that is subject to the section 162(m) limitation.

Compensation committee report

The compensation committee has reviewed and discussed with management the contents of the compensation discussion and analysis set forth above. Based on its review and discussion, the committee recommended to our board of directors that the above compensation discussion and analysis be included in this proxy statement and incorporated by reference into our annual report on form 10-K for the year ended November 29, 2008.

The compensation committee

William F. Concannon, Chair
Rowland T. Moriarty
Nancy L. Rose
William T. Schleyer

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Summary compensation. The following table provides a summary of all compensation earned with respect to fiscal 2008 by Dr. Burrows, our president and chief executive officer, Wayne D. Mackie, our executive vice president, treasurer, and chief financial officer, and our three most highly compensated executive officers other than our chief executive officer and chief financial officer who were serving as executive officers at the end of fiscal 2008: Mr. Maleh and Drs. Noether and Bell. The persons listed in this table are referred to as our "named executive officers."

The aggregate amount of perquisites and other personal benefits paid to each of Drs. Noether and Bell for fiscal 2008 was less than \$10,000. Accordingly, compensation in the form of perquisites and other personal benefits has been omitted for both of them in the table below.

Summary Compensation Table for Fiscal 2008

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)(5)	Total (\$)
James C. Burrows President, chief executive officer and director	2008	\$ 509,615	\$ 149,634	\$ 367,754	\$ 105,506	\$ 141,366	\$ 64,303	\$ 1,338,178
	2007	488,461		252,296	129,452	500,000	52,259	1,422,469
Wayne D. Mackie Executive vice president, treasurer and chief financial officer	2008	382,211	114,658	90,533	92,774	35,342	30,825	746,343
	2007	369,231	150,000	47,165	91,524	157,096	26,012	841,028
Paul A. Maleh Executive vice president and chief operating officer	2008	382,211	293,453	299,523	61,644	56,547	22,439	1,115,817
	2007	364,038		197,530	66,469	1,104,846	9,632	1,742,515
Monica G. Noether Executive vice president	2008	382,211		231,838	41,159	478,481	30,531	1,164,220
	2007	369,231	150,000	147,054	48,467	327,106	11,557	1,053,415
Gregory K. Bell Vice president (6)	2008	382,211		269,880	61,650	992,395	35,434	1,741,570
	2007	369,231		175,929	68,486	1,455,669	28,525	2,097,840

(1)

The amount shown does not reflect compensation actually received by the named executive officer. Instead, the amount shown represents the compensation expense recognized in our financial statements for fiscal 2007 or fiscal 2008, as applicable, in respect of grants of restricted stock to the named executive officer under our 2006 equity incentive plan, including grants, determined by our compensation committee on February 15, 2008, made in satisfaction of the equity portion of the performance award for fiscal 2007 granted to the named executive officer under our 2007 cash incentive plan, grants, determined by our compensation committee on February 24, 2009, made in satisfaction of the equity portion of the performance award for fiscal 2008 granted to the named executive officer under our 2007 cash incentive plan, and a grant of 31,341 shares of restricted stock to

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Mr. Maleh on October 29, 2008, in connection with his promotion to chief operating officer. The amount shown was computed in accordance with SFAS No. 123(R), using a grant date fair value based upon the fair market value of our common stock on the date of grant. Pursuant to SEC rules, the amount shown excludes the impact of estimated forfeitures related to service-based vesting conditions.

(2)

The amount shown does not reflect compensation actually received by the named executive officer. Instead, the amount shown represents the compensation expense recognized in our financial statements for fiscal 2007 or fiscal 2008, as applicable, in respect of grants to the named executive officer of options to purchase shares of our common stock. The

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amount shown was computed in accordance with SFAS No. 123(R), using the assumptions set forth below. Pursuant to SEC rules, the amount shown excludes the impact of estimated forfeitures related to service-based vesting conditions.

Name	Grant date	Expected Life (Years)	Expected Volatility	Risk-free Interest Rate	Expected Dividends
James C. Burrows	6/5/2003	3.98	44.8%	3.0%	
	3/25/2005	3.50	34.1%	4.0%	
Wayne D. Mackie	10/5/2005	3.50	37.5%	4.4%	
Paul A. Maleh	6/5/2003	3.98	44.8%	3.0%	
	4/1/2005	3.50	33.9%	3.9%	
Monica G. Noether	6/5/2003	3.98	44.8%	3.0%	
	4/1/2005	3.50	33.9%	3.9%	
Gregory K. Bell	6/5/2003	3.98	44.8%	3.0%	
	4/1/2005	3.50	33.9%	3.9%	

- (3) For fiscal 2008, the amount shown represents the following cash amounts earned in respect of the management component of the performance award for fiscal 2008 granted to the named executive officer under our 2007 cash incentive plan: \$141,366 for Dr. Burrows; \$35,342 for Mr. Mackie; \$56,547 for Mr. Maleh; \$478,481 for Dr. Noether; and \$82,113 for Dr. Bell. In the case of Dr. Bell, the amount shown additionally reflects a cash payment of \$910,282 earned for the generation of engagements for us in fiscal 2008, referred to as the "sourcing component" of his performance award for fiscal 2008 granted under our 2007 cash incentive plan. This sourcing component was based on a formula calculation designed to pay amounts that would be earned for similar engagement generation by our vice presidents who consult for us. All of these amounts were determined by our compensation committee on February 24, 2009.
- (4) For fiscal 2008, the amount shown represents our contributions to our savings and retirement plan of \$6,900 for fiscal 2008 on behalf of each of the named executive officers; premiums we paid for term life insurance for the benefit of our executive officers; the following payments of vacation and holiday days earned, but not used as of the end of fiscal year 2007, in excess of 240 hours: \$30,808 for Dr. Burrows; \$1,367 for Mr. Mackie; \$20,942 for Dr. Noether; and \$25,990 for Dr. Bell.
- (5) The amount shown includes the following perquisites and other personal benefits: with respect to Dr. Burrows, \$4,330 for parking, \$16,577 for premiums and claims paid under our executive health plan on his behalf and \$2,050 for personal use of professional sporting event tickets; with respect to Mr. Mackie, \$4,330 for parking, \$12,905 for premiums and claims paid under our executive health plan on his behalf and \$1,427 for personal use of professional sporting event tickets; and with respect to Mr. Maleh, \$4,330 for parking, \$6,763 for premiums and claims paid under our executive health plan on his behalf and \$1,757 for personal use of professional sporting event tickets.
- (6) In connection with our decision to group our services into two broad categories, litigation, regulatory and financial consulting and business consulting, instead of three platforms, Dr. Bell, who had been head of our business consulting platform, stopped serving as an executive vice president on February 24, 2009. On that date, Dr. Bell assumed the position of vice president.

Plan-based awards. Please see the section of this proxy statement entitled "Compensation Discussion and Analysis Performance-based annual incentive compensation" for the details of the grants of performance awards under our 2007 cash incentive plan to our named executive officers in fiscal 2008. As discussed there, the cash portions of the performance awards granted to each of Dr. Burrows and Mr. Mackie in fiscal 2008 are capped as set forth in the "Grants of Plan-Based Awards for Fiscal 2008" table below. The cash portion of the performance awards granted to each of Mr. Maleh and Drs. Noether and Bell consists of a management component, with a maximum of \$2,000,000, and a

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component based on the respective named executive officer's generation of engagements for us in fiscal 2008. This latter component has no pre-determined maximum because there is no pre-determined limit on the engagements that any named executive officer might have generated for us in fiscal 2008. The amounts actually earned on the cash portion of the performance awards granted to our named executive officers for fiscal 2008 were determined by our compensation committee on February 24, 2009 and are reported in the "Summary Compensation Table for Fiscal 2008" under the heading "Non-Equity Incentive Plan Compensation."

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On October 29, 2008, Mr. Maleh was granted an additional 31,341 shares of restricted stock in connection with his promotion to the position of chief operating officer. This restricted stock award vests in two equal installments on October 29, 2011 and October 29, 2012, subject to the deferral of vesting to a later date if and to the extent necessary to ensure that Mr. Maleh's compensation for a particular fiscal year remains deductible under section 162(m) of the Internal Revenue Code.

The following table provides further information regarding grants of plan-based awards to our named executive officers during fiscal 2008. The minimum payout or "threshold" under all of the equity plan-based awards and non-equity plan-based awards disclosed in the table below was \$0 because no payment was guaranteed under any of these awards, even if the award's performance targets were met.

Grants of Plan-Based Awards for Fiscal 2008

Name	Grant Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)		Estimated Future Payouts Under Equity Incentive Plan Awards(4)		All Other Stock Awards: Number of Shares of Stock or Units (#)(5)	Grant Date Fair Value (\$)(7)
		Target (\$)	Maximum (\$)	Target (\$)	Maximum (\$)		
James C. Burrows	2/21/2008 2/6/2008	\$ 1,000,000	\$ 2,000,000	\$ 800,000	\$ 800,000	9,573	\$ 405,608
Wayne D. Mackie	2/21/2008 2/6/2008	250,000	500,000	250,000	250,000	3,191	135,203
Paul A. Maleh	2/21/2008 2/6/2008 10/29/2008	1,000,000	2,000,000 (3)	500,000	500,000	6,382 31,341 (6)	270,405 749,991 (8)
Monica G. Noether	2/21/2008 2/6/2008	1,000,000	2,000,000 (3)	500,000	500,000	6,382	270,405
Gregory K. Bell	2/21/2008 2/6/2008	1,000,000	2,000,000 (3)	500,000	500,000	6,382	270,405

(1) The grant date of each performance award (with an equity portion) or award of restricted stock, as applicable, is the same as the date such award was approved by our compensation committee. No executive officer paid any amount to us as consideration for any award disclosed in this table.

(2) Except as set forth in footnote (3) below, the amounts shown represent target and maximum payouts set at the beginning of fiscal 2008 for the cash portion of performance awards for fiscal 2008 granted to the named executive officer under our 2007 cash incentive plan. The amounts actually earned with respect to fiscal 2008 on the cash portion of these awards were determined by our compensation committee on February 24, 2009 and are reported in the "Summary Compensation Table for Fiscal 2008" under the heading "Non-Equity Incentive Plan Compensation."

(3)

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The amount shown reflects the maximum of the management component of the cash portion of the performance awards granted to each of Mr. Maleh and Drs. Noether and Bell. As discussed above, in addition to the management component, the cash portion of these awards has a second component, based upon the engagements that the applicable named executive officer generated for us in fiscal 2008. This latter component has no pre-determined maximum because there is no pre-determined limit on the engagements that each of these named executive officers might have generated for us in fiscal 2008.

(4)

The amounts shown represent target and maximum payouts set at the beginning of fiscal 2008 for the equity portion of performance awards for fiscal 2008 granted to the named executive officer under our 2007 cash incentive plan. The corresponding number of shares of our common stock is determined by dividing these amounts by the fair market value of our shares of common stock on the date of determination. As discussed under the heading "Compensation discussion and analysis Performance-based annual incentive compensation" above, on February 24, 2009, our compensation committee determined the number of shares of restricted stock to be granted, subject to conditions, under our 2006 equity incentive plan in respect of these awards. These shares vest in four equal annual installments, beginning on the first anniversary of the date of grant.

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- (5) Represent shares of our common stock subject to restricted stock awards granted under our 2006 equity incentive plan. Except as set forth in note (6) below, these shares vest in four equal annual installments, beginning on the first anniversary of the date of grant.
- (6) Vests in two equal installments on October 29, 2011 and October 29, 2012.
- (7) Except as set forth in note (8) below, determined based upon a closing market price of our common stock on 2/5/2008 of \$42.37.
- (8) Determined based upon a closing market price of our common stock on 10/29/2008 of \$23.93.

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Outstanding equity awards. The following table provides information regarding outstanding equity awards held by our named executive officers on November 29, 2008.

Outstanding Equity Awards at End of Fiscal 2008

Name	Option Awards				Stock Awards			
	Number Of Securities Underlying Unexercised Options (#) Exercisable	Number Of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(8)	Equity Incentive Plan Awards: Number Of Shares, Units or Rights That Have Not Vested (#)(9)	Equity Incentive Plan Awards: Market or Payout Value Of Shares, Units or Rights That Have Not Vested (\$)(8)
James C. Burrows			\$		6,690 (4)	\$ 193,943		\$
					4,302 (5)	124,715		
					9,573 (6)	277,521		
	10,000		23.00	3/12/2009				
	13,250		19.75	4/25/2010				
	2,624		13.75	5/30/2012				
	7,376		13.75	5/30/2012				
	14,734		22.81	6/5/2013				
	10,266		22.81	6/5/2013				
	30,000		32.26	5/10/2014				
	16,784	4,284 (1)	50.84	3/25/2015				
	1,966	1,966 (1)	50.84	3/25/2015				
							27,595	799,979
Wayne D. Mackie					2,868 (5)	83,143		
					3,191 (6)	92,507		
	7,287	2,429 (2)	41.16	10/5/2015				
	11,463	3,821 (2)	41.16	10/5/2015				
							8,623	249,981
Paul A. Maleh					3,717 (4)	107,756		
					6,453 (5)	187,072		
					6,382 (6)	185,014		
					31,341 (7)	908,576		
	1,880		22.81	6/5/2013				
	4,620		22.81	6/5/2013				
	15,000		32.26	5/10/2014				
	2,512	1,996 (3)	50.09	4/1/2015				
	8,738	1,754 (3)	50.09	4/1/2015				
							17,247	499,991
Monica G. Noether					2,478 (4)	71,837		
					5,019 (5)	145,501		
					6,382 (6)	185,014		
	1,701		13.75	5/30/2012				
	7,500		22.81	6/5/2013				
	1,353		32.26	5/10/2014				
	8,647		32.26	5/10/2014				

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	4,280	1,996 (3)	50.09	4/1/2015		
	3,220	504 (3)	50.09	4/1/2015		
					17,247	499,991
Gregory K. Bell						
					2,478 (4)	71,837
					7,170 (5)	207,858
					6,382 (6)	185,014
	5,000		22.50	6/8/2009		
	2,966		10.69	9/11/2010		
	3,750		10.85	5/2/2011		
	3,269		13.75	5/30/2012		
	13,125		13.75	5/30/2012		
	7,314		22.81	6/5/2013		
	4,023		22.81	6/5/2013		
	15,000		32.26	5/10/2014		
	2,239	1,996 (3)	50.09	4/1/2015		
	9,011	1,754 (3)	50.09	4/1/2015		
					17,247	499,991

(1) Vests on March 25, 2009.

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- (2) Vests on October 5, 2009.
- (3) Vests on April 1, 2009.
- (4) Vests in two equal annual installments beginning on April 21, 2009.
- (5) Vests in three equal annual installments beginning on February 16, 2009.
- (6) Vests in four equal annual installments beginning on February 6, 2009.
- (7) Vests in two equal annual installments on October 29, 2011 and October 29, 2012.
- (8) This market value is determined based upon a closing market price of our common stock on November 28, 2008, the last trading date of fiscal 2008, of \$28.99.
- (9) Represents the maximum number of shares potentially issuable as of the end of fiscal 2008 under the equity portion of performance awards for fiscal 2008 granted to the named executive officer under our 2007 cash incentive plan, based upon the maximum value of such equity portion disclosed in the "Estimated Future Payouts Under Equity Incentive Plan Awards Maximum (\$)" column of the "Grants of Plan-Based Awards for Fiscal 2008" table above and a closing market price of our common stock on November 28, 2008, the last trading date of fiscal 2008, of \$28.99. As discussed in more detail under the heading "Compensation discussion and analysis Performance-based annual incentive compensation" above, on February 24, 2009, our compensation committee determined that actual number of shares to be granted, subject to conditions, under these awards to our named executive officers is 16,008 shares in the aggregate.

Option exercises and vesting of stock. The following table provides information regarding the exercise of stock options by our named executive officers and the vesting of their restricted stock awards during fiscal 2008.

Option Exercises and Stock Vested during Fiscal 2008

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized On Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(2)
James C. Burrows		\$	4,779	\$ 173,188
Wayne D. Mackie			956	39,148
Paul A. Maleh			4,008	151,623
Monica G. Noether			2,911	110,867
Gregory K. Bell	15,000	215,250 (1)	3,628	140,228

- (1) The value realized upon exercise is based upon the difference between the market price of our common stock on the date of exercise, \$32.85, and the exercise price of the exercised options, \$18.50.

(2)

The value realized on the vesting of shares of restricted stock is based on the following closing market prices of our common stock on the date of vesting (or, in some cases, the last trading dates before the dates of vesting) applicable to these shares of restricted stock: \$34.22 on April 21, 2008 and \$40.95 on February 15, 2008.

Agreements with named executive officers

Letter Agreement with Mr. Mackie. We entered into a letter agreement with Mr. Mackie when he joined us on July 1, 2005, that provided Mr. Mackie a signing bonus of \$205,000, which was paid to Mr. Mackie in fiscal 2008. If Mr. Mackie's employment is terminated in connection with a change in control, the agreement provides Mr. Mackie with a prorated portion of his target bonus for the year, one year's salary, and full vesting of all stock options that have been awarded to him. Accordingly, had Mr. Mackie been terminated in connection with a hypothetical change of control occurring on November 29, 2008, the last day of fiscal 2008, he would have received an aggregate of \$875,000 in

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value, consisting of his target bonus of \$250,000 in cash and \$250,000 worth of restricted stock and \$375,000 in salary.

2007 Cash incentive plan awards. In fiscal 2008, we granted performance awards to our named executive officers under our 2007 cash incentive plan, as disclosed in the "Grants of Plan-Based Awards for Fiscal 2008" table above. Under our 2007 cash incentive plan, upon the occurrence of a "change of control," all performance awards are paid out as if the effective date of the change of control were the last day of the applicable award period and all performance goals had been attained, unless provision is made in connection with the change of control for (1) the assumption of all previously granted performance awards or (2) the substitution of such performance awards with commensurate new awards covering stock of the successor corporation or its parent or subsidiary.

Under our 2007 cash incentive plan, "change of control" means (1) we merge with or into or consolidate with another corporation, unless our outstanding voting securities immediately prior to the change of control continue to represent, either by remaining outstanding or conversion into voting securities of the entity surviving the change of control, at least 50% of our combined voting power or of the combined voting power of the entity surviving the change of control; or (2) we liquidate or sell substantially all of our assets.

Had a hypothetical change of control, in which the performance awards granted to our named executive officers for fiscal 2008 under our 2007 cash incentive plan were neither assumed nor substituted, occurred on November 29, 2008, the last day of fiscal 2008, each of our named executive officers would have received payments of the target amounts, disclosed in the "Grants of Plan-Based Awards for Fiscal 2008" table above, of the management component of the cash portion and the equity portion of these performance awards. The amount of these payments would have been \$1,000,000 in cash and \$800,000 worth of restricted stock to Dr. Burrows; \$250,000 in cash and \$250,000 worth of restricted stock to Mr. Mackie; and \$1,000,000 in cash and \$500,000 worth of restricted stock to each of Mr. Maleh and Drs. Noether and Bell. Additionally, Dr. Bell would have received a cash payment of \$910,282 for the component of the cash portion of his performance award based on the engagements he generated for us in fiscal 2008. Accordingly, the total value payable in connection with such a hypothetical change of control under performance awards granted to our named executive officers for fiscal 2008 under our 2007 cash incentive plan would have been \$1,800,000 to Dr. Burrows; \$500,000 to Mr. Mackie (which amount would be paid to Mr. Mackie as set forth in the paragraph above under the heading "Letter Agreement with Mr. Mackie"); \$1,500,000 to Mr. Maleh; \$1,500,000 to Dr. Noether; and \$2,410,282 to Dr. Bell.

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TRANSACTIONS WITH RELATED PARTIES

Payments to directors

As disclosed in the "Non-Employee Director Compensation Table for Fiscal 2008" above, we have made payments in fiscal 2008 to Drs. Salop and Shapiro, each of whom were our directors until June 18, 2008, for their services as outside experts, including payments for consulting services to clients and for the generation of engagements for us. These amounts include payments made to companies wholly owned by each of these directors. We will make similar payments to Drs. Salop and Shapiro in fiscal 2009. In fiscal 2008 and fiscal 2009 (through February 20, 2009, the end of our first quarter of fiscal 2009), we paid Dr. Salop an aggregate of approximately \$4.7 million and we paid Dr. Shapiro an aggregate of approximately \$2.7 million. We have accrued additional payments that will be made to each of Drs. Salop and Shapiro for consulting services they have performed and business engagements they have generated for us through February 20, 2009, in the approximate amounts of \$0.8 million and \$0.8 million, respectively.

Based on the terms of an agreement we entered into with Dr. Shapiro when we acquired the Tilden Group in December 1998, Dr. Shapiro is eligible for a specified bonus payment if certain billable hour conditions are met. Pursuant to that agreement, we made the payments disclosed in the "Non-Employee Director Compensation Table for Fiscal 2008" in fiscal 2008, and Dr. Shapiro is eligible for future annual bonus payments through fiscal year 2013. The eligible bonus amount for fiscal 2009 is \$142,368 and will continue to increase by 12% each year.

Review, approval or ratification of transactions with related parties

Under its charter, our audit committee is responsible for reviewing any proposed related-party transaction, as defined under the rules of the Nasdaq Stock Market, and, if appropriate, approving the transaction. A copy of the audit committee charter is available through the Investor Relations page of our website at www.crai.com.

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At the close of business on March 2, 2009, there were issued and outstanding 10,901,995 shares of our common stock entitled to cast 10,901,995 votes. On March 2, 2009, the closing price of our common stock as reported on the Nasdaq Global Select Market was \$21.50 per share.

Principal shareholders

The following table provides information regarding the beneficial ownership of shares of our common stock as of March 2, 2009, by:

each person known to us to be a beneficial owner of more than five percent of our shares of common stock;

each of our current directors;

each of our named executive officers; and

all of our current directors and current executive officers as a group.

The persons named in the table below have sole voting and dispositive power with respect to the shares listed, except as otherwise indicated. The inclusion of shares in the table below does not constitute an admission of beneficial ownership. The "Right to acquire" column includes shares of our common stock that may be received upon the conversion of convertible senior subordinated debentures or purchased through the exercise of options within 60 days after March 2, 2009. The information in the table is based upon information received from or on behalf of the persons named in the table.

Name of beneficial owner	Shares beneficially owned			Percent
	Outstanding	Right to acquire	Total	
FMR LLC (1)	1,049,202		1,049,202	9.6%
Wasatch Advisors, Inc. (2)	981,895		981,895	9.0%
AQR (3)	91,700	916,250	1,007,950	8.5%
Royce & Associates, LLC (4)	911,018		911,018	8.4%
Wellington Management Company, LLP (5)	662,678		662,678	6.1%
Barclays Global Investors, NA (6)	570,009		570,009	5.2%
James C. Burrows	195,149	113,250	308,399	2.8%
Gregory K. Bell	55,111	69,447	124,558	1.1%
Paul A. Maleh	53,612	36,500	90,112	*
Monica G. Noether	33,920	29,201	63,121	*
Rowland T. Moriarty	25,240	25,000	50,240	*
Ronald T. Maheu	5,136	21,667	26,803	*
Wayne D. Mackie	7,616	18,750	26,366	*
Basil L. Anderson	6,136	20,000	26,136	*
Nancy L. Rose	5,136	20,000	25,136	*
William F. Concannon	5,136	11,722	16,858	*
William T. Schleyer	4,011		4,011	*
All current directors and current executive officers as a group (eleven persons)	383,010	351,374	734,384	6.5%

*

Less than one percent.

(1)

The number of shares of our common stock beneficially owned by FMR LLC is based solely on information in a Schedule 13G/A filed on February 17, 2009, by FMR LLC and Edward C. Johnson 3d. FMR LLC reported sole voting power over 49,310 shares. Each of them reported sole

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dispositive power over 1,210,048 shares. The address for FMR LLC is 82 Devonshire Street, Boston, MA 02109.

- (2) The number of shares of our common stock beneficially owned by Wasatch Advisors, Inc. is based solely on information in a Schedule 13G/A filed on February 17, 2009, by Wasatch Advisors, Inc. The address for Wasatch Advisors, Inc. is 150 Social Hall Avenue, Salt Lake City, UT 84111.
- (3) The number of shares of our common stock beneficially owned by AQR is based solely on information in a Schedule 13G/A filed on February 17, 2009, by AQR Capital Management, LLC and AQR Absolute Return Master Account L.P. and a Schedule 13G/A filed on February 17, 2009, by AQR Capital Management, LLC. Each of them reported shared voting power and shared dispositive power over convertible senior subordinated debentures that are convertible into 916,250 shares of our common stock, and AQR Capital Management, LLC reported shared voting power and shared dispositive power over 91,700 shares of our common stock. The address for each of them is Two Greenwich Plaza, 3rd Floor, Greenwich, CT 06830.
- (4) The number of shares of our common stock beneficially owned by Royce & Associates, LLC is based solely on information in a Schedule 13G/A filed on January 23, 2009, by Royce & Associates, LLC. The address for Royce & Associates, LLC is 1414 Avenue of the Americas, New York, NY 10019.
- (5) The number of shares of our common stock beneficially owned by Wellington Management Company, LLP is based solely on information in a Schedule 13G/A filed on February 17, 2009, by Wellington Management Company, LLP. Wellington Management Company, LLP reported shared voting power over 404,628 shares and shared dispositive power over 662,678 shares. The address for Wellington Management Company, LLP is 75 State Street, Boston, MA 02109.
- (6) The number of shares of our common stock beneficially owned by Barclays Global Investors, NA is based solely on information in a Schedule 13G filed on February 5, 2009, by Barclays Global Investors, NA, Barclays Global Fund Advisors, Barclays Global Investors, Ltd, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG. Barclays Global Investors, NA reported sole voting power over 258,272 shares and sole dispositive power over 297,756 shares and Barclays Global Fund Advisors reported sole voting power and sole dispositive power over 272,253 shares. Each of the other reporting persons reported sole voting power, sole dispositive power, shared voting power and shared dispositive power over zero shares. The address of Barclays Global Investors, NA and Barclays Global Fund Advisors is 400 Howard Street, San Francisco, CA 94105.

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REPORT OF THE AUDIT COMMITTEE

Our board of directors appointed an audit committee to monitor the integrity of our firm's consolidated financial statements, our firm's system of internal controls, and the independence and performance of our firm's internal auditors and independent registered public accountants. The audit committee also selects our firm's independent registered public accountants. The audit committee is governed by a written charter adopted by our firm's board of directors. A current copy of the audit committee charter is available through the Investor Relations page of our website at www.crai.com.

The audit committee currently consists of three non-employee directors. Mr. Anderson, although no longer a member of our audit committee, served on the audit committee throughout fiscal 2008 and at the time of the filing of our annual report on form 10-K for fiscal 2008. Dr. Rose became a member of the audit committee after the filing of our annual report on form 10-K for fiscal 2008, and, accordingly, has not participated in the preparation of this report. Each member of the audit committee is "independent" within the meaning of the rules of the Nasdaq Stock Market.

Our firm's management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. Our firm's independent registered public accountants are responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. However, we are not professionally engaged in the practice of accounting or auditing and are not experts in the field of accounting, auditing, or auditor independence. We have relied, without independent verification, on the information provided to us and on the representations made by our firm's management and independent registered public accountants.

In fulfilling our oversight responsibilities, we discussed with representatives of KPMG LLP, our firm's independent registered public accountants for fiscal 2008, the overall scope and plans for their audit of our firm's consolidated financial statements for fiscal 2008. We met with them, with and without our firm's management present, to discuss the results of their examinations and their evaluations of our firm's internal controls and the overall quality of our firm's financial reporting. We reviewed and discussed the audited consolidated financial statements for fiscal 2008 with our firm's management and independent registered public accountants.

In addition, during the course of fiscal 2008, our firm's management completed the documentation, testing, and evaluation of our firm's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. We were kept apprised of the progress of the evaluation and provided oversight to our firm's management during the process. In connection with this oversight, we received periodic updates provided by our firm's management and KPMG at each appropriate scheduled audit committee meeting. At the conclusion of the process, our firm's management provided us with, and we reviewed, a report on the effectiveness of our firm's internal control over financial reporting. We also reviewed the report of our firm's management contained in our firm's annual report on form 10-K for the fiscal year ended November 29, 2008, filed with the SEC, as well as KPMG's Report of Independent Registered Public Accounting Firm included in our firm's annual report on form 10-K related to its audit of (i) our firm's consolidated financial statements and (ii) the effectiveness of our firm's internal control over financial reporting. We continue to oversee our firm's efforts related to its internal control over financial reporting and our firm's management's preparations for the evaluation in fiscal 2009.

We discussed with our firm's independent registered public accountants the matters required to be discussed by Statement of Auditing Standards No. 61, *Communication with Audit Committees*, as amended, including a discussion of our firm's accounting principles, the application of those principles, and the other matters we were required to discuss with our firm's independent registered public accountants under generally accepted auditing standards.

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In addition, we received from our firm's independent registered public accountants a letter containing the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board and discussed the disclosures with them, as well as other matters relevant to their independence from our firm's management and our firm. In evaluating the independence of our firm's independent registered public accountants, we considered the fact that they did not perform any non-audit services for us in fiscal 2008.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in our firm's audit committee charter, we recommended to our board of directors that our firm's audited consolidated financial statements for fiscal 2008 be included in our firm's annual report on form 10-K.

The audit committee

Ronald T. Maheu, Chair
William F. Concannon
Basil L. Anderson (former
member)

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**PROPOSAL TWO:
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

Proposal Two concerns the ratification of the appointment by our audit committee of KPMG LLP to be our independent registered public accountants for the fiscal year ending November 28, 2009.

Under rules of the Securities and Exchange Commission and the Nasdaq Stock Market, appointment of our independent registered public accountants is the direct responsibility of our audit committee. Although ratification of this appointment by our shareholders is not required by law, our board believes that seeking shareholder ratification is a good practice, which provides shareholders an avenue to express their views on this important matter.

Our audit committee has reappointed KPMG as our independent registered public accountants for the fiscal year ending November 28, 2009. Our board of directors recommends that shareholders vote to ratify the appointment. If our shareholders do not ratify the appointment of KPMG, the audit committee may reconsider its decision. In any case, the audit committee may, in its discretion, appoint new independent registered public accountants at any time during the year if it believes that such change would be in our best interest and the best interest of our shareholders. We expect that representatives of KPMG will be present at the annual meeting. They will have an opportunity to make a statement if they wish and will be available to respond to appropriate questions from shareholders.

Our board of directors recommends that you vote FOR the proposal to ratify the appointment by our audit committee of KPMG as our independent registered public accountants for fiscal 2009.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees for professional services rendered by KPMG for the fiscal years ended November 29, 2008 and November 24, 2007.

Fee category	Fiscal 2008	Fiscal 2007
Audit fees	\$ 1,285,100	\$ 1,411,800
Audit-related fees		
Tax fees		
All other fees		
Total fees	\$ 1,285,100	\$ 1,411,800

Audit fees. Audit fees comprise fees for professional services necessary to perform an audit or review in accordance with the standards of the Public Company Accounting Oversight Board, including services rendered for the audit of our annual financial statements (including services incurred to render an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and the review of our quarterly financial statements. Audit fees also include fees for services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees. In fiscal 2007 and fiscal 2008, KPMG did not perform any assurance or related services for us that were reasonably related to the performance of the audit or review of our financial statements, except as disclosed under the heading "Audit fees" above.

Tax fees. In fiscal 2007 and fiscal 2008, KPMG did not perform any professional services for us for tax compliance, tax advice or tax planning.

All other fees. In fiscal 2007 and fiscal 2008, KPMG did not perform any other services for us other than disclosed under the heading "Audit fees" above.

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Pre-approval policies and procedures

At present, our audit committee approves each engagement for audit or non-audit services before we engage KPMG to provide those services. However, the audit committee has delegated to the chairman of the audit committee the authority to pre-approve audit and non-audit services that the chairman determines in good faith to be minimal services that would not impair the independence of our independent registered public accountants. The chairman of the audit committee must notify the other members of the committee of any audit or non-audit service that he pre-approves under this delegation of authority. Other, more significant audit and non-audit services continue to require pre-approval by the entire audit committee.

Our audit committee has not established any pre-approval policies or procedures that would allow our management to engage KPMG to provide any specified services with only an obligation to notify the audit committee of the engagement for those services. None of the services provided by KPMG for fiscal 2008 was obtained in reliance on the waiver of the pre-approval requirement permitted by SEC regulations.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. SEC regulations require officers, directors and greater-than-ten-percent shareholders to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of forms 3 and 4 and amendments thereto furnished to us during fiscal 2008 and forms 5 and amendments thereto furnished to us with respect to fiscal 2008, or written representations that form 5 was not required for fiscal 2008, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater-than-ten-percent shareholders were fulfilled in a timely manner.

SHAREHOLDER PROPOSALS

Shareholder proposals for inclusion in our proxy materials relating to our 2010 annual meeting of shareholders must be received by us at our executive offices no later than November 20, 2009 or, if the date of that meeting is more than 30 calendar days before or after April 16, 2010, a reasonable time before we begin to print and send our proxy materials with respect to that meeting.

In addition, our by-laws provide that a shareholder desiring to bring business before any meeting of shareholders or to nominate any person for election to our board of directors must give timely written notice to our secretary in accordance with the procedural requirements set forth in our by-laws. In the case of a regularly scheduled annual meeting, written notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days before the scheduled annual meeting, must describe the business to be brought before the meeting, and must provide specific information about the shareholder, other supporters of the proposal, their stock ownership and their interest in the proposed business. If we hold our 2010 annual meeting before April 15, 2010, and if we give less than 70 days' notice or prior public disclosure of the date of that meeting, then the shareholder's notice must be delivered or mailed to and received at our principal executive offices not later than the close of business on the tenth day after the earlier of (1) the day on which we mailed notice of the date of the meeting and (2) the day on which we publicly disclosed the date of the meeting. Currently, in order to bring an item of business before the 2010 annual meeting in accordance with our by-laws, a shareholder must deliver the requisite notice of that item of business to us between January 15, 2010 and February 14, 2010.

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AVAILABLE INFORMATION

Shareholders of record on March 2, 2009, will receive this proxy statement and our annual report to shareholders, which contains detailed financial information about us. The annual report is not incorporated herein and is not deemed a part of this proxy statement.

