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EVOLVE SOFTWARE INC  
Form PRE 14A  
October 09, 2001

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934

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

Check the appropriate box:

- Preliminary Proxy Statement  
 CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE  
14A-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to Section 240.14a-12

EVOLVE SOFTWARE, INC.

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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

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

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(3) Filing Party:

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(4) Date Filed:  
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[EVOLVE LOGO]

EVOLVE SOFTWARE, INC.  
1400 65th Street  
Suite 100  
Emeryville, CA 94608

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held November 19, 2001

To The Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Evolve Software, Inc., a Delaware corporation (the "Company"), will be held on \_\_\_\_\_ November \_\_, 2001 at 10:00 a.m., local time, at the offices of the Company, located at 1400 65th Street, Suite 100, Emeryville, CA 94608, for the following purposes:

1. To elect two Class I directors to serve a term of three years or until their successors are duly elected and qualified. The Company's Board of Directors intends to present the following nominees for election as directors: Cary Davis and Jeffrey M. Drazan.
2. To approve amendments to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock by 90,000,000 shares, from 110,000,000 to 200,000,000 shares, and to enable the holders of Preferred Stock of the Company to act by written consent (the "Written Consent Amendment").
3. To approve an amendment to the Company's 2000 Stock Plan to increase the maximum number of shares of Common Stock authorized for issuance under the plan by 10,000,000 shares, to 16,000,000 shares, exclusive of future annual increases, and to provide that the shares authorized for issuance under the plan be increased annually by the least of (i) the aggregate number of shares subject to grants made in the previous year, (ii) 15,000,000 and (iii) any lesser amount determined by our Board of Directors.
4. To ratify the appointment of PricewaterhouseCoopers LLP as independent public accountants of the Company for the fiscal year ending June 30, 2002.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

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Only stockholders of record at the close of business on September 27, 2001 are entitled to receive notice of and to vote at the meeting and any adjournments. For ten days prior to the meeting, any stockholder can examine a complete list of the registered stockholders entitled to vote at the meeting for any purpose germane to the meeting during ordinary business hours at our offices at 1400 65th Street, Suite 100, Emeryville, CA 94608.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person if he or she returned a proxy.

Sincerely,

/s/ Christopher B. Boas

Christopher B. Boas  
Assistant Secretary

Emeryville, California  
October \_\_, 2001

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ANNUAL MEETING OF STOCKHOLDERS  
OF  
EVOLVE SOFTWARE, INC.

\_\_\_\_\_  
PROXY STATEMENT  
\_\_\_\_\_

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of Evolve Software, Inc., a Delaware corporation ("we," "us" or the "Company"), for the Annual Meeting of Stockholders to be held on \_\_\_\_\_, November \_\_, 2001 at 10:00 a.m., local time (the "Annual Meeting"), at the offices of the Company, located at 1400 65th Street, Suite 100, Emeryville, CA 94608, or any adjournment or adjournments thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Company's telephone number is (510) 428-6000. Any questions regarding the contents of this statement may be directed to Kenneth J. Bozzini, Chief Financial Officer, of the Company.

These proxy materials were first mailed on or about October \_\_, 2001 to all stockholders entitled to vote at the meeting.

CERTAIN FINANCIAL INFORMATION

Please note that our financial statements and related information are included with our Annual Report to Stockholders on Form 10-K, which is enclosed with this Proxy Statement.

VOTING SECURITIES

Only holders of record of our Common Stock as of the close of business on

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September 27, 2001 (the "Record Date") and holders of record of our Series A Preferred Stock as of the close of business on October 10, 2001 (the "Preferred Stock Record Date") will be entitled to vote at the meeting and any adjournment. As of the Record Date, there were 40,836,547 shares of the Company's Common Stock issued and outstanding, and as of the Preferred Stock Record Date there were 1,300,000 shares of the Company's Series A Preferred Stock issued and outstanding. Stockholders may vote in person or by proxy. Each share of Common Stock issued and outstanding as of the Record Date shall have one vote on the matters presented herein. Each share of Series A Preferred Stock issued and outstanding as of the Preferred Stock Record Date shall have 20 votes on the matters presented herein. As of the Record Date, Sierra Ventures VI, L.P. and its affiliates ("Sierra"), the Goldman Sachs Group, Inc. and its affiliates and Vivant! Corporation held 18.8%, 6.3% and 5.4%, respectively, of our outstanding shares of Common Stock. As of the Preferred Stock Record Date, Warburg Pincus Private Equity VIII, L.P. ("Warburg"), Index Ventures I, L.P. and its affiliates and Sierra held 76.9%, 11.5% and 7.7%, respectively, of our outstanding shares of Series A Preferred Stock. We are not aware of any other holders of record of 5% or more of our outstanding Common Stock or Series A Preferred Stock. See "Stock Ownership of Certain Beneficial Owners." There is no cumulative voting in the election of our directors.

Warburg has entered into agreements with Sierra and certain other stockholders, including each of the directors and officers of the Company, whereby the parties to such agreements have committed to vote in favor of the matters set forth under "Proposal Two" below. The parties to such agreements

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with Warburg held an aggregate of 10,770,132 shares of Common Stock, or approximately 26.4% of our total outstanding shares of Common Stock, as of the Record Date.

### SOLICITATION OF PROXIES

We will pay the cost of soliciting proxies. In addition to soliciting stockholders by mail and through our regular employees, we will request banks and brokers, and other custodians, nominees and fiduciaries, to solicit their customers who have our stock registered in their names and will reimburse them for their reasonable, out-of-pocket costs. We may use our officers, directors and others to solicit proxies, personally or by telephone, facsimile or electronic mail, without additional compensation.

### VOTING OF PROXIES

All valid proxies received prior to the Annual Meeting will be voted. All shares represented by a proxy will be voted, and where a stockholder specifies through the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If you do not indicate a choice on the proxy, your shares will be voted "FOR" the nominees for election to the Board of Directors named in this Proxy Statement; "FOR" approval of the amendment and restatement of the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") increasing the authorized shares of Common Stock from 110,000,000 to 200,000,000 and adopting the Written Consent Amendment; "FOR" approval of the increase in the shares reserved under the Company's 2000 Stock Plan in the amount of 10,000,000 shares and the increase in the number of shares added to the Stock Plan on an annual basis; and "FOR" the ratification of independent public accountants. The shares will be voted as the proxy holders may determine in their discretion with respect to any other matters that properly come before the meeting. A stockholder giving a proxy has the power to revoke his or her proxy, at any time prior to the time it is voted, by (i) delivering to the Company's Assistant

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Secretary either a written instrument revoking the proxy or a valid proxy with a later date, or (ii) attending the Annual Meeting and voting in person.

### QUORUM

The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date and the shares of Preferred Stock outstanding on the Preferred Stock Record Date. Shares that are voted "FOR," "AGAINST" or "WITHHELD FROM" a matter (the "Votes Cast") are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Annual Meeting with respect to such matter.

### ABSTENTIONS

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the number of Votes Cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

### BROKER NON-VOTES

Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly,

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broker non-votes will not affect the outcome of the voting on a proposal that requires a majority of the Votes Cast (such as the proposed amendments to our 2000 Stock Plan). With respect to a proposal that requires a majority of the outstanding shares (such as the proposed amendments to our Certificate of Incorporation), however, a broker non-vote has the same effect as a vote against the proposal.

### STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (1)

The following table sets forth certain information as of the Record Date, September 27, 2001, with respect to the beneficial ownership of the Company's Common Stock by (i) each director of the Company; (ii) each executive officer of the Company included in the Summary Compensation Table below under the heading "Executive Compensation and Other Matters" (the "Named Executive Officers"); (iii) all current executive officers and directors of the Company as a group; and (iv) all persons who are the beneficial owner of more than 5% of the Company's Common Stock. No shares of our Preferred Stock were outstanding as of the Record Date. Unless otherwise indicated, the address for each listed stockholder is c/o Evolve Software, 1400 65th Street, Suite 100, Emeryville, CA 94608.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)	PERCENT OF COMMON STOCK OUTSTANDING (1)
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Warburg Pincus Private Equity VIII, L.P. (2) 466 Lexington Avenue New York, NY 10017	50,003,298	55.0%
Sierra Ventures VI, L.P. (3) 3000 Sand Hill Road, Building 4 Suite 210 Menlo Park, CA 94025	12,683,310	27.7%
The Goldman Sachs Group (4) 85 Broad Street New York, NY 10004	2,571,434	6.3%
Vivant! Corporation 6114 LaSalle Avenue No. 323 Oakland, CA 94611	2,216,749	5.4%
John P. Bantleman (5)	1,313,128	3.2%
James J. Bozzini (6)	799,181	2.0%
Marc C. Ferrie (7)	541,667	1.3%
John R. Oltman (8)	440,778	1.1%
Douglas S. Sinclair (9)	416,667	1.0%
Kurt M. Heikkinen (10)	340,387	*
Anil K. Gupta (11)	293,856	*
Joseph A. Fuca (12)	270,833	*
Paul Rochester (13)	173,333	*
Judith H. Hamilton (14)	166,667	*
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Jeffrey M. Drazan (15)	160,123	*
Gayle Crowell (16)	-	-
Cary Davis (17)	50,003,298	55.0%
Nancy Martin (17)	50,003,298	55.0%
All Current Directors & Officers as a Group (13 persons) (18)	2,426,503	5.9%

\*Less than 1% of outstanding shares of Common Stock.

- (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"). To our knowledge, except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock

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shown as beneficially owned by them, subject to community property laws where applicable. Applicable percentages are based on 40,836,547 shares outstanding on September 27, 2001, adjusted as required by rules promulgated by the SEC.

- (2) As of September 27, 2001, Warburg Pincus Private Equity VIII, L.P. ("WP VIII") had rights to acquire up to 50,000,000 shares of our Common Stock, which rights are exercisable within 60 days of September 27, 2001, and one principal of WP VIII beneficially owned 3,298 shares of our Common Stock for his own account. WP VIII disclaims beneficial ownership of any shares of our Common Stock. Warburg, Pincus & Co. ("WP") is the sole general partner of WP VIII. WP VIII is managed by Warburg Pincus LLC ("WP LLC"). Lionel I. Pincus is the managing partner of WP and the managing member of WP LLC and may be deemed to control both entities.
  - (3) Includes 6,163,594 shares held by Sierra Ventures VI, L.P., 616,361 shares held by its general partner, SV Associates VI, L.P., as nominee for its general partner UA dated January 14, 1997, 821,448 shares held by Sierra Ventures VII, L.P. ("SV VII") and 81,907 shares held by Sierra Ventures Associates VII, LLC ("SVA VII") as nominee for its members (collectively, the "Sierra Entities"). SV VII has rights to acquire up to an additional 4,546,650 shares of our Common Stock, and SVA VII has rights to acquire up to an additional 453,350 shares of our Common Stock, which rights are exercisable within 60 days of the date hereof. Jeffrey M. Drazan, a director of Evolve, is a managing member of SV Associates VI, L.P., which is the general partner of Sierra Ventures VI, L.P., and is a managing member of SVA VII, which is the general partner of SV VII. Mr. Drazan disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in them arising from his interest in these limited partnerships and limited liability company.
  - (4) Includes 2,452,386 shares held by The Goldman Sachs Group, Inc. ("GSG") and 119,048 shares held by Stone Street Fund 1999, L.P., an affiliate of GSG that shares voting and investing power with GSG.
  - (5) Includes 493,057 shares subject to our right of repurchase, which lapses over time. Also includes 98,987 shares exercisable within 60 days of September 27, 2001.
  - (6) Includes 406,250 shares subject to our right of repurchase, which lapses over time. Also includes 46,875 shares exercisable within 60 days of September 27, 2001.
  - (7) Includes 211,530 shares subject to our right of repurchase, which lapses over time.
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- (8) Includes 166,667 shares subject to our right of repurchase, which lapses over time. These shares are held by JRO Consulting, Inc. Mr. Oltman, the President of JRO Consulting, Inc. is the beneficial owner of these shares. Also includes 41,667 shares exercisable within 60 days of September 27, 2001.
  - (9) Includes 279,515 shares subject to our right of repurchase, which lapses over time.
  - (10) Includes 170,388 shares subject to our right of repurchase, which lapses over time. Also includes 46,875 shares exercisable within 60 days of September 27, 2001.

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- (11) Includes 211,806 shares subject to our right of repurchase, which lapses over time.
- (12) Includes 158,854 shares subject to our right of repurchase, which lapses over time. Also includes 12,500 shares exercisable within 60 days of September 27, 2001.
- (13) Includes 58,333 shares subject to our right of repurchase, which lapses over time. Also includes 45,000 shares exercisable within 60 days of September 27, 2001.
- (14) Includes 50,347 shares subject to our right of repurchase, which lapses over time. Also includes 41,667 shares exercisable within 60 days of September 27, 2001.
- (15) Includes 75,522 shares subject to our right of repurchase, which lapses over time. Does not include shares held by the Sierra Entities.
- (16) Ms. Crowell is a full-time advisor of Warburg Pincus LLC ("WP LLC") and may not be deemed a beneficial owner of shares that WP VIII has the right to acquire.
- (17) Mr. Davis and Dr. Martin are partners of Warburg Pincus & Co. and Managing Directors of WP LLC, affiliates of WP VIII. As of September 27, 2001, WP VIII had rights to acquire up to 50,000,000 shares of our common stock, which rights are exercisable within 60 days of September 27, 2001, and one principal of WP VIII beneficially owned 3,298 shares of our Common Stock for his own account. Mr. Davis and Dr. Martin disclaim beneficial ownership of all shares held by WP VIII, except to the extent of any pecuniary interest they may hold in WP VIII.
- (18) Includes an aggregate of 1,107,745 shares subject to our right of repurchase, which lapses over time. Also includes an aggregate of 267,917 shares exercisable within 60 days of September 27, 2001. Does not include shares held by the Sierra Entities and WP VIII.

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### PROPOSAL ONE: ELECTION OF DIRECTORS

Our Certificate of Incorporation provides that our Board of Directors shall be divided into three classes, with the classes of directors serving for staggered three-year terms. The term of office of the Class I directors shall extend until the 2001 annual meeting of stockholders, the term of office for the Class II directors shall extend until the 2002 annual meeting of stockholders, and the term of office for the Class III directors shall extend until the 2003 annual meeting of stockholders, or until each director's earlier death, resignation, retirement or removal or until his or her successor is elected and qualified. Class I and Class III currently have two members each, and Class II currently has two members. The Class I directors to be elected at the 2001 Annual Meeting are to be elected to hold office until the year 2004 Annual Meeting and until their successors have been elected and qualified or until their earlier death, resignation, retirement or removal from office.

Of the two Class I directors to be elected at the Annual Meeting, one director (the "Class I Series A Director") is to be elected by holders of the Company's Series A Preferred Stock voting as a separate class. The other director to be elected at the Annual Meeting (the "Class I General Director") will be elected by holders of the Company's Common Stock and Series A Preferred Stock voting together as a single class.



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The Company's nominee for election at the Annual Meeting to Class I Series A Director is Cary Davis. The Company's nominee for election at the Annual Meeting to Class I General Director is Jeffrey M. Drazan. Mr. Davis and Mr. Drazan are seeking re-election to serve for the full duration of the next term of office. The remaining five directors will continue to serve the terms described below. Mr. Davis has been a director since October 2001, and Mr. Drazan has been a director since November 1998. Information regarding Mr. Davis's and Mr. Drazan's business experience is provided below.

In the event that Mr. Davis or Mr. Drazan become unavailable or decline to serve as directors at the time of the Annual Meeting, the proxy holders will vote the proxies in their discretion for any nominee who is designated by the current Board of Directors to fill the vacancy. It is not expected that Mr. Davis or Mr. Drazan will be unavailable to serve.

### VOTE REQUIRED

The two nominees for director receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law.

### NOMINEES AND OTHER DIRECTORS

The following table sets forth the name and age of each of the nominees and each director of the Company whose term of office continues after the Annual Meeting, the principal occupation of each during the past five years and the period during which each has served as a director of the Company. There are no family relationships among any directors or executive officers.

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### NOMINEES FOR ELECTION AS CLASS I DIRECTORS FOR A TERM EXPIRING IN 2004

NAME	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS	AGE
Cary Davis	Mr. Davis has served on our Board of Directors since October 2001. Mr. Davis has served as a general partner of Warburg, Pincus & Co. ("Warburg Pincus") and a Member and Managing Director of Warburg Pincus LLC ("WP LLC") since January 1999, and has been employed by WP LLC since October 1994. From August 1992 to September 1994, Mr. Davis was employed by Dell Computer Corporation, where he was Executive Assistant to Michael Dell and his last position was Manager of Worldwide Desktop Marketing. Mr. Davis is currently a director of Dice Inc., and several privately held companies, including WebGain Inc. and TradeCard Inc. Mr. Davis received a B.A. from Yale University and an M.B.A. from Harvard Business School, and is an adjunct professor at Columbia Business School and Treasurer of the Jewish Community House of Bensonhurst.	35
Jeffrey M. Drazan	Mr. Drazan has served on our Board of Directors since November 1998. Mr. Drazan has been a General Partner of Sierra Ventures since 1984. Prior to joining Sierra Ventures, Mr. Drazan was employed by AT&T, where he held various management positions within the operating divisions of AT&T Long Lines, AT&T Information	42

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Systems, and Bell Laboratories. He currently serves on the Board of Directors of Vertel Corporation, a telecommunications systems vendor, and other private companies. Mr. Drazan holds an M.B.A. from New York University's Graduate School of Business Administration and a B.S. Degree in Engineering from Princeton University.

### INCUMBENT CLASS II DIRECTORS SERVING FOR A TERM EXPIRING IN 2002

John R. Oltman      Mr. Oltman has served on our Board of Directors since August 1999, and has served as Chairman of the Board of Directors since November 1999. Mr. Oltman has been President of JRO Consulting, Inc. since January 1995, in which role he serves as director, advisory and investor in leading technology companies and investment firms. Mr. Oltman also currently serves as the Vice-Chairman of Lante Corporation and Chairman of XOR, Inc. Mr. Oltman also serves as a director for Exalt, Inc., Alysis Technologies, Inc., InaCom Corp. and Premier Systems Integrators, Inc. From February 1996 through August 1997, Mr. Oltman served as Chairman and senior member of the Executive Committee of TSW International, a global leader in asset care software and services. From July 1991 to November 1995, Mr. Oltman served as the Chairman and Chief Executive Officer of SHL Systemhouse, a large provider of client/server systems integration and technology outsourcing. Before joining SHL Systemhouse, Mr. Oltman was managing partner for Andersen Consulting's Chicago Consulting Group. From 1967 to 1970, Mr. Oltman was a member of the technical staff at Bell Laboratories. Mr.

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Oltman received a B.S. degree from the University of Illinois in 1967 and an M.B.A. degree from Northwestern University's Kellogg School of Management in 1970.

Paul Rochester      Mr. Rochester has served on our Board of Directors since July 2000. Mr. Rochester has been Vice President and General Manager of Professional Services at Sun Microsystems, a worldwide provider of computer systems, software and services, since September 1995. From February 1991 to September 1995, he was Senior Partner at CSC Consulting, a global information technology services company. From September 1989 to February 1991, Mr. Rochester was a partner at Ernst & Young, an international consulting firm. From September 1979 to January 1989, he was a consulting manager with SHL Systemhouse (now MCI Systemhouse), an information technology integration consulting company. Mr. Rochester holds a B.S. degree in Applied Science (Electrical Engineering) from Queens University (Canada) and an M.B.A. in Marketing and Finance from the University of Ottawa, Canada.

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Nancy Martin      Dr. Martin has served on our Board of Directors since October 2001. Dr. Martin joined Warburg Pincus in January 1999 as a partner of Warburg Pincus and a Managing Director and Member of WP LLC. Prior to joining Warburg, Pincus, she was Vice President for Research and Development for MCI Systemhouse. Dr. Martin was Executive Director for Advanced Technology for Melville Corporation and a Partner with Coopers & Lybrand where she directed advanced technology nationally. She was CEO and Founder of SoftPert Systems. Dr. Martin was founding professor of Software Engineering at Wang Institute of Graduate Studies and Visiting Professor at Stanford University. She is a Director of Apar Holding Corp., Artesia Technologies, Inc., HiddenMind Technology, Inc.

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and WebGain, Inc. She received a B.A. from Stanford University and a Ph.D. from The University of Michigan in Computer and Communication Science.

### INCUMBENT CLASS III DIRECTORS SERVING FOR A TERM EXPIRING IN 2003

Judith H. Hamilton	Ms. Hamilton has served on our Board of Directors since March 1999. Ms. Hamilton has served as President and Chief Executive Officer of Classroom Connect since January 1999. Prior to this, she served as President and Chief Executive Officer of First Floor, Inc. from April 1996 to July 1998. Ms. Hamilton also served as President and Chief Executive Officer of Dataquest, Inc. from July 1992 to March 1996. She currently serves on the Board of Directors of R.R. Donnelley & Sons Company, a financial printing services company, and Lante Corporation, a consulting firm. Ms. Hamilton holds a B.A. Degree in History and Political Science from Indiana University and has completed post-graduate studies in International Relations at Boston University in Heidelberg, Germany as well as Executive Management at the UCLA Graduate School of Management.	57
Gayle Crowell	Ms. Crowell has served on our Board of Directors since October 2001. She joined Warburg Pincus in May 2001 as a consultant for its Technology Group. Prior to joining Warburg Pincus, Ms. Crowell was President, CEO and Chairman of the Board of RightPoint from February 1998 until January 2000. In January 2000, RightPoint was acquired by E.piphany, where she remained on the company's Board of Directors	51

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through June 2001. From 1994 to 1998, Ms. Crowell was Senior Vice President and General Manager of Worldwide Operations for Mosaix, Inc. She is currently on the Board of Directors of Indus and Uniscape. Ms. Crowell began her career as an educator for the State of Nevada and received a B.A. degree from the University of Nevada, Reno.

### BOARD RECOMMENDATION

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" BOTH OF THE NOMINEES SET FORTH ABOVE.

### BOARD AND COMMITTEE MEETINGS

During the fiscal year ended June 30, 2001 our Board of Directors held twelve (12) meetings, including regular meetings and special meetings. We currently have an audit committee and a compensation committee. We do not have a nominating committee or a committee performing the functions of a nominating committee.

During fiscal 2001, our audit committee met five (5) times. The audit committee consists of Jeffrey M. Drazan, John R. Oltman and Judith H. Hamilton. The audit committee reviews our internal accounting procedures, consults with and reviews the services provided by our independent accountants and makes recommendations to the Board of Directors regarding the selection of independent accountants. For additional information concerning the Audit Committee, see "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS."

During fiscal 2001, our compensation committee met three (3) times. The compensation committee consists of Jeffrey M. Drazan and John R. Oltman. The compensation committee reviews and recommends to the Board of Directors the

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salaries, incentive compensation and benefits of our officers and employees and administers our stock plans and employee benefit plans. For additional information concerning the Compensation Committee, see "REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION."

All directors have attended no less than 75% of the total number of meetings of the Board of Directors and committees on which they served.

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### PROPOSAL TWO: APPROVAL OF AMENDMENTS TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED SHARES OF COMMON STOCK BY 90,000,000 AND TO PERMIT HOLDERS OF PREFERRED STOCK TO ACT BY WRITTEN CONSENT

In September 2001, our Board of Directors adopted amendments to the Company's Certificate of Incorporation ("Certificate"), subject to stockholder approval, to increase the authorized number of shares of Common Stock by 90,000,000, from 110,000,000 to 200,000,000 shares, and to permit the holders of Preferred Stock of the Company to act by written consent on matters for which the Series A Preferred Stock is entitled to a separate class vote (collectively, the "Certificate Amendments"). Currently, the Certificate prohibits stockholder action by written consent. A copy of the Certificate of Incorporation, as proposed to be amended, may be obtained free of charge from the Secretary of the Company.

At the meeting, stockholders of the Company are being asked to approve the Certificate Amendments described above. The proposed Certificate Amendments would give the Board of Directors the authority to issue additional shares of Common Stock without requiring future stockholder approval of such issuances, except as may otherwise be required by applicable law.

Of the 110,000,000 currently authorized shares of Common Stock, 40,166,616 shares were issued and outstanding as of August 31, 2001. In addition, as of such date:

- approximately 5,092,616 shares of Common Stock were reserved for issuance upon exercise of outstanding options under our 1995 Stock Plan and 2000 Stock Plan;
- approximately 2,533,725 shares were reserved for future grants under the 2000 Stock Plan;
- a total of 215,000 shares were reserved for issuance upon exercise of outstanding options granted outside any plan;
- approximately 1,885,340 shares were reserved for future issuances under our 2000 Employee Stock Purchase Plan;
- a total of 9,167 shares were reserved for issuances upon exercise of outstanding warrants; and
- additional shares were subject to potential issuance to Vivant! Corporation ("Vivant") pursuant to the terms of agreement between the Company and Vivant relating to the acquisition of assets of such corporation.

The sum of all shares of Common Stock issued and reserved for issuance as of August 31, 2001, was 55,346,812, and thus the shares of authorized but unissued and unreserved Common Stock available for issuance was 54,653,188.

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The number of shares remaining available for issuance is no longer sufficient to meet the Company's immediate requirements, as a result of the following factors:

- On September 23, 2001, the Company entered into a definitive agreement (the "Financing Agreement") to issue and sell to investors 1.3 million shares of its Series A Preferred Stock, which are convertible into 26 million shares of Common Stock, and warrants to purchase an additional 6.5 million shares of Common Stock. The Financing Agreement also provides for issuance of warrants to purchase an additional 1.3 million shares of Series A Preferred Stock, which are convertible into 26 million shares of Common Stock, and upon exercise of such warrants,

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additional warrants to purchase 6.5 million shares of Common Stock. The Board of Directors believes that consummation of the transactions contemplated under the Financing Agreement is necessary in order to meet the Company's capital requirements, and has unanimously approved the Financing Agreement. An aggregate of 65 million shares of Common Stock is required to permit the issuance and conversion of all shares of Preferred Stock, and the exercise of all warrants, to be issued under the Financing Agreement.

- The Board of Directors has authorized an increase of 10 million shares in the number of shares reserved for issuance under the Company's 2000 Stock Plan, as well an increase in the maximum number of shares added to the reserve under the 2000 Stock Plan on an annual basis. The Company believes that making additional shares available for grant under the 2000 Stock Plan is necessary in order for the Company to continue to retain and provide incentives to its current employees and attract new employees, while conserving the Company's cash resources. See "Proposal Four" below for a further description of the proposed amendments to the 2000 Stock Plan.

As the number of shares needed for the foregoing purposes and to meet the Company's future needs exceeds the Company's available Common Stock, the Board of Directors has approved a 90,000,000 share increase in our authorized shares of Common Stock.

### PURPOSE AND EFFECT OF THE AMENDMENTS

The principal purpose of this proposed amendment to the Certificate to increase the authorized shares of Common Stock is to make such shares available to effect the issuances described above and for future use by the Board of Directors as it deems appropriate or necessary. For example, in addition to the above-referenced issuances, such shares may be needed in connection with raising additional capital through the sale of the Company's securities, acquisition of other businesses or assets, and establishing strategic relationships with corporate partners.

Except for the issuances described above, the Board of Directors has no present agreement, understanding or plan with respect to the issuance of any such shares. If the stockholders approve the Certificate Amendments, the Board of Directors does not intend to solicit further stockholder approval prior to the issuance of any additional shares of Common Stock, except as may be required by applicable law. Holders of the Company's securities have no statutory preemptive rights with respect to issuances of Common Stock.

The increase in authorized Common Stock will not have any immediate effect on the rights of existing stockholders. To the extent that the additional

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authorized shares are issued in the future, they will decrease the existing stockholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to the existing stockholders.

The principal purpose of the proposed amendment to the Certificate to enable the holders of the Company's Preferred Stock to act by written consent is to minimize the time and cost involved with obtaining stockholder approval to take corporate actions requiring prior approval of holders of the Preferred Stock. Currently, the Certificate provides that the Company's stockholders may not act by written consent, but must act at an annual or special meeting. Through this amendment, the Company will be able to obtain the approval of the holders of Preferred Stock without convening a meeting of stockholders. There are currently fewer than ten holders of record of shares of Preferred Stock. In the event that the prospective purchasers of Series A Preferred Stock exercise the warrants issued to them pursuant to the Financing Agreement, the holders of Series A Preferred Stock may hold a majority of the voting stock of the Company

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and may be able to approve corporate actions requiring stockholder approval, including mergers or significant asset sales, without the separate approval of the holders of Common Stock.

### POTENTIAL ANTI-TAKEOVER EFFECT

The increase in the authorized number of shares of Common Stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of the Company without further action by the stockholders. Shares of authorized and unissued Common Stock could be issued in one or more transactions that would make a change in control of the Company more difficult, and therefore less likely. Any such issuance of stock could have the effect of diluting the book value per share of outstanding shares of Common Stock, and such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of the Company.

The Company has previously adopted certain measures that may have the effect of helping to resist an unsolicited takeover attempt, including:

**Election and Removal of Directors.** Our Certificate of Incorporation provides for the division of our Board of Directors into three classes, as nearly equal in number as possible, with the directors in each class serving for a three-year term, and one class being elected each year by our stockholders. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the incumbency of the Board of Directors, as it generally makes it more difficult for stockholders to replace a majority of the directors.

**Requirements for Advance Notification of Stockholder Nominations and Proposals.** Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board of Directors or a committee thereof.

**Stockholder Meetings.** Under our Certificate of Incorporation and bylaws, only our Board of Directors, Chairman of the Board or Chief Executive Officer may call special meetings of stockholders.

**Elimination of Cumulative Voting.** Our Certificate of Incorporation and bylaws do not provide for cumulative voting in the election of directors. Cumulative voting provides for a minority stockholder to vote a portion or all of its shares for one or more candidates for seats on the Board of Directors.

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Without cumulative voting, a minority stockholder will not be able to gain as many seats on our Board of Directors based on the number of shares of our stock that such stockholder holds than if cumulative voting were permitted. The elimination of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our Board of Directors and to influence the Board of Directors's decision regarding a takeover.

Undesignated Preferred Stock. The authorization of undesignated Preferred Stock makes it possible for the Board of Directors to issue Preferred Stock with voting or other rights or preferences that could impede the success of any attempt to change the control of the Company. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of the Company.

Amendment of Charter Provisions. The amendment of any of the above provisions would require approval by holders of at least 66 2/3% of the outstanding Common Stock.

### VOTE REQUIRED

Approval of the Certificate Amendments to increase the number of authorized shares of Common Stock and permit holders of Preferred Stock to act by written consent requires the affirmative vote of the holders of not less than a majority

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of the shares of Common Stock outstanding on the Record Date and a majority of the shares of Series A Preferred Stock outstanding on the Preferred Stock Record Date.

### BOARD RECOMMENDATION

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" THE PROPOSAL SET FORTH HEREIN.

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PROPOSAL THREE: INCREASE OF THE SHARES RESERVED UNDER  
THE 2000 STOCK PLAN BY 10,000,000 SHARES AND OF THE  
MAXIMUM ANNUAL INCREASE TO 15,000,000 SHARES

### OVERVIEW

At the Annual Meeting, the Company's stockholders are being asked to approve an amendment (the "Plan Amendment") of the Company's 2000 Stock Plan (the "Plan") to:

- increase the maximum number of shares of Common Stock authorized under the Plan by 10 million shares; and
- increase the maximum number of additional shares by which the Plan reserve may be increased on an annual basis to 15 million shares.

The plan was initially approved and adopted by the Board of Directors in July 2000 and approved by the stockholders of the Company in July 2000. The Plan initially authorized the issuance of up to 4 million shares of the Company's Common Stock, with annual increases on the first day of the Company's fiscal year equal to the least of (i) 2 million shares, (ii) the number of shares granted pursuant to the Plan during the preceding fiscal year, and (iii) an amount determined by the Board of Directors. On July 1, 2001, an additional 2

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million shares were authorized under the Plan pursuant to the first such annual increase. Under the Plan Amendment, the total number of shares reserved under the Plan is increased to a total of 16 million shares, and future annual increases will equal the least of (i) 15 million shares, (ii) the number of shares granted pursuant to the Plan during the preceding fiscal year, and (iii) an amount determined by the Board of Directors.

As of August 31, 2001, options to purchase 3,466,275 shares had been granted and were outstanding, and 2,533,725 shares remained available for future grant. All outstanding options under the Plan were granted at exercise prices in excess of the current market value of our Common Stock. Accordingly, the Board of Directors believes that these outstanding options do not provide adequate incentives for current employees. Moreover, the number of shares reserved under the Plan was determined immediately prior to the Company's initial public stock offering, when the Company's Common Stock was expected to trade at valuations substantially higher than the current market valuation of the Common Stock. The lower current market value of our Common Stock means that new and existing employees must receive substantially more shares than anticipated in order to have meaningful incentives to promote the success of the Company.

The Board of Directors has approved the Plan Amendment by unanimous vote of the directors. Increasing the shares available for grant under the Plan is considered necessary and in the best interests of the Company and the stockholders because significant additional option grants will be necessary in order to retain and provide incentives to its current employees, and align their interests with the interests of the stockholders, as well as to attract new employees.

### GRANTS UNDER PLAN

The following table sets forth information with respect to the stock options that have been granted under the Plan as of August 31, 2001 to the Named Executive Officers, all current executive officers as a group, all current directors who are not executive officers as a group, and all employees who are not executive officers as a group. Because grants under the Plan are discretionary, these figures may not be indicative of future awards.

#### GRANTS UNDER PLAN THROUGH AUGUST 31, 2001

NAME OF INDIVIDUAL OR IDENTITY OF GROUP AND POSITION	NUMBER OF OPTIONS GRANTED (#)	GRANT PRICE (\$/SH.)
John P. Bantleman	416,667	\$ 4.54 (1)
James J. Bozzini	250,000	1.56
Joseph A. Fuca	100,000	1.20
Kurt M. Heikkinen	250,000	1.56
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Marc C. Ferrie	0	-
Douglas S. Sinclair	0	-
Anil K. Gupta	0	-
All Named Executive Officers as a group	600,000	1.50 (1)
All current executive officers as a group	1,050,000	1.66 (1)
All current directors who are not executive officers as a group	0	-
All other employees as a group	2,952,290	3.57 (1)



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(1) Represents weighted average per share grant price.

SUMMARY OF PROVISIONS OF THE 2000 STOCK PLAN

A summary of the Plan is included in this Proxy Statement under Compensation Plans-2000 Stock Plan. This summary is qualified in its entirety by the specific language of the Plan, as amended. Copies of the Plan are available to any stockholder upon request addressed to Chris Boas, Assistant Secretary, Evolve Software, Inc., 1400 65th Street, Suite 100, Emeryville, CA 94608. In addition, the 2000 Stock Plan has been filed as an exhibit to our Registration Statement on Form S-1 dated August 8, 2000 and may be obtained through the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

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SUMMARY OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

**Incentive Stock Options.** An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise is an adjustment item for alternative minimum tax purposes and may subject the optionee to the alternative minimum tax. Upon a disposition of the shares more than two years after grant of the option and one year after exercise of the option, any gain or loss is treated as long-term capital gain or loss. Net capital gains on shares held more than 12 months may be taxed at a maximum federal rate of 20%. Capital losses are allowed in full against capital gains and up to \$3,000 against other income. If these holding periods are not satisfied, the optionee recognizes ordinary income at the time of disposition equal to the difference between the exercise price and the lower of (i) the fair market value of the shares at the date of the option exercise or (ii) the sale price of the shares. Any gain or loss recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income is treated as long-term or short-term capital gain or loss, depending on the holding period. A different rule for measuring ordinary income upon such a premature disposition may apply if the optionee is also an officer, director, or 10% shareholder of the Company. Unless limited by Section 162(m) of the Code, the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee.

**Nonstatutory Stock Options.** An optionee does not recognize any taxable income at the time he or she is granted a nonstatutory stock option. Upon exercise, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. Unless limited by Section 162(m) of the Code, the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee. Upon a disposition of such shares by the optionee, any difference between the sale price and the optionee's exercise price, to the extent not recognized as taxable income as provided above, is treated as long-term or short-term capital gain or loss, depending on the holding period. Net capital gains on shares held more than 12 months may be taxed at a maximum federal rate of 20%. Capital losses are allowed in full against capital gains and up to \$3,000 against other income. Different

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rules may apply if the optionee is also an officer, director, or 10% shareholder of the Company.

**Stock Purchase Rights.** Stock purchase rights will generally be taxed in the

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same manner as nonstatutory stock options. However, restricted stock is subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code, because the Company may repurchase the stock when the purchaser ceases to provide services to the Company. As a result of this substantial risk of forfeiture, the purchaser will not recognize ordinary income at the time of purchase. Instead, the purchaser will recognize ordinary income on the dates when the stock is no longer subject to a substantial risk of forfeiture (i.e., when the Company's right of repurchase lapses). The purchaser's ordinary income is measured as the difference between the purchase price and the fair market value of the stock on the date the stock is no longer subject to right of repurchase.

The purchaser may accelerate to the date of purchase his or her recognition of ordinary income, if any, and begin his or her capital gains holding period by timely filing (i.e., within thirty days of purchase), an election pursuant to Section 83(b) of the Code. In such event, the ordinary income recognized, if any, is measured as the difference between the purchase price and the fair market value of the stock on the date of purchase, and the capital gain holding period commences on such date. The ordinary income recognized by a purchaser who is an employee will be subject to tax withholding by the Company. Different rules may apply if the purchaser is also an officer, director, or 10% shareholder of the Company.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF FEDERAL INCOME TAXATION UPON OPTIONEES AND THE COMPANY WITH RESPECT TO THE GRANT AND EXERCISE OF OPTIONS UNDER THE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF THE EMPLOYEE'S OR CONSULTANT'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH THE EMPLOYEE OR CONSULTANT MAY RESIDE.

### VOTE REQUIRED

Approval of the amendments to the Plan requires the affirmative vote of a majority of the Votes Cast.

### BOARD RECOMMENDATION

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" THE FOREGOING PROPOSAL.

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### PROPOSAL FOUR: RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected PricewaterhouseCoopers LLP, independent public accountants, to audit the financial statements of the Company for the fiscal year ending June 30, 2002, and recommends that stockholders vote for ratification of such appointment. In the event of a negative vote on ratification, the Board of Directors will reconsider its selection.

Representatives of PricewaterhouseCoopers will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to answer appropriate questions.

### VOTE REQUIRED

The ratification of the appointment of PricewaterhouseCoopers requires the affirmative vote of a majority of the Votes Cast.

### BOARD RECOMMENDATION

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THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" THE FOREGOING PROPOSAL.

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### EXECUTIVE COMPENSATION AND OTHER MATTERS

#### EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of (i) the Company's Chief Executive Officer as of the end of fiscal 2001, (ii) the four other most highly compensated executive officers of the Company (based on salary plus bonus for fiscal 2001) who were serving as such at the end of fiscal 2001, and (iii) two former executive officers who were not serving as executive officers at fiscal year end:

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$) (1)	SECURITIES UNDERLYING OPTIONS (#)
John P. Bantleman (2) Former President and Chief Executive Officer	2001	255,000	110,625	-	416,667
	2000	234,579	265,625	-	-
	1999	187,500	135,520	-	-
James J. Bozzini (3) Chief Operating Officer	2001	200,000	47,500	-	250,000
	2000	133,333	105,000	-	-
Joseph A. Fuca (4) Vice President, North American Sales	2001	156,250	210,000	-	100,000
	2000	47,822	157,000	-	258,333
Kurt M. Heikkinen (5) Vice President, Engineering	2001	170,417	28,500	-	250,000
	2000	80,000	20,000	-	-
Anil K. Gupta (6) Former Vice President, Business Development & Strategy	2001	199,554	28,500	-	-
	2000	57,576	18,000	-	-
Douglas S. Sinclair (7) Former Chief Financial Officer	2001	200,000	21,250	-	-
	2000	45,833	12,500	-	-
Marc C. Ferrie (8) Former Vice President, Engineering	2001	273,291	43,500	-	-
	2000	182,500	113,250	-	-
	1999	162,500	35,363	-	-