

EVOLVING SYSTEMS INC
Form PREM14A
May 16, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant X

Filed by a Party other than the Registrant O

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-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.
- 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:
N/A
 - (2) Aggregate number of securities to which transaction applies:
N/A
 - (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):
The purchase price payable to the Registrant for the assets is \$39,000,000 in cash plus assumption of specifically identified liabilities approximating \$7,226,000.
 - (4) Proposed maximum aggregate value of transaction:
\$46,226,000
 - (5) Total fee paid:
\$5,366.84 (\$46,226,000 multiplied by 0.00011610)
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:

(4)

Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION, DATED MAY , 2011

**9777 Pyramid Court, Suite 100
Englewood, Colorado 80112**

PROPOSED ASSET SALE TRANSACTION YOUR VOTE IS IMPORTANT

To Our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of Evolving Systems, Inc. (*Evolving Systems* or the *Company*), which will be held at 9:00 a.m. local time at the Company's headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on [], 2011.

At the special meeting, we will ask you to approve the asset purchase agreement we entered into with NeuStar, Inc. (*NeuStar*) on April 21, 2011. If our stockholders approve the asset purchase agreement and the asset sale contemplated by that agreement is completed, we will sell our numbering solutions business (the *Numbering Business*) to NeuStar in exchange for \$39,000,000 in cash, subject to increase or decrease in accordance with a post-closing working capital adjustment, plus assumption by NeuStar of certain liabilities related to the *Numbering Business* (the *Asset Sale*). We believe the *Asset Sale* will allow us to concentrate our business efforts on our activation business, including *Dynamic SIM Allocation* (DSA), *Tertio Service Activation* (TSA), and *Intelligent M2M Controller* (IMC) solutions going forward.

After careful consideration, our board of directors has unanimously approved the Asset Sale and determined that the Asset Sale and the asset purchase agreement are advisable and in the best interests of our Company and our stockholders. Our board recommends that you vote FOR the approval of the Asset Sale and FOR adjourning the special meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale.

The accompanying proxy statement provides a detailed description of the proposed *Asset Sale*, the asset purchase agreement and related matters. The asset purchase agreement is attached as Annex A to this proxy statement. We urge you to read these materials carefully and to vote your shares.

Your vote is very important, regardless of the number of shares you own.

Thank you for your cooperation and your continued support of Evolving Systems.

Thaddeus Dupper
Chairman of the Board and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Asset Sale, passed upon the merits or fairness of the Asset Sale or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated _____, 2011, and is first being mailed to stockholders on or about _____, 2011.

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Evolving Systems, Inc.
9777 Pyramid Court, Suite 100
Englewood, Colorado 80112

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON [REDACTED], 2011**

To the Stockholders of Evolving Systems, Inc.:

You are invited to attend a special meeting of the stockholders of Evolving Systems, Inc. ("Evolving Systems" or the "Company") which will be held at 9:00 a.m. local time at the Company's headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on [REDACTED], 2011.

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

1. [REDACTED] to approve the sale of our numbering solutions business (the "Numbering Business") to NeuStar, Inc. ("NeuStar") as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems (the "Asset Sale");
2. [REDACTED] to approve adjournments or postponements of the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Asset Sale; and
3. [REDACTED] to transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only holders of record of shares of Evolving Systems' common stock at the close of business on [REDACTED], 2011, are entitled to vote at the meeting or any postponements or adjournments of the meeting.

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After careful consideration, our board of directors has unanimously approved the Asset Sale and determined that the asset purchase agreement and the transactions provided for in that agreement are advisable and in the best interests of our Company and our stockholders. Our board recommends that you vote **FOR** the proposal to approve the Asset Sale and **FOR** adjourning the special meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale.

The proxy statement accompanying this notice describes in detail the proposed Asset Sale, the asset purchase agreement and related matters. The asset purchase agreement is attached as Annex A to this proxy statement. We urge you to read these materials carefully.

Your vote is very important. We cannot consummate the Asset Sale unless the proposal to approve the Asset Sale is approved by the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. A failure to vote will have the same effect as a vote against the Asset Sale.

Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible. Alternatively, you may submit your proxy by telephone (if you reside in the United States, Canada or the U.S. territories) or via the Internet by following the directions on your enclosed proxy card. Submitting your proxy by mail, telephone or via the Internet will not limit your right to vote in person at the special meeting.

By order of the board of directors,

Englewood, Colorado
[], 2011

Anita T. Moseley
Secretary

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE ASSET SALE

*The following questions and answers briefly address some commonly asked questions about the special meeting of stockholders and the sale of our numbering solutions business (the **Numbering Business**) to NeuStar, Inc. (**NeuStar**) as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems (the **Asset Sale**). These questions and answers may not address all questions that may be important to you as a stockholder. You should read carefully this entire proxy statement, including each of the annexes. In this proxy statement, the terms **we**, **us**, **our**, **the Company** and **Evolving Systems** refer to Evolving Systems, Inc.*

The Special Meeting

Q. Who is soliciting my proxy?

A. Your proxy is being solicited by our board of directors. The cost of solicitation of the proxies will be paid by Evolving Systems. Officers, directors and employees of Evolving Systems, without additional compensation, also may solicit proxies by further mailing, by telephone or personal conversations. We have no plans to retain any firms or otherwise incur any extraordinary expense in connection with the solicitation.

Q. What matters will be voted on at the special meeting?

A. You will be asked to vote on the following matters:

- to approve the Asset Sale as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems;
- to approve adjournments or postponements of the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Asset Sale; and
- to transact such other business as may properly come before the meeting or any adjournment or postponements of the meeting.

Q. What is the proposed transaction and what effect will it have on the Company?

A. The proposed Asset Sale transaction is the sale of substantially all of the assets relating to Evolving Systems' Numbering Business to NeuStar including the *Order Path*®, *Number Manager*®, *LNP DataServer* , *VeriPort* and *Verify* software products, the *NumeriTrack*® number management solution, and the Traffic Data Management System.

The transaction does not include assets relating to Evolving Systems' activation business (the *Activation Business*), which will be retained by the Company.

We expect the Asset Sale to be completed as soon as reasonably practicable after the satisfaction of the closing conditions, including the approval of the Company's stockholders.

Q. Who is entitled to vote at the special meeting?

A. Only holders of record of shares of Evolving Systems' common stock at the close of business on [], 2011, the record date, are entitled to vote at the meeting or any postponements or adjournments of the meeting. As of the record date, Evolving Systems had [] shares of common stock outstanding.

The presence at the meeting of a majority of the outstanding shares, in person or by proxy relating to any matter to be acted upon at the meeting, is necessary to constitute a quorum for the meeting. Each outstanding share of common stock is entitled to one vote. Proxies marked *Abstain* and *broker non-votes* will be treated as

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shares that are present for purposes of determining the presence of a quorum. An abstention occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. A broker non-vote occurs when a broker or other nominee who holds shares for another person is not able to vote on a particular proposal because that holder does not have discretionary voting power to vote on the proposal and has not received voting instructions from the beneficial owner of the shares.

Q. How does Evolving Systems board of directors recommend that I vote?

A. At a meeting held on April 19, 2011, our board of directors unanimously approved the asset purchase agreement. Our board of directors recommends that you vote:

- **FOR** the proposal to approve the Asset Sale as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems; and
- **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to permit the further solicitation of proxies.

Q. Why is Evolving Systems board of directors recommending the Asset Sale?

A. Our board of directors believes that the asset purchase agreement and Asset Sale are advisable and in the best interests of our Company and our stockholders. For a more detailed explanation of the factors that our board considered in determining whether to recommend the asset purchase agreement and Asset Sale, see The Asset Sale Reasons for the Asset Sale and Recommendation of Our Board beginning on page 15 of this proxy statement.

Q. Do any of our directors or executive officers have interests in the Asset Sale?

A. Evolving Systems executive officers and board of directors believe that their interests in the Asset Sale are not materially different than the interests of our stockholders generally.

Q. What vote is required for stockholders to approve the Asset Sale ?

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A. Approval of the Asset Sale requires the affirmative vote of the holders of a majority of our outstanding shares of common stock. Failure to submit your proxy or vote in person, abstentions and broker non-votes will have the effect of a vote AGAINST the proposal.

The Singer Children's Management Trust (the Trust) has indicated to the Company's board of directors its support for the asset purchase agreement and the Asset Sale. As of the record date, the Trust beneficially owns approximately []% of our common stock.

Q. What vote is required for stockholders to approve the adjournment proposal?

A. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the votes cast on the proposal. Failure to submit your proxy or vote in person will have no effect on the outcome with respect to the proposal. Abstentions and broker non-votes will not be counted as votes cast on the proposal and therefore will have no effect on the outcome.

Q. What will happen if the Asset Sale is not approved or is not completed for other reasons?

A. If the Asset Sale is not approved by our stockholders or if Evolving Systems and NeuStar do not complete the Asset Sale for other reasons, our board of directors will review all available options, including seeking to identify and effect an alternative business combination, sale of assets or another similar strategic transaction or transactions. However, we may not be able to consummate such an alternative transaction on favorable terms, if at all, and a third party may not offer to purchase Evolving Systems or the assets of our Numbering Business and/or Activation Business for a price equal to or greater than the price proposed to be paid by NeuStar in the

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Asset Sale. If Evolving Systems chooses not to pursue an alternative transaction or is unable to successfully consummate such a transaction, the Company will continue to operate both its Numbering Business and its Activation Business.

Depending on the circumstances, either Evolving Systems or NeuStar may owe the other party a termination fee if the Asset Sale is not completed.

Q. Will I receive any of the proceeds from the Asset Sale?

A. No. In connection with the Asset Sale, NeuStar will pay the purchase price for the assets of the Numbering Business to Evolving Systems. The proceeds the Company receives from the Asset Sale will be retained by the Company and will be used as determined by our board of directors in its discretion. Our board of directors has no immediate plans for the proceeds, but will be evaluating all options ranging from a one-time special dividend, a share repurchase program, and M&A activity as well as investments in organic growth opportunities.

Q. Will the Asset Sale have any tax consequences to me?

A. Evolving Systems does not expect that the Asset Sale will result in any federal or state income tax consequences to our stockholders at the time of completion since they will not receive any of the proceeds of the Asset Sale. Stockholders should consult with their own tax advisers for advice regarding the United States federal, state, local and other tax consequences if any of the net proceeds from the Asset Sale are distributed or paid to our stockholders, such as in a dividend or share repurchase.

Q. Am I entitled to appraisal rights in connection with the Asset Sale?

A. No. The Asset Sale will not alter the rights, privileges or nature of Evolving Systems' common stockholders. Common stockholders who own shares of Evolving Systems' common stock immediately prior to the Asset Sale will continue to hold the same number of shares immediately thereafter.

Q. What should I do now?

A. After carefully reading and considering the information contained in this proxy statement, please vote your shares by returning the enclosed proxy card. Alternatively, you may submit your proxy by telephone or via the Internet by following the directions on your enclosed proxy card. You can also attend the special meeting and vote in person. Please do NOT enclose or return any stock certificates with your proxy card.

Q. If my shares are held in street name by my broker, will my broker vote my shares for me?

A. Your broker will only be permitted to vote your shares if you instruct the broker how to vote. You should follow the procedures provided by your broker regarding the voting of your shares.

Q. What if I do not vote?

A. If you fail to submit your proxy or vote in person, it will have the same effect as a vote AGAINST approval of the Asset Sale proposal. Failure to submit your proxy or vote in person will have no effect on the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of approval of the Asset Sale.

If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote FOR approval of the Asset Sale proposal and FOR approval of the adjournment proposal.

If you submit your properly signed proxy and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will have the same effect as a vote AGAINST the approval of the Asset Sale proposal and will have no effect on the approval of the adjournment proposal.

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Q. When should I submit my proxy?

A. You should send in your proxy card or submit your proxy by telephone or via the Internet as soon as possible to help ensure that your shares will be voted at the special meeting.

Q. May I change my vote after I have submitted my proxy?

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

Q. May I vote in person?

A. Yes. You may attend the special meeting of stockholders and vote your shares of common stock in person. If you hold shares in street name, you must provide a proxy executed by your bank or broker in order to vote your shares at the meeting.

Q. What should I do if I have questions?

A. If you have more questions about the special meeting, the Asset Sale or this proxy statement, or would like additional copies of this proxy statement or the proxy card, you should contact Anita T. Moseley, Secretary, at 1-800-649-6562.

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we urge you to read carefully this entire proxy statement, including the annexes. We have included page references parenthetically to direct you to more complete descriptions of the topics in this summary.

The Parties (page 12)

Evolving Systems. Evolving Systems is a Delaware corporation that is a leading provider of software solutions and services to the wireless, wireline and cable markets. Evolving Systems offers software products and solutions in four core areas: (1) service activation solutions used to activate complex bundles of voice, video and data services for traditional and next generation wireless, wireline and cable networks; (2) SIM card activation solutions that dynamically allocate and assign resources to a wireless device when it is first used; (3) numbering solutions to manage carriers' resource inventory and resource assignment processes including products that comply with government-mandated requirements regarding local number portability in North America and (4) mediation solutions to support data collection for both service assurance and billing applications. Our common stock is listed on The NASDAQ Capital Market under the symbol **EVOL**.

NeuStar. NeuStar is a Delaware corporation that provides authoritative directory and policy management services to its customers, which include communications service providers, or carriers, and non-carrier, commercial businesses, or enterprises. NeuStar provides critical directory services that its carrier and enterprise customers rely upon to manage a wide range of technical and operating requirements, including carrier services such as numbering services, order management services and Internet Protocol services and enterprise services such as Internet infrastructure services and registry services. NeuStar's Class A common stock is listed on The New York Stock Exchange under the symbol **NSR**.

The Asset Sale (page 13)

Pursuant to the terms and conditions of the asset purchase agreement, NeuStar will acquire substantially all of the assets and specified liabilities of our Numbering Business, and NeuStar, or its Indian subcontractor, will offer to employ approximately 80 of our employees. In addition, if we complete the Asset Sale, we will also sublease approximately 13,600 square feet of office space at our executive offices located in Englewood, Colorado to NeuStar until the expiration of our current lease in October 2012. NeuStar will sublease the office space at an effective rate which is slightly higher than our current lease rate and will result in a savings of approximately \$30,000 per month from the time of the closing of the Asset Sale until October 2012 (the remaining balance of the lease term). We have also entered into a transition services agreement with NeuStar under which we are currently engaging in integration planning and, following closing of the transaction, each party will provide certain transition services to the other party primarily relating to sharing of infrastructure assets for a period of time. As part of the transition services agreement, NeuStar has also agreed to pay us \$375,000 for certain services provided to NeuStar by our Indian employees. Evolving Systems will continue as a public company after the closing of the Asset Sale and will continue to own and operate our Activation Business. The asset purchase agreement is attached as Annex A to this proxy statement. We encourage you to read the asset purchase agreement carefully and in its entirety because it is the legal document that governs the Asset Sale.

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NeuStar has agreed to pay a total purchase price of \$39.0 million in cash, subject to a working capital adjustment, and assume certain liabilities. Under the working capital adjustment, if the working capital amount (the difference between specified current assets and current liabilities) as of the closing date is a larger negative number than negative \$4,260,000, the purchase price will be decreased by an amount equal to the difference between the working capital amount as of the closing date and negative \$4,260,000. If the working capital amount as of the closing is either (i) a smaller negative number than negative \$3,260,000 or (ii) a positive number, then the purchase price will be increased by an amount equal to the difference between the working capital amount as of the closing date and negative \$3,260,000; provided, that the maximum increase to the purchase price will be \$1,000,000. See The Asset Purchase Agreement The Asset Purchase Consideration beginning on page 26 of this proxy statement.

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The Special Meeting (page 9)

The special meeting will be held at 9:00 a.m. local time at the Company's headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on [], 2011. At the meeting, you will be asked to act on the following matters:

1. to approve the Asset Sale as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems;
2. to approve adjournments or postponements of the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Asset Sale; and
3. to consider such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Voting and Proxies (page 9); Recommendation of the Board (page 10)

Our board of directors has fixed the close of business on [], 2011, as the record date for determining stockholders entitled to notice of and to vote at the special meeting. On the record date, we had [] outstanding shares of common stock. We have no other class of voting securities outstanding. Stockholders of record on the record date will be entitled to one vote per share of our common stock on any matter that may properly come before the special meeting and any adjournment of that meeting.

Approval of the Asset Sale requires the affirmative vote of the holders of a majority of our outstanding shares of common stock entitled to vote at the special meeting. Failure to submit your proxy or vote in person will have the same effect as a vote **AGAINST** the approval of the Asset Sale. Submitting a properly signed proxy and affirmatively electing to abstain from voting will have the same effect as a vote **AGAINST** the approval of the Asset Sale.

The affirmative vote of the holders of a majority of the votes cast at the special meeting will be required to approve the adjournment or postponement, if necessary, of the special meeting to solicit additional proxies in favor of the approval of the Asset Sale. Failure to submit your proxy or to vote in person will have no effect on the approval of the adjournment proposal. Submitting a properly signed proxy and affirmatively electing to abstain from voting will, under our amended and restated bylaws, not be counted as a vote cast and will have no effect on the outcome.

Our board of directors unanimously recommends that you vote **FOR** the proposal to approve the Asset Sale and **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Asset Sale.

Opinion of B. Riley (page 17)

B. Riley & Co., LLC (B. Riley) delivered to our board of directors an opinion that, as of April 19, 2011, and subject to the various assumptions and limitations set forth in the opinion, the consideration to be received by Evolving Systems and the assumption by NeuStar of certain liabilities in the Asset Sale was fair, from a financial point of view, to the Company. The full text of the written opinion of B. Riley, dated April 19, 2011, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement.

Treatment of Stock Options, Restricted Stock and other Equity Awards (page 22)

Our board of directors has determined that the Asset Sale would not constitute a change in control for purposes of the 1996 Stock Option Plan and the 2007 Amended and Restated Stock Incentive Plan (the Equity Plans) or for purposes of change in control agreements between the Company and our executive officers. As a

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result, consummation of the Asset Sale will have no effect on the vesting of stock options or restricted stock held by employees, consultants or members of our board of directors. Employees who accept employment with NeuStar as part of the Asset Sale and who have outstanding stock options will be subject to the terms and conditions of the Equity Plans, which require that vested stock options be exercised within three months of termination of employment with the Company or be forfeited and unvested stock options and shares of unvested restricted stock will be forfeited immediately upon termination of employment. Outstanding equity awards for employees who continue employment with the Company following the Asset Sale will continue according to their terms.

The Asset Sale will have no impact on our Employee Stock Purchase Plan, other than an employee who is participating in the Employee Stock Purchase Plan whose employment terminates prior to the end of a calendar quarter will not be eligible to purchase shares at the end of the offering period.

Material U. S. Federal Income Tax Consequences of the Asset Sale (page 23)

The following is a brief summary of the material United States federal income tax consequences of the Asset Sale. This summary does not address all of the consequences that may arise for federal income tax purposes, and does not address any state, local or foreign tax considerations.

The Asset Sale will be a taxable transaction, and Evolving Systems generally will recognize gain or loss based on the difference between the consideration received in respect of the Asset Sale and its adjusted tax bases in the assets being sold. Evolving Systems expects to have sufficient losses (including net operating loss carry forwards) to offset the gain expected to be realized from the Asset Sale, subjecting Evolving Systems only to federal alternative minimum tax.

This summary is not a complete description of all of the tax consequences that may be relevant to the Asset Sale. Stockholders should consult with their own tax advisers for advice regarding the United States federal, state, local and other tax consequences if any of the net proceeds from the Asset Sale are distributed or paid to the stockholders, such as in a dividend or share repurchase.

Interests of Evolving Systems Executive Officers and Directors in the Transaction (page 22)

In considering the recommendation of our board of directors to vote for the Asset Sale, you should consider whether our executive officers and directors may have financial interests in the Asset Sale that are different from the interests of our stockholders generally. Our board of directors considered whether there was a difference in interests, among other matters, in evaluating and negotiating the asset purchase agreement and the Asset Sale, in approving the asset purchase agreement, and in recommending that our stockholders approve the Asset Sale. Our executive officers and members of our board of directors are covered by compensation arrangements with the Company that include additional benefits upon the occurrence of a change in control as defined in each plan or agreement if certain other requirements are satisfied. These compensation arrangements include: the Equity Plans and related awards, executive employment agreements, and executive change in control agreements. Our board of directors considered whether the Asset Sale would constitute a change in control as defined in the compensation plans and agreements. On April 28, 2011, our board of directors unanimously adopted a resolution that the consummation of the Asset Sale would not constitute a change in control as that term is used in each of the compensation arrangements with our executive officers and our board of directors.

In connection with the Asset Sale, the Company has entered into new employment agreements with each of our executive officers. The new agreements replace the prior executive officer compensation agreements. Our board of directors has determined that the new employment agreements do not provide for compensation that is based on, or otherwise relates to, the Asset Sale. Accordingly, our executive officers and board of directors believe that their interests in the Asset Sale are not materially different than the interests of our stockholders generally.

Beneficial Ownership of Principal Stockholders, Directors and Management (page 52)

See page 52 of this proxy statement.

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Use of Net Proceeds from the Asset Sale (page 23)

The Company has no immediate plans for use of the sale proceeds. Our board of directors will be evaluating all options ranging from a one-time special dividend, a share repurchase program, and M&A activity as well as investments in organic growth opportunities.

Conditions to the Asset Sale (page 27)

Conditions to Each Party's Obligation. Each of Evolving Systems' and NeuStar's obligation to effect the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following conditions:

- stockholder approval has been obtained in accordance with applicable law; and
- no governmental authority has enacted, issued, promulgated, enforced or entered any law then in effect that enjoins, restrains, conditions, makes illegal or otherwise prohibits the consummation of the transactions contemplated by the asset purchase agreement and the ancillary agreements.

Conditions to Evolving Systems' Obligation. Our obligation to effect the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following additional conditions:

- the representations and warranties made by NeuStar in the asset purchase agreement are true and correct in all material respects (other than representations and warranties qualified as to materiality which must be true and correct in all respects) and NeuStar must have complied with all covenants in the asset purchase agreement or any ancillary agreement in all material respects; and
- Evolving Systems receives an executed copy of the applicable closing documents.

Conditions to NeuStar's Obligation. NeuStar's obligation to effect the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following additional conditions:

- the representations and warranties made by Evolving Systems in the asset purchase agreement are true and correct in all material respects (other than representations and warranties qualified as to materiality, which must be true and correct in all respects) and Evolving Systems must have complied with all covenants in the asset purchase agreement or any ancillary agreement in all material respects;

- Evolving Systems has obtained all authorizations, consents, and similar approvals required (1) from governmental authorities and (2) in connection with specified key business contracts;
- no action has been commenced by or before any governmental authority that NeuStar reasonably determines is likely to require divestiture of any NeuStar assets or the purchased assets, impair NeuStar's ability to own or operate its assets, the purchased assets or the Numbering Business, or impose limitations on NeuStar's ability to control the Numbering Business or the purchased assets in any material respect; and
- NeuStar has received an executed copy of the applicable closing documents, any further documents necessary to carry out the Asset Sale, and the estimated balance sheet, working capital statement and other financial reports as of the closing date.

Solicitation of Acquisition Proposal (page 30)

The asset purchase agreement provides that we will not, and will cause our affiliates not to, solicit or knowingly encourage or facilitate, or negotiate an alternate acquisition proposal to directly or indirectly acquire a significant portion of the Numbering Business or all of our businesses. Despite this limitation, we may discuss a possible transaction with and provide information to a third party under certain circumstances specified in the asset purchase

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agreement. We must provide timely notice to NeuStar of an alternate acquisition proposal or communications likely to lead to an alternate acquisition proposal.

The asset purchase agreement provides that our board of directors will not change its recommendation of the Asset Sale unless certain conditions specified in the asset purchase agreement are met.

Termination (page 31)

Termination Provisions. Evolving Systems and NeuStar can mutually agree to terminate the asset purchase agreement at any time. Evolving Systems or NeuStar may also terminate the asset purchase agreement if:

- the closing has not occurred by 120 days after the date of the asset purchase agreement, provided, that a party may not terminate for this reason if that party's failure to fulfill an obligation or condition to closing resulted in the failure to close on or prior to such date;
- any governmental authority has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Asset Sale and such order, decree, ruling or other action has become final and non-appealable; provided, that the party so requesting termination has used its commercially reasonable efforts to have such order, decree, ruling or other action vacated; or
- our stockholders do not approve the Asset Sale at the stockholder meeting convened for its approval.

NeuStar can unilaterally terminate the asset purchase agreement if:

- Evolving Systems breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the asset purchase agreement or any of the related agreements, and such failure would cause a closing condition not to be satisfied, is not or cannot be cured within 10 business days following notice of such breach or failure and has not been waived by NeuStar;
- prior to stockholder approval of the asset purchase agreement, (i) our board of directors changes its recommendation that our stockholders approve the transaction, (ii) the Company fails publicly to reaffirm its recommendation that its stockholders approve the transaction within 10 business days of the date any alternate acquisition proposal or material modification thereto is first published or sent to the Company or (iii) our board of directors or the Company have approved or announced approval of an alternate acquisition proposal;

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- any of the conditions to NeuStar's obligations to close have become incapable of fulfillment within sixty days from the date of the asset purchase agreement, except in certain circumstances where such failure is the result of NeuStar's failure to fulfill any obligation; or
- prior to the date of closing, an event or condition occurs that has had or is reasonably likely to have a material adverse effect, or if the Company notifies NeuStar that an event has occurred that could reasonably be expected to cause indemnifiable losses in the excess of \$1,500,000 or otherwise result in a material adverse effect.

Evolving Systems can unilaterally terminate the asset purchase agreement if:

- NeuStar breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the asset purchase agreement or any of the related agreements, and such failure would cause a closing condition not to be satisfied, is not or cannot be cured within 10 business days following notice of such breach or failure and has not been waived by Evolving Systems;
- any of the conditions to Evolving Systems' obligations to close have become incapable of fulfillment within sixty days from the date of the asset purchase agreement, except in certain circumstances where such failure is the result of Evolving Systems' failure to fulfill any obligation; or

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- prior to stockholder approval of the asset purchase agreement, Evolving Systems determines to enter into an alternative acquisition agreement with respect to a superior proposal, provided the Company has otherwise complied in all material respects with the provisions of the asset purchase agreement relating to solicitation by other acquirors and has paid any applicable termination fee.

Termination Fees.

Termination fees ranging from \$500,000 to \$1,500,000 apply to either the Company or NeuStar in certain contexts of termination of the asset purchase agreement. See The Asset Purchase Agreement Termination Termination Fees beginning on page 32 of this proxy statement.

Remedies (page 33)

Specific Performance. The parties are entitled to an injunction or injunctions to prevent or restrain breaches and specifically enforce the terms and provisions of the asset purchase agreement.

Indemnification. Except for (i) the case of actual fraud, intentional misrepresentation or intentional breach; (ii) the working capital adjustment to the purchase price; (iii) NeuStar's right to equitable relief in connection with a breach of Evolving Systems' covenants not to compete or solicit customers and (iv) the parties' ability to seek specific performance of the asset purchase agreement, from and after the closing, the sole and exclusive remedy of the parties with respect to any losses arising out of any breach of any representation, warranty, agreement or covenant of another party to the asset purchase agreement will be the indemnification provisions in the asset purchase agreement.

After the closing, Evolving Systems will indemnify NeuStar and its affiliates, representatives, successors and assigns for losses arising from (i) any breach of a representation or warranty made by the Company; (ii) any breach of any covenant or agreement by the Company; (iii) any of the excluded liabilities and (iv) the Company's failure to comply with the terms and conditions of any bulk sales or bulk transfer or similar laws. Except as specified below, Evolving Systems' obligations to indemnify are subject to the following limitations:

- representations and warranties of the parties terminate on the 12-month anniversary of the closing date of the asset purchase agreement;
- all liability of the parties with respect to covenants or agreements in the asset purchase agreement terminate on the 12-month anniversary of the closing date of the asset purchase agreement (except for covenants and agreements that contemplate performance in whole or in part after the closing, which terminate on the 12-month anniversary of the date by which such covenant or agreement is required to be performed);

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- the maximum amount of indemnifiable losses that may be recovered from Evolving Systems, its affiliates, representatives, successors and assigns is \$5,000,000; and
- no indemnification will be made until the aggregate amount of indemnifiable losses exceeds \$260,000, and in that event, the Company will only indemnify for losses in excess of that amount.

The limitations set forth above will not apply to certain core representations, which will survive indefinitely, and representations and warranties relating to taxes, which will survive until the close of business on the 45th day following the expiration of the applicable statute of limitations with respect to the applicable tax liabilities. The limitations on amount of indemnification will also not apply to losses arising from (i) the breach of the core representations, (ii) any breach of any covenant or agreement in the asset purchase agreement by the Company, (iii) any of the excluded liabilities, (iv) the Company's failure to comply with the terms and conditions of any bulk sales or bulk transfer or similar laws or (v) any claim for or based on actual fraud, intentional misrepresentation or intentional breach.

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After the closing, NeuStar will indemnify Evolving Systems and its affiliates, representatives, successors and assigns for losses arising from (i) any breach of a representation or warranty made by NeuStar, (ii) any breach of any covenant or agreement by NeuStar and (iii) any of the assumed liabilities. To the extent applicable, the limitations on indemnification by NeuStar are parallel to the limitations on indemnification by the Company.

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FORWARD LOOKING STATEMENTS

We caution you that this proxy statement, and the documents to which we refer you in this proxy statement, may contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based upon management's beliefs, as well as on assumptions made by management. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from what we say or imply in such forward-looking statements. There are forward-looking statements throughout this proxy statement, including under the headings Summary, The Special Meeting of Stockholders, The Asset Sale, The Asset Purchase Agreement, Unaudited Pro Forma Condensed Consolidated Financial Statements, and in statements containing words such may, will, expects, intends, estimates, anticipates, believes, seeks or continues, or similar expressions. These statements are subject to risks, uncertainties, and other factors, including:

- the effect of the announcement of the Asset Sale on our business relationships, operating results and business generally;
- the retention of certain key employees;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the asset purchase agreement;
- the approval of the Asset Sale by our stockholders or other conditions to the completion of the transaction may not be satisfied;
- the outcome of any legal proceedings that have or may have been instituted against Evolving Systems or others relating to the Asset Sale;
- the amount of the costs, fees, expenses and charges related to the Asset Sale; and
- Evolving Systems' and NeuStar's ability to meet expectations regarding the timing and completion of the Asset Sale.

In addition, we are subject to risks and uncertainties and other factors detailed in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (the "SEC") on March 8, 2011, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed with the SEC on May 11, 2011, which should be read in conjunction with this proxy statement. You should read the section entitled "Where You Can Find More Information" on page 54. You should be aware that the telecommunications industry is changing rapidly, and, therefore, the forward-looking statements and statements of expectations, plans and intent may be subject to a greater degree of risk than similar statements regarding certain other industries.

Although we believe that our expectations with respect to the forward-looking statements are based upon reasonable assumptions, we cannot assure you that our actual results, performance or achievements will meet these expectations. Other than as may be required by applicable law, we undertake no obligation to release publicly the results of any revisions to these forward-looking statements.

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THE SPECIAL MEETING OF STOCKHOLDERS

We are furnishing this proxy statement to you, as a holder of our common stock, as part of the solicitation of proxies by our board of directors for use at the special meeting of stockholders.

Date, Time and Place of the Special Meeting

The special meeting of the stockholders of Evolving Systems will be held at 9:00 a.m. local time at the Company's headquarters located at 9777 Pyramid Court, Suite 100, Englewood, Colorado 80112, on [], 2011. The date, time and place of any adjournment or postponement of the special meeting, if any, will be established in accordance with our governing documents and applicable law.

Purpose of the Special Meeting

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

1. to approve the Asset Sale as described in the asset purchase agreement, dated April 21, 2011, by and between NeuStar and Evolving Systems;
2. to approve adjournments or postponements of the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Asset Sale; and
3. to consider such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Record Date; Stock Entitled to Vote

Only holders of record of shares of Evolving Systems' common stock at the close of business on [], 2011, the record date, are entitled to vote at the meeting or any postponements or adjournments of the meeting. As of the record date, Evolving Systems had [] shares of common stock outstanding.

Quorum

The presence at the meeting of a majority of the outstanding shares, in person or by proxy, relating to any matter to be acted upon at the meeting, is necessary to constitute a quorum for the meeting. Each outstanding share of common stock is entitled to one vote. Proxies marked Abstain and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum. An abstention occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. A broker non-vote occurs when a broker or other nominee who holds shares for another person does not vote on a particular proposal because that holder does not have discretionary voting power to vote on the proposal and has not received voting instructions from the beneficial owner of the shares so the broker is unable to vote those uninstructed shares.

Required Vote

Approval of the Asset Sale described in the Asset Sale proposal will require the affirmative vote of a majority of our outstanding shares of common stock as of the record date. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have the same effect as a vote Against the Asset Sale proposal. Brokers will not have discretionary voting power to vote on the Asset Sale proposal for their clients whose shares are held in street name.

We are also submitting a proposal for consideration at the special meeting to authorize the named proxies to approve adjournments or postponements of the special meeting if there are not sufficient votes to approve the Asset Sale at the time of the special meeting. Even though a quorum may be present at the special meeting, it is possible that we may not have received sufficient votes to approve the Asset Sale by the time of the special meeting. In that event, we would need to adjourn or postpone the special meeting in order to solicit additional proxies. The

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adjournment proposal relates only to an adjournment or postponement of the special meeting for purposes of soliciting additional proxies to obtain the requisite stockholder approval to approve the Asset Sale. Any other adjournment or postponement of the special meeting (for example, an adjournment or postponement required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy.

Approval of the adjournment, if necessary, described in the adjournment proposal will require the affirmative vote of a majority of the votes cast at the special meeting. Under our amended and restated bylaws, abstentions do not count as votes cast. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have no effect on the outcome with respect to the adjournment proposal. Brokers will not have discretionary voting power to vote on the adjournment proposal for their clients whose shares are held in street name.

Please note that brokers may not vote your shares on any matters before this special meeting if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.

How to Vote

After carefully reading and considering the information contained in this proxy statement, please vote your shares by returning the enclosed proxy card. Alternatively, you may submit your proxy by telephone or via the Internet by following the directions on your enclosed proxy card. You can also attend the special meeting and vote in person. Please do NOT enclose or return any stock certificates with your proxy card.

Recommendation of the Board of Directors

After careful consideration, our board of directors has unanimously approved the Asset Sale and determined that the asset purchase agreement and the transactions provided for in that agreement are advisable and in the best interests of our Company and our stockholders. Our board recommends that you vote **FOR** the approval of the Asset Sale and **FOR** the approval of the adjournment proposal.

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

Revocability of Proxies

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

previously granted proxy.

Solicitation of Proxies

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

Our board of directors recommends that you vote **FOR** the adjournment proposal so that proxies may be used for that purpose, should it become necessary. Properly executed proxies will be voted **FOR** the adjournment proposal, unless otherwise noted on the proxies. If the special meeting is adjourned or postponed, we are not required to give notice of the time and place of the adjourned meeting unless our board fixes a new record date for the special meeting.

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The adjournment proposal relates only to an adjournment or postponement of the special meeting occurring for purposes of soliciting additional proxies for the approval of the Asset Sale proposal in the event that there are insufficient votes to approve the Asset Sale. Our board retains full authority to adjourn the special meeting for any other purpose, including the absence of a quorum, or to postpone the special meeting before it is convened, without the consent of our stockholders.

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THE PARTIES TO THE ASSET PURCHASE AGREEMENT

Evolving Systems, Inc.

9777 Pyramid Court, Suite 100

Englewood, CO 80112

303-802-1000

Evolving Systems is a Delaware corporation that is a leading provider of software solutions and services to the wireless, wireline and cable markets. Evolving Systems offers software products and solutions in four core areas: (1) service activation solutions used to activate complex bundles of voice, video and data services for traditional and next generation wireless, wireline and cable networks; (2) SIM card activation solutions that dynamically allocate and assign resources to a wireless device when it is first used; (3) numbering solutions to manage carriers resource inventory and resource assignment processes including products that comply with government-mandated requirements regarding local number portability in North America and (4) mediation solutions to support data collection for both service assurance and billing applications. Our common stock is listed on The NASDAQ Capital Market under the symbol EVOL .

NeuStar, Inc.

21575 Ridgetop Circle

Sterling, VA 20166

571-434-5400

NeuStar is a Delaware corporation that provides authoritative directory and policy management services to its customers, which include communications service providers, or carriers, and non-carrier, commercial businesses, or enterprises. NeuStar provides critical directory services that its carrier and enterprise customers rely upon to manage a wide range of technical and operating requirements, including carrier services such as numbering services, order management services and Internet Protocol services and enterprise services such as Internet infrastructure services and registry services. NeuStar's Class A common stock is listed on The New York Stock Exchange under the symbol NSR .

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THE ASSET SALE

Background of the Asset Sale

On or about March 1, 2010, John Spirtos, one of Evolving Systems' board members, received a call from an investment banking firm on behalf of one of its clients, a potential strategic buyer (Company A), inquiring as to whether Evolving Systems would be interested in pursuing a strategic combination. In response to that inquiry, on March 23, 2010, Mr. Spirtos and Thaddeus Dupper, our President and CEO, met with representatives of Company A to discuss a potential business combination.

On May 20, 2010, our board of directors authorized three of our board members, Messrs. Dupper, Oros and Spirtos, to negotiate with and engage an investment banking firm to assist the board of directors with pursuing strategic opportunities.

On May 26, 2010, as a result of the above considerations, Evolving Systems engaged Lazard Frères & Co. LLC (Lazard), to obtain indications of interest for a sale of the Company. Beginning in early June, at the direction of the Evolving Systems board, Lazard contacted, or received notification of interest from, approximately 29 potential bidders, including both strategic buyers and financial sponsors. Of those potential bidders, a total of eight parties, including NeuStar, indicated initial interest in receiving management presentations, which occurred between June and December 2010. Discussions with all potential bidders were initially focused on the sale of the entire Company, although the business of the Company was described as two distinct business units, the Numbering Business and the Activation Business.

In early June, the board of directors formed a special committee comprised of Thaddeus Dupper, John Spirtos and Steve Warnecke to work with Lazard. On or around June 4, 2010, the Company's board of directors began holding weekly update calls with Lazard, with participation of the entire board of directors every two weeks and the special committee on the alternate weeks.

On June 7, 2010, Mr. Dupper and Stuart Cochran, Evolving Systems' then current Chief Technology Officer, met with representatives of Company A. On June 8, 2010, Mr. Dupper, Mr. Cochran and Brian Ervine, our Chief Financial and Administrative Officer, met with Lazard to discuss the potential business combination with Company A as well as other opportunities. As a follow-up to the June 7th meeting with Company A, on July 14, 2010, Messrs. Dupper, Cochran, and Ervine, and James King, our Vice President of Worldwide Sales, met with various members of Company A's management team and exchanged information about Evolving Systems and Company A. Shortly thereafter, Company A indicated that it was focusing on other business objectives and, as a result, Company A withdrew from further discussions with us.

On August 10, 2010, Company management met with representatives from NeuStar and provided a detailed presentation on the Company's business. On August 24, 2010, NeuStar informed Lazard that it was interested only in the Company's Numbering Business. Besides NeuStar, five of the remaining seven parties that had received management presentations continued to have discussions with Lazard and performed limited due diligence, but ultimately none of those parties made an offer for the Numbering Business, the Activation Business or the entire Company.

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On September 29, 2010, at the request of the board of directors, Lazard presented an analysis to the board of directors relating to implications of splitting the Activation Business and the Numbering Business. The Company's board of directors then instructed Lazard to consider potential bidders for its two main business units independently.

On October 5, 2010, Lazard engaged discussions with NeuStar regarding the Numbering Business only, while continuing contact with the other parties that had continued to express interest at the time. During the time period of October to December 2010, NeuStar performed diligence on the Numbering Business.

On November 4, 2010, NeuStar submitted its initial non-binding letter of interest (LOI) to Lazard for the Company's Numbering Business for a purchase price of \$35.0 million in cash.

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Following a telephonic presentation to Evolving Systems' board of directors on November 5, 2010, Lazard had discussions with NeuStar regarding the purchase price, and other terms and conditions of NeuStar's offer. Lazard continued to engage in discussions with NeuStar and, on November 12, 2010, Lazard made a presentation to the board of directors regarding the \$35.0 million cash offer. The board of directors informed Lazard that the offer as presented was not acceptable.

On November 17, 2010, NeuStar submitted a revised non-binding LOI to Lazard with a purchase price of \$42.0 million in cash, excluding liabilities, if the transaction closed before December 31, 2010, and \$40.0 million in cash, excluding liabilities, if the transaction closed after December 31, 2010, as well as other terms and conditions around exclusivity, no stockholder vote requirement and a \$1.5 million fee payable upon failure to close by February 21, 2011. At the request of our board of directors, Lazard informed NeuStar that the conditions in its proposal were not acceptable. On November 19, 2010, NeuStar submitted a revised non-binding LOI to Lazard with a purchase price of \$40.5 million in cash, excluding liabilities, as well as other terms and conditions, such as exclusivity and a \$1.5 million payment for failure to close by a certain date to be agreed upon.

Following further discussions with Lazard, on November 22, 2010, NeuStar submitted a revised non-binding LOI with a purchase price of \$40.5 million in cash for the Numbering Business, excluding liabilities and subject to further due diligence and subsequent agreement regarding termination and break fees. The LOI granted exclusivity until December 31, 2010, to NeuStar with regard to the proposed transaction. Our board of directors reviewed the revised LOI with Lazard and counsel and authorized Mr. Dupper to execute the LOI on behalf of the Company. The parties executed the non-binding LOI on November 22, 2010, and NeuStar conducted additional due diligence through December 24, 2010.

On December 24, 2010, NeuStar informed Lazard that while it continued to remain interested in acquiring our Numbering Business, its views on valuation had changed and its revised cash consideration would be in the low 30s; Lazard informed NeuStar that our board would not approve the transaction at the revised valuation. On December 27, 2010, and December 30, 2010, Lazard had multiple conversations with NeuStar regarding the valuation.

On January 5, 2011, NeuStar informed Lazard of its continued interest in a transaction, with a potential offer in the high-30s. Lazard informed our board of directors of the improved valuation and the board of directors indicated that this was in the acceptable range and instructed Lazard to pursue further discussions.

From January 10, 2011, through January 14, 2011, Lazard and NeuStar representatives engaged in a series of discussions regarding valuation, with no agreement being reached. On February 8, 2011, Lazard informed NeuStar that the Company's board of directors would be terminating negotiations given that the Company had not received a revised written LOI.

On February 9, 2011, NeuStar submitted a revised non-binding LOI to Lazard with a purchase price of \$38.0 million in cash and certain other terms and conditions. Lazard presented the revised LOI to the board of directors on February 11, 2011, and the board of directors instructed Lazard to continue negotiating for more favorable terms.

On February 14, 2011, as directed by the Company's board, Lazard provided a counter-proposal to NeuStar increasing the purchase price to \$39.5 million in cash and providing that NeuStar assume certain liabilities.

On February 15, 2011, NeuStar made a verbal proposal, and subsequently, on February 16, 2011, NeuStar submitted a revised LOI to Lazard with a purchase price of \$38.75 million in cash and the assumption of up to \$3.76 million in net working capital liabilities; Lazard countered to NeuStar a purchase price of \$39.0 million in cash, the assumption of up to \$3.9 million in net working capital liabilities and a working capital collar mechanism to be negotiated at a later time.

On February 17, 2011, NeuStar communicated its final offer to Lazard of either: (i) \$39.0 million in cash and the assumption of up to \$3.76 million in net working capital liabilities for total consideration of \$42.76 million or (ii) \$38.75 million in cash, and the assumption of up to \$3.9 million in net working capital liabilities; after consulting with the Company, Lazard asked NeuStar to provide a revised LOI based on option (i).

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On February 18, 2011, NeuStar submitted a revised non-binding LOI under option (i) referenced above. Lazard discussed this revised LOI with the board of directors on a call held on February 18, 2011, and the board authorized Mr. Dupper to execute the LOI on behalf of the Company.

From February 18, 2011 to April 19, 2011, NeuStar conducted confirmatory due diligence and the Company and NeuStar began negotiations on the asset purchase agreement, with Holme Roberts and Owen LLP representing the Company and Gibson, Dunn & Crutcher LLP representing NeuStar. During the negotiations, the parties focused on the key terms and conditions of the transaction, as described in this proxy statement, as well as the specific assets and contracts to be transferred to NeuStar, the list of employees to whom NeuStar would offer employment, key intellectual property required for the Numbering Business, the scope of the non-competition provisions, the period of time during which the representations and warranties would survive, our board's fiduciary obligation regarding receipt of superior offers, the terms of the sublease to be entered into, break-up fees and the transition services that the parties would need to provide to each other following closing of the transaction. In addition, in connection with the NeuStar transaction, the Company entered into negotiations with the former owners of Telecom Software Enterprises (the TSE founders), a company purchased by Evolving Systems in October 2004, regarding fees which would be owed to the TSE founders if we transferred certain rights in the TSE software to NeuStar. On April 19, 2011, we signed an agreement with the TSE founders effectively reducing the amount owed to them in connection with the NeuStar transaction from \$1 million to \$650,000, a copy of which was filed with the SEC on April 22, 2011, in a Current Report on Form 8-K.

On April 19, 2011, Evolving Systems' board of directors held a telephone meeting to consider the asset purchase agreement. Lazard reviewed with the board the history of Lazard's efforts to seek strategic buyers for the Company, ultimately culminating in the negotiations with NeuStar. Representatives of B. Riley, which the board of directors had previously engaged to provide a fairness opinion, provided its financial analysis of the consideration to be paid in connection with the Asset Sale and rendered to the board its oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date, the consideration to be paid to Evolving Systems under the asset purchase agreement was fair, from a financial point of view, to the Company.

Following discussion and questions, and consultation with our outside counsel, our board of directors, by unanimous action, approved and declared advisable the Asset Sale in accordance with asset purchase agreement and resolved to recommend that our stockholders approve the Asset Sale to NeuStar.

Before the opening of trading on The Nasdaq Stock Market on Thursday, April 21, 2011, Evolving Systems and NeuStar exchanged executed signature pages to the asset purchase agreement, and each party issued a press release announcing the execution of the asset purchase agreement. Mr. Dupper, Mr. Ervine and Anita Moseley, our General Counsel, conducted an investor call on the morning of April 21, 2011, to discuss the Company's entry into the asset purchase agreement with NeuStar.

Reasons for the Asset Sale and Recommendation of Our Board

Our board of directors unanimously approved the Asset Sale to NeuStar and is recommending that our stockholders approve the Asset Sale. In the course of reaching its recommendation, the board of directors consulted with Evolving Systems management and its financial and legal advisors and considered a number of substantive factors, both positive and negative, and potential benefits and detriments of the Asset Sale. The board believes that, taken as a whole, the following factors support its decision to approve the Asset Sale:

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- the sale of our Numbering Business will provide additional capital to our Company in support of our strategic plan to focus our resources on our Activation Business and growth in emerging markets;
- the Asset Sale will enable us to focus our efforts on our Activation Business going forward;
- the value of the consideration to be received by Evolving Systems pursuant to the asset purchase agreement, as well as the fact that Evolving Systems will receive the consideration in cash, which provides certainty of value to Evolving Systems;

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- the Asset Sale is the result of an active evaluation and months-long pursuit of strategic alternatives, including evaluation of alternatives to sell all of the Company or just the Numbering Business, in which approximately 29 potential bidders were contacted and NeuStar was the only party to submit an LOI;

- the board of directors believes that the Asset Sale is more favorable to Evolving Systems stockholders than any other alternative reasonably available to Evolving Systems and its stockholders, including the alternative of continuing to operate the Company with the Numbering Business;

- the financial analyses of B. Riley (including the assumptions and methodologies underlying the analyses) and the opinion of B. Riley, which is attached to this proxy statement as Annex B, which you should read carefully in its entirety, that as of April 19, 2011, the date of the opinion, the consideration to be received by Evolving Systems pursuant to the asset purchase agreement was fair, from a financial point of view, to Evolving Systems;

- the financial and other terms and conditions of the asset purchase agreement and the fact that they were actively negotiated between the parties;

- NeuStar's agreement to offer employment to substantially all of our Denver-based employees who work in our Numbering Business;

- the Trust's indication to the Company's board of directors that it supports the asset purchase agreement and the Asset Sale;

- the terms of the asset purchase agreement, including:

- the provisions of the asset purchase agreement that allow our board of directors, under certain limited circumstances (and subject to the payment to NeuStar of a termination fee), if required to comply with its fiduciary duties under applicable law, to change its recommendation that Evolving Systems stockholders vote in favor of the approval of the Asset Sale;

- the provisions of the asset purchase agreement that allow Evolving Systems, under certain limited circumstances if required for the board of directors to comply with its fiduciary duties under applicable law, to furnish information to and conduct negotiations with third parties making an unsolicited alternative acquisition proposal;

- the provisions of the asset purchase agreement that provide the board of directors under certain limited circumstances the ability to terminate the asset purchase agreement in order to accept a financially superior proposal (subject to certain conditions contained in the asset

purchase agreement and the payment to NeuStar of a termination fee); and

the requirement that the Asset Sale be approved by Evolving Systems' stockholders.

Our board of directors also considered a variety of risks and other countervailing factors concerning the asset purchase agreement and the Asset Sale. These factors include:

- the risks and uncertainties associated with our strategic focus on our Activation Business after the disposition of our Numbering Business;
- risks associated with doing business principally outside North America after disposition of our Numbering Business;
- risks associated with running a smaller public company, particularly associated with continued general and administrative expenses;

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- the covenants and restrictions regarding our ability to conduct our business prior to the completion of the Asset Sale, which covenants and restrictions require us to conduct the Numbering Business only in the ordinary course, subject to specific limitations or our obtaining NeuStar's prior consent;
- restrictions on our board of directors' ability to solicit offers from third parties regarding alternative transactions concerning our Numbering Business, and the requirement that we pay NeuStar a substantial termination fee in certain cases in the event of the termination of the asset purchase agreement; and
- the possibility that the proposed Asset Sale may be delayed or may not be completed, and the implications on our financial condition and operations in these events.

The foregoing discussion of the factors considered by Evolving Systems' board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board of directors. After careful consideration, our board of directors collectively reached the unanimous conclusion to approve the asset purchase agreement and the Asset Sale in light of the various factors described above, as well as other factors that each member of Evolving Systems' board felt were appropriate. In view of the wide variety of factors considered by the board of directors in connection with its evaluation of the Asset Sale and the complexity of these matters, the board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the board. Rather, the board of directors made its recommendation based on the totality of information presented to, and the investigation conducted by, the board. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with its legal counsel and financial advisors, Evolving Systems' board of directors unanimously approved the asset purchase agreement and the Asset Sale and determined that the Asset Sale is advisable, fair to and in the best interests of Evolving Systems' stockholders. **Accordingly, the board of directors unanimously recommends that the stockholders vote FOR the Asset Sale proposal.**

Opinion and Fees of Financial Advisors

B. Riley rendered its opinion to Evolving Systems' board of directors that, as of April 19, 2011, and based upon and subject to the factors and assumptions set forth therein, the \$39.0 million cash consideration to the Company and assumption by NeuStar of certain liabilities of the Numbering Business pursuant to the asset purchase agreement was fair from a financial point of view to Evolving Systems.

The full text of the written opinion of B. Riley, dated April 19, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. B. Riley provided its opinion for the information and assistance of Evolving Systems' board of directors in connection with its consideration of the Asset Sale and addresses only the fairness, from a financial point of view and as of the date of the opinion, of the consideration to be received by Evolving Systems and the assumption of certain liabilities by NeuStar pursuant to the asset purchase agreement and does not address any other aspect of the Asset Sale. Accordingly, the B. Riley opinion is not a recommendation as to how any stockholder of Evolving Systems should vote with respect to the Asset

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Sale, or any other matter, and B. Riley expresses no opinion as to the fairness of the Asset Sale to the holders of any class of securities, creditors or other constituencies of Evolving Systems. The following summary of the opinion of B. Riley is qualified in its entirety by reference to the full text of the opinion attached hereto as Annex B.

As a part of its investment banking business, B. Riley and/or its predecessor is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes since 1984. After the special committee and management approached and obtained bids from a number of investment banking firms known to them from other transactions, the board of directors selected B. Riley to render

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its fairness opinion in connection with the Asset Sale on the basis of B. Riley's experience and its familiarity with Evolving Systems. The opinion of B. Riley was one of many factors taken into consideration by the board in effecting the Asset Sale.

In connection with rendering the opinion described above and performing its related financial analyses, B. Riley has, among other things:

- reviewed certain publicly available information concerning the business, financial condition, and operations of Evolving Systems;
- reviewed certain internal information concerning the business, financial condition, and operations of the Numbering Business prepared and furnished to B. Riley by senior management of Evolving Systems;
- reviewed the financial forecast for Evolving Systems furnished to B. Riley by the management of Evolving Systems;
- reviewed certain internal financial analyses, estimates and forecasts relating to the Numbering Business, prepared and furnished to B. Riley by the management of Evolving Systems;
- held discussions with members of Evolving Systems' senior management concerning their evaluations of the Asset Sale and the business, operating and regulatory environment, financial condition, prospects, and strategic objectives of the Numbering Business, as well as such other matters as B. Riley deemed necessary or appropriate for purposes of rendering its opinion;
- reviewed certain publicly available financial data, stock market performance data and trading multiples of companies which B. Riley deemed comparable to the Numbering Business;
- reviewed the publicly available financial terms of certain other business combinations that B. Riley deemed to be relevant in industries similar to those in which the Numbering Business participates and the consideration received for such companies that B. Riley believed to be generally relevant;
- reviewed the financial terms of the latest drafts provided to B. Riley as of April 16, 2011, of the asset purchase agreement and the transition services agreement between Evolving Systems and NeuStar;

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- held discussions with Lazard, which has served as financial advisor to Evolving Systems on strategic alternatives including the sale of the Numbering Business; and
- performed such other financial studies, analyses and investigations, and considered such other matters, as B. Riley deemed necessary or appropriate for purposes of rendering its opinion.

In preparing the opinion, at the direction of the board of directors of Evolving Systems, B. Riley has relied, without assuming responsibility or liability for independent verification, upon the accuracy and completeness of all financial and other information available from public sources and all other information provided to B. Riley or otherwise discussed with or reviewed by B. Riley. B. Riley has assumed, at the direction and with consent of the board of directors of the Company, that the financial and other projections prepared by Evolving Systems' senior management and the assumptions underlying those projections, including the amounts and the timing of all financial and other performance data, have been reasonably prepared in accordance with industry practice and represent management's best estimates and judgments as of the date of their preparation. B. Riley has assumed at the direction of the board of directors no responsibility for and expressed no opinion as to such analyses or forecasts or the assumptions on which they are based. B. Riley has also assumed that there have been no material changes in the assets, financial condition, results of operations, business or prospects of Evolving Systems and the Numbering Business since the respective dates of the last financial statements made available to B. Riley. B. Riley has further relied, with the consent of the board of directors, upon the assurances of senior management of Evolving Systems

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that they are not aware of any facts that would make the information and projections provided by them inaccurate, incomplete or misleading.

In connection with rendering its opinion, B. Riley performed a variety of financial analyses. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to a partial analysis or summary description. Accordingly, notwithstanding the analyses summarized herein, B. Riley believes that its analyses must be considered as a whole and that selecting portions of the analyses and factors considered by them, without considering all such analyses and factors, or attempting to ascribe relative weights to some or all such analyses and factors, could create an incomplete view of the evaluation process underlying the opinion.

The following is a summary of the material financial analyses delivered by B. Riley to the board of directors of Evolving Systems in connection with rendering the opinion described above. The following summary, however, does not purport to be an exhaustive description of the financial analyses performed by B. Riley, but includes all material factors considered by B. Riley in rendering its opinion. Further, the order of analyses described in the following summary does not represent relative importance or weight given to those analyses by B. Riley. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of B. Riley's financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before April 18, 2011, and is not necessarily indicative of current market conditions.

Public Company Comparables Analysis.

B. Riley reviewed and compared financial information regarding certain selected publicly traded corporations. Although none of the selected companies is directly comparable to the Numbering Business, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of the Numbering Business.

B. Riley observed the following selected companies:

Telecom Software Companies:

- Amdocs Ltd.
- Bridgewater Systems Corporation
- Comptel Corporation
- Convergys Corporation
- CSG Systems International, Inc.

- NeuStar, Inc.
- Smith Micro Software, Inc.
- Tekelec
- TeleCommunication Systems Inc.
- TNS Inc.

Low-Growth Microcap Software Companies:

- Cimatron Ltd.
- Electronic Data Processing plc
- MIND C.T.I., Ltd.
- Pansoft Company Limited
- Sapiens International Corporation N.V.
- Top Image Systems Ltd.

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B. Riley calculated and compared various financial multiples and ratios for the selected companies based on financial data obtained from SEC filings (including the most recent publicly available balance sheets for the selected companies), and other research from other brokerage firms. With respect to the selected companies, B. Riley calculated:

- enterprise value (EV), which is the market value of common equity plus the book value of debt and equivalents less cash and equivalents, as a multiple of last twelve months (LTM) ended December 31, 2010, and estimated 2011 revenue; and
- EV as a multiple of LTM ended December 31, 2010, and estimated 2011 earnings before interest, taxes, depreciation and amortization (EBITDA).

This selected companies analysis resulted in a lower quartile and upper quartile enterprise valuation of \$26.1 million and \$33.8 million, respectively. B. Riley then applied a 30% change of control premium to the selected companies analysis resulting in lower quartile and upper quartile enterprise valuations of \$33.9 million and \$43.9 million, respectively.

Selected Transactions Analysis.

B. Riley analyzed certain information relating to the following selected transactions in the software industry since August 2008:

Date	Acquiror	Target
• January 2011	The Carlyle Group	Syniverse Holdings Inc.
• December 2010	j2 Global Communications, Inc.	ProtB. Riley IP Solutions, Inc.
• November 2010	CSG Systems International Inc.	Intec Telecom Systems Limited .
• August 2010	TEOCO Corporation	TTI Team Telecom International Ltd.
• December 2009	TeleCommunication Systems Inc.	Networks In Motion, Inc.
• November 2009	Kudelski SA	OpenTV Corp.
• August 2009	Infor Global Solutions, Inc. and Golden Gate Capital	SoftBrands, Inc.
• August 2008	Convergys Corporation	Intervoice, Inc.

For each of the selected transactions, B. Riley calculated and compared EV as a multiple of LTM EBITDA, using publicly available data and applied the range of multiples to the Numbering Business financial results for the twelve month period ended March 31, 2011. While none of the companies that participated in the selected transactions are directly comparable to the Numbering Business, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of the

Numbering Business results and product profile.

The results of these analyses are summarized as follows:

	Implied Valuation Range
Precedent Transaction Analysis	\$28.6 million - \$42.8 million

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Illustrative Discounted Cash Flow Analysis.

B. Riley performed an illustrative discounted cash flow analysis on the Numbering Business on a stand-alone basis using forecasts prepared by Evolving Systems senior management. B. Riley calculated indications of net present value of free cash flows for the Numbering Business for fiscal years ending December 31, 2011, through 2015 using a discount rates ranging from 12.5% to 14.5%, reflecting the estimated weighted average cost of capital for the Numbering Business if it were to operate as a stand-alone company. In deriving the discount rates ranging from 12.5% to 14.5% for the purposes of this analysis, B. Riley utilized the capital asset pricing model, which took into account certain financial metrics, including betas for selected companies which exhibited similar business and financial characteristics to the Numbering Business, as well as certain financial metrics for the United States financial markets generally. B. Riley then calculated illustrative terminal values in the year 2015 based on perpetuity growth rates of free cash flow ranging from 4.0% to 5.0%. The range of perpetuity growth rates was estimated by B. Riley utilizing its professional judgment and experience and based upon guidance from Evolving Systems senior management. B. Riley cross-checked such estimates of perpetuity growth rates against similar discounted cash flow analysis, utilizing a range of EBITDA exit multiples of 5.0x to 7.0x, which were based on the range of multiples of the public company comparables analysis. B. Riley then calculated illustrative terminal values in the year 2015 based on the same discount rates range of 12.5% to 14.5%.

The results of these analyses are summarized as follows:

Valuation Range	
Discounted Cash Flow Analysis	\$34.4 million - \$46.0 million

General.

B. Riley's opinion is necessarily based upon economic, market, monetary, regulatory and other conditions as they exist and can be evaluated, and the information made available to B. Riley, as of April 19, 2011. B. Riley assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date hereof.

B. Riley's opinion was provided to the board of directors of Evolving Systems solely in connection with and for the purposes of its evaluation of the Asset Sale. It does not address Evolving Systems underlying business decision to effect the Asset Sale and it is not a recommendation as to any action the board of directors should take with respect to the Asset Sale or any aspect thereof. B. Riley did not structure the Asset Sale or the transactions contemplated by the Asset Sale. B. Riley's opinion may not be used for any other purpose, nor may it be reproduced, disseminated, quoted or referred to at any time, in whole or in part, in any manner or for any purpose, without B. Riley's prior written consent.

B. Riley's opinion has been approved by a fairness committee in accordance with established procedures. For its services in rendering its opinion, Evolving Systems has paid B. Riley a fee of \$125,000 plus reimbursement of out of pocket expenses, which is not contingent upon the closing of the Asset Sale, and has agreed to indemnify B. Riley against certain liabilities associated with the issuance of its opinion.

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The consideration to be received in the Asset Sale was determined through negotiations between Evolving Systems and NeuStar and not pursuant to recommendations of B. Riley.

In the ordinary course of its and its affiliates' businesses, B. Riley and its affiliates may actively trade or hold the securities of Evolving Systems or NeuStar for its, our or their own account or for others and, accordingly, B. Riley may at any time hold a long or short position in such securities.

Pursuant to the agreement entered into between the Company and Lazard on May 26, 2010, as amended on April 13, 2011, the Company agreed to pay Lazard a fee upon consummation of the NeuStar Asset Sale as payment in full for Lazard's services and the parties agreed that Lazard's engagement would be terminated effective as of the

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closing of the Asset Sale. Lazard has agreed to relinquish the right to receive compensation from any transaction entered into by the Company after its engagement relative to the Asset Sale.

Treatment of Stock Options, Restricted Stock and other Equity Awards

Our board of directors considered whether the Asset Sale would constitute a change in control for purposes of the Equity Plans and determined that it would not. In addition, our board of directors considered whether the Asset Sale would constitute a change in control for purposes of our change in control agreements with Thaddeus Dupper, our President and Chief Executive Officer; Brian R. Ervine, our Executive Vice President, Chief Financial & Administrative Officer; Anita T. Moseley, our Senior Vice President, General Counsel; and James King, our Vice President, Worldwide Sales & Marketing, collectively, our executive officers. Our board of directors determined that the Asset Sale would not constitute a change in control for purposes of the change in control agreements.

On April 28, 2011, our board of directors unanimously adopted a resolution that the consummation of the Asset Sale would not constitute a change in control as that term is used in the change in control agreements. See **Interests of Evolving Systems Executive Officers and Directors in the Transaction** below for additional information, including information about new employment agreements with our executive officers.

As a result, consummation of the Asset Sale will have no effect on the vesting of stock options or restricted stock held by employees, consultants or members of our board of directors. Employees who accept employment with NeuStar as part of the Asset Sale and who have outstanding stock options will be subject to the terms and conditions of the Equity Plans, which require that vested stock options be exercised within three months of termination of employment with the Company or be forfeited; unvested stock options and shares of unvested restricted stock will be forfeited immediately upon termination of employment. Outstanding equity awards for employees who continue employment with the Company following the Asset Sale will continue according to their terms.

The Asset Sale will have no impact on our Employee Stock Purchase Plan, other than an employee who is participating in the Employee Stock Purchase Plan whose employment terminates prior to the end of a calendar quarter will not be eligible to purchase shares at the end of the offering period.

Interests of Evolving Systems Executive Officers and Directors in the Transaction

In considering the recommendation of our board of directors to vote for the Asset Sale, you should consider whether our executive officers and directors may have financial interests in the Asset Sale that are different from the interests of our stockholders generally. Our board of directors considered whether there was a difference in interests, among other matters, in evaluating and negotiating the asset purchase agreement and the Asset Sale, in approving the asset purchase agreement, and in recommending that our stockholders approve the Asset Sale. Our executive officers and members of our board of directors are covered by compensation arrangements with the Company that include additional benefits upon the occurrence of a change in control as defined in each plan or agreement if certain other conditions are satisfied. These compensation arrangements include: the Equity Plans and related award agreements, executive employment agreements and executive change in control agreements described below.

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On April 28, 2011, our board of directors unanimously adopted a resolution that the consummation of the Asset Sale would not constitute a change in control as that term is defined in the executive employment agreements, change in control agreements and the Equity Plans.

On May 11, 2011, we entered into new employment agreements with each of our executive officers, copies of which were filed with the SEC on May 11, 2011, in a Current Report on Form 8-K. The purpose of the new employment agreements is to evidence that each of our executive officers agrees with the determination of our board of directors that the Asset Sale would not be a change in control for purposes of the executive officer compensation arrangements and to provide additional benefits upon certain terminations of employment. The material terms of the new employment agreements are summarized below.

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Based upon the terms of the new employment agreements and the board of directors' determination that the Asset Sale would not constitute a change in control for purposes of the executive compensation arrangements, our board of directors also determined that no compensation of our executive officers is based on, or otherwise relates to, the Asset Sale. Accordingly, our executive officers and board of directors believe that their interests in the Asset Sale are not materially different than the interests of our stockholders generally.

Employment Agreements. The agreements entered into with our executive officers on May 1, 2011, include the following terms:

- The parties agreed that the asset purchase agreement did not constitute a change in control.
- The employment agreements narrowed, over the previous change in control agreements, the incidents that would trigger a change in control, removed the 280G tax gross-up and, in the case of Mr. Dupper, Mr. Ervine and Ms. Moseley, reduced severance to be paid in the event of termination of employment on a change in control by six months.
- The U.S.-based executives (Mr. Dupper, Mr. Ervine and Ms. Moseley) will be employed at-will. Mr. King, who resides in the United Kingdom, will be employed pursuant to an employment contract which is customary for employees in the United Kingdom.
- If the Company terminates the employment of an executive for reasons other than cause or disability, or the executive resigns for Good Reason, as defined in the employment agreement, the Company will pay the executive severance equal to 12 months of the executive's base salary and 100% of the executive's target incentive compensation (and, in the case of Mr. King, an amount equal to the 50% of his actual commissions paid over the 24 months prior to termination) (collectively referred to in the employment agreements as Base Severance). The Company will also pay a proportionate amount of the U.S.-based executive's health and dental insurance premiums, based upon the same proportion that the Company paid at the time the executive's employment was terminated, for a period of 12 months, or until the executive obtains substitute insurance. Severance and insurance premium payments will be made in equal installments over the 12-month period, based upon the Company's normal payroll practices.
- In the event of the occurrence of a change in control, as defined in the employment agreements, fifty percent (50%) of the executive's then unvested stock options, stock appreciation rights, shares of restricted stock and any other unvested equity awards, if any, will vest. In addition, in the event the Company terminates an executive's employment without cause (as defined in the employment agreement) or executive resigns for Good Reason within one hundred eighty (180) days before or three hundred and sixty five (365) days after a change in control, the executive will be entitled to receive Base Severance as well as additional severance (referred to in the employment agreements as Enhanced Severance) as follows:

Mr. Dupper and Mr. Ervine, if terminated, will be entitled to additional payments equal to six (6) months of their respective base salary and 50% of their target incentive compensation in the year of termination.

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Each terminated executive will be entitled to be reimbursed for expenses incurred for tax advice, in an amount not to exceed \$7,500.

Each terminated executive's unvested stock options, shares of restricted stock and any other unvested equity awards will vest.

- Each executive agreed that following termination of employment he or she will not compete with the Company (as defined in the employment agreement), or solicit or entice any employee of the Company to leave the employ of the Company or interfere with the Company's relationship with a customer during the period of time that Base Severance is paid, or, in the case of Mr. Dupper and Mr. Ervine, during the extended period of Enhanced Severance.

Use of Net Proceeds from the Asset Sale

The Company has no immediate plans for use of the sale proceeds. Our board of directors will be evaluating all options ranging from a one-time special dividend, a share repurchase program, and M&A activity as well as investments in organic growth opportunities.

Nature of Evolving Systems Business Following the Asset Sale

The Company will retain the Activation Business after completion of the Asset Sale. The Company will continue to maintain our offices in the United Kingdom and Denver, as well as our development subsidiary in Bangalore. We expect to continue to be a leading provider of activation solutions to carriers worldwide. The Activation Business, which includes our DSA product, has been our primary source of revenue in recent years and we are forecasting growth moving forward. In 2010, our Activation Business accounted for \$22.8 million, or 61% of our overall revenue.

After completion of the Asset Sale, the solutions portfolio will consist of our Activation Business:

- Our *Tertio Service Activation* suite.
- Our *Dynamic SIM Allocation* (DSA) solution.
- Our newest product, *Intelligent M2M Controller* (IMC), which addresses the M2M market.

Material U.S. Federal Income Tax Consequences of the Asset Sale

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The following is a brief summary of the material United States federal income tax consequences of the Asset Sale. This summary does not address all of the consequences that may arise for federal income tax purposes, and does not address any state, local or foreign tax considerations.

The Asset Sale will be a taxable transaction, and Evolving Systems generally will recognize gain or loss based on the difference between the consideration received in respect of the Asset Sale and its adjusted tax bases in the assets being sold. Evolving Systems expects to have sufficient losses (including net operating loss carry forwards) to offset the gain expected to be realized from the Asset Sale, subjecting Evolving Systems only to federal alternative minimum tax.

This summary is not a complete description of all of the tax consequences that may be relevant to the Asset Sale. Stockholders should consult with their own tax advisers for advice regarding the United States federal, state, local and other tax consequences if any of the net proceeds from the Asset Sale are distributed or paid to the stockholders, such as in a dividend or share repurchase.

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Anticipated Accounting Treatment

For financial reporting purposes, Evolving Systems will report a gain from the asset sale based upon the amount of net proceeds received by Evolving Systems less the net book value of the net assets sold. If the asset sale had occurred on March 31, 2011, such gain from the asset sale, net of tax effects, estimated transaction fees and the working capital adjustment, would have been approximately \$32.4 million.

Stockholder Approval of the Asset Sale

We are organized under the corporate laws of the State of Delaware. Under Section 271 of the Delaware General Corporation Law, any sale by us of all or substantially all our assets requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock. We are selling a significant portion of our assets but retaining material on-going businesses and assets after the Asset Sale. Because the Delaware statute does not define the phrase all or substantially all, the meaning of the phrase is not entirely clear in this context. In light of this potential uncertainty and after taking into account the specific facts and circumstances of the Asset Sale, we have determined to seek stockholder approval of the Asset Sale. The asset purchase agreement provides that if our stockholders fail to approve the Asset Sale, either Evolving Systems or NeuStar may terminate the asset purchase agreement. The asset purchase agreement also provides that obtaining such approval is a condition to each of Evolving Systems and NeuStar being obligated to consummate the transactions contemplated by the asset purchase agreement.

Regulatory Approvals

The obligation to close the Asset Sale is subject to the absence of any action commenced before any governmental authority challenging the transaction. No filings are required to be made under the Hart-Scott-Rodino Act in connection with the Asset Sale. We are not aware of any material regulatory requirements or governmental approvals or actions that are required to consummate the Asset Sale, except for compliance with the applicable regulations of the SEC in connection with this proxy statement and compliance with the Delaware General Corporation Law in connection with the Asset Sale.

Appraisal Rights

Holders of Evolving Systems common stock are not entitled to appraisal rights under Delaware law in connection with the Asset Sale.

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THE ASSET PURCHASE AGREEMENT

Evolving Systems and NeuStar entered into the asset purchase agreement on April 21, 2011. The full text of the asset purchase agreement is attached as Annex A to this proxy statement and is incorporated by reference into this proxy statement. Evolving Systems urges you to read the asset purchase agreement in its entirety for a more complete description of the terms and conditions of the Asset Sale and related matters.

*The representations and warranties described below and included in the asset purchase agreement were made by Evolving Systems and NeuStar to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the asset purchase agreement and may be subject to important qualifications and limitations agreed to by Evolving Systems and NeuStar in connection with negotiating the terms of the asset purchase agreement. Moreover, the representations and warranties may be subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between Evolving Systems and NeuStar rather than establishing matters as facts. The asset purchase agreement is described in this proxy statement and included as Annex A only to provide you with information regarding the terms and conditions of the asset purchase agreement, and not to provide any other factual information regarding Evolving Systems, NeuStar or their respective businesses. Accordingly, you should not rely on the representations and warranties in the asset purchase agreement as characterizations of the actual state of facts about Evolving Systems or NeuStar, and you should read the information provided elsewhere in this proxy statement and in the documents that we incorporate by reference into this proxy statement for information regarding Evolving Systems and its business. See *Where You Can Find More Information* beginning on page 54 of this proxy statement.*

The Asset Sale

NeuStar is purchasing substantially all of the assets of Evolving Systems' Numbering Business, including the *Order Path*®, *Number Manager*®, *LNP DataServer*, *VeriPort* and *Verify* software products, the *NumeriTrack*® number management solution, and the Traffic Data Management System. Specifically, NeuStar is purchasing the following assets:

- the assets (other than specified excluded assets) recorded or reflected on the balance sheet prepared as of the closing date solely related to the Numbering Business;
- all receivables (including accounts receivable, loans receivable and advances) primarily attributable to the Numbering Business identified on a schedule to the asset purchase agreement or recorded on the balance sheet prepared as of the closing date, excluding certain receivables associated with identified international accounts;
- certain key business contracts and, to the extent assignable, other material contracts, primarily relating to the Numbering Business or the purchased assets;

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- specified intellectual property owned by or exclusively licensed to Evolving Systems and related to, used or held for use in the Numbering Business;
- specified personal property used or held for use exclusively in connection with the Numbering Business;
- work in progress for contracts being assigned;
- business records related to, used or held for use solely in connection with the Numbering Business, including all client lists and vendor lists, and copies of other business records related to the Numbering Business;
- prepaid items related to the Numbering Business identified on a schedule to the asset purchase agreement or recorded on the balance sheet prepared as of the closing date;

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- other rights arising from or related to the purchased assets or assumed liabilities, including rights under any assigned Numbering Business contract, under or in respect of purchased intellectual property, or under all guaranties, warranties and indemnities arising from or related to the purchased assets or assumed liabilities;
- goodwill and going concern value of intangible assets, to the extent arising from or attributable to the Numbering Business; and
- refunds or credits of or against any taxes for which NeuStar is liable.

The assets being sold will not include certain specified excluded assets, which include cash, cash equivalents, and similar items, rights in Evolving Systems leased real property, Evolving Systems rights pursuant to the asset purchase agreement, intellectual property other than the purchased intellectual property, certain business records, permits, and other assets that are not purchased assets.

The Asset Purchase Consideration

NeuStar has agreed to pay a total purchase price of \$39.0 million in cash, subject to the working capital adjustment described below, and assume certain liabilities as described below. If the working capital amount (the difference between specified current assets and current liabilities) as of the closing date is a larger negative number than negative \$4,260,000, the purchase price will be decreased by an amount equal to the difference between the working capital amount as of the closing date and negative \$4,260,000. If the working capital amount as of the closing is either (i) a smaller negative number than negative \$3,260,000 or (ii) a positive number, then the purchase price will be increased by an amount equal to the difference between the working capital amount as of the closing date and negative \$3,260,000; provided, that the maximum increase to the purchase price will be \$1,000,000.

NeuStar will assume the following liabilities in connection with the Asset Sale, which the Company estimates as of March 31, 2011, have a value of approximately \$7.97 million:

- all liabilities arising solely out of or relating solely to ownership or use of the purchased assets after the closing date;
- any trade accounts payable, accrued expenses, or any other liabilities attributable solely to the Numbering Business as identified on a schedule to the asset purchase agreement or set forth on the balance sheet as of the closing date;
- liabilities under the contracts primarily related to the Numbering Business or the purchased assets; provided, that the assumption of liabilities for each contract is subject to any required consent to assignment;

- taxes with respect to the Numbering Business and the purchased assets for the periods (and portions of periods) beginning after the closing date; and
- continuing or uncompleted obligations to provide goods and services to customers under the assigned contracts.

Other than the assumed liabilities, all of Evolving Systems liabilities will be retained by Evolving Systems, including:

- taxes arising from or with respect to the Numbering Business and the purchased assets for the periods (and portions of periods) ending on or before the closing date;
- any liability pursuant to environmental law arising from or related to any action, event, circumstance or condition occurring or existing on or prior to the closing date;

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- any liability not expressly assumed by NeuStar related to employees or employee benefit plans;
- any indebtedness for borrowed money or guarantees thereof outstanding as of the closing date;
- any liability arising under assumed contracts prior to the closing date;
- any liability arising from compliance or non-compliance with law prior to the closing date;
- legal action pending as of the closing date or arising after the closing date but based upon any action, event, circumstance or condition arising prior to the closing date;
- any liability incurred by Evolving Systems arising out of or relating to negotiation of the asset purchase agreement and the related ancillary agreements;
- all transfer taxes;
- any liability or obligation arising from the leased real property (except as set forth in the separate sublease of space in Denver);
- liability arising from or related to an excluded asset; and
- other scheduled liabilities.

Payment Procedures

NeuStar will deliver the purchase price to Evolving Systems by wire transfer on the closing date.

Any amount due as the working capital adjustment must be paid within three days of the working capital adjustment amount becoming final. To determine the working capital adjustment, NeuStar will deliver to Evolving Systems within 70 days after the closing date a balance sheet of the Numbering Business dated as of the closing date, and a calculation of working capital as of the closing date. Evolving Systems will have 20 days to review these deliveries and provide notice if it disagrees with the balance sheet or calculation of working capital. Upon any notice of disagreement from Evolving Systems, the parties will seek to resolve any differences for a 20-day period. If there are disputed items remaining after the 20-day period, the disputed items will be submitted to Deloitte LLP or another independent public accounting firm, and the accounting firm will make a final determination of the closing working capital. The costs of any dispute resolution relating to the working capital will be paid (i) by NeuStar, if Evolving Systems' calculation of closing working capital is closer to the final determination of closing working capital or (ii) by Evolving Systems, if NeuStar's calculation of closing working capital is closer to the final determination of closing working capital.

Conditions to Closing of the Asset Sale

Conditions to Each Party's Obligation. Each of Evolving Systems' and NeuStar's obligation to effectuate the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following conditions:

- stockholder approval has been obtained in accordance with applicable law; and
- no governmental authority has enacted, issued, promulgated, enforced or entered any law then in effect that enjoins, restrains, conditions, makes illegal or otherwise prohibits the consummation of the transactions contemplated by the asset purchase agreement and the ancillary agreements.

Conditions to Evolving Systems' Obligation. Our obligation to effect the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following additional conditions:

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- the representations and warranties made by NeuStar in the asset purchase agreement are true and correct in all material respects (other than representations and warranties qualified as to materiality, which must be true and correct in all respects) and NeuStar must have complied with all covenants in the asset purchase agreement or any ancillary agreement in all material respects; and
- Evolving Systems has received an executed copy of the applicable closing documents.

Conditions to NeuStar's Obligation. NeuStar's obligation to effect the Asset Sale is subject to the satisfaction or waiver at or prior to the time of the closing of each of the following additional conditions:

- the representations and warranties made by Evolving Systems in the asset purchase agreement are true and correct in all material respects (other than the representations and warranties qualified as to materiality, which must be true and correct in all material respects) and Evolving Systems must have complied with all covenants in the asset purchase agreement or any related agreement in all material respects;
- Evolving Systems has obtained all authorizations, consents, orders and approvals of governmental authorities and officials, and all novations, assignments, waivers, consents, approvals or other authorizations, and effected all of the registrations, filings and notices required in connection with specified key business contracts;
- no action has been commenced by or before any governmental authority that, in the reasonable, good faith determination of NeuStar, is reasonably likely to require divestiture of any of NeuStar's assets, prohibit or impose limitations on the NeuStar's ownership or operation of all or a material portion of the Numbering Business or any assets of NeuStar, or impose limitations on the ability of NeuStar or its affiliates to control the Numbering Business or the purchased assets in any material respect; and
- NeuStar has received an executed copy of the applicable closing documents, any further instruments and documents necessary to carry out the Asset Sale, and has received at least three business days prior to closing, the estimated balance sheet as of the closing date, Evolving Systems' estimate of the closing working capital, and lists of anticipated outstanding business receivables, prepaid items, and warranty and service obligations and unearned revenue as of the closing date.

The asset purchase agreement provides that any or all of the conditions described above may be waived by the party that is not obligated to close unless the condition is met. Evolving Systems' board of directors is authorized in its discretion to waive any of the conditions to Evolving Systems' performance without the consent of Evolving Systems' stockholders to the extent allowed by law. Evolving Systems does not currently expect to waive any material condition to the completion of the Asset Sale.

Representations and Warranties

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In the asset purchase agreement, Evolving Systems made customary representations and warranties relating to, among other things:

- corporate organization and qualification to do business;
- corporate power and authority to enter into the asset purchase agreement and related agreements and to consummate the Asset Sale;
- absence of conflicts and required filings and consents to complete the Asset Sale;
- title to and sufficiency of the assets of the Numbering Business;
- financial statements;

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- absence of certain changes since February 28, 2011;

- compliance with law and possession of applicable permits;

- absence of litigation;

- employee benefit plans;

- labor and employment matters;

- condition of personal property;

- intellectual property;

- receivables;

- taxes;

- environmental matters;

- material business contracts;

- clients and suppliers;

- product liability;
- warranties;
- conduct of business;
- affiliate interests and transactions;
- insurance;
- absence of unlawful payments;
- export and trade compliance;
- absence of broker fees or commissions;
- disclosure; and
- expiration of rights agreement.

NeuStar also made customary representations and warranties in the asset purchase agreement relating to, among other things:

- corporate organization and qualification to do business;
- corporate power and authority to enter into the asset purchase agreement and related agreements and to consummate the Asset Sale;
- absence of conflicts and required filings and consents to complete the Asset Sale;

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- availability of NeuStar's sufficient funds to consummate the Asset Sale;
- absence of broker fees or commissions;
- absence of litigation; and
- non-reliance.

As described below, Evolving Systems covenants to provide any updated information in connection with the disclosures made under its representations and warranties. If the potential losses associated with the disclosure are less than \$1,500,000 and do not constitute a material adverse effect as defined in the asset purchase agreement, then Evolving Systems will be subject to indemnification obligations as if it had not made the updated disclosures. If the magnitude of the potential losses associated with an updated disclosure exceed \$1,500,000 or constitute a material adverse effect, NeuStar has the option to terminate the asset purchase agreement within 15 business days or to accept the changes in disclosure, waiving indemnification rights in connection with the updated disclosures.

Covenants

No Solicitation. The asset purchase agreement provides that Evolving Systems will not, and will cause its affiliates not to, solicit or knowingly encourage or facilitate, or negotiate an alternate acquisition proposal. For this purpose, acquisition proposals are proposals to directly or indirectly acquire a significant portion of the Numbering Business or all businesses of the Company (but not proposals to acquire only excluded assets). Despite the limitation on solicitation, Evolving Systems may discuss a possible transaction with and provide information to a third party that submits an offer with respect to an alternate acquisition proposal if (i) the offer is written and bona fide, (ii) Evolving Systems did not solicit the offer, (iii) our board of directors reasonably believes such proposal could lead to a superior proposal (as defined in the asset purchase agreement), and (iv) our board of directors reasonably believes it would breach its fiduciary duties by not considering the offer. Evolving Systems must provide timely notice to NeuStar of an acquisition proposal or communications likely to lead to an acquisition proposal and keep NeuStar informed in all material respects on a timely basis of the status and details of the proposal. Evolving Systems must also provide NeuStar notice upon providing confidential materials to a party submitting such a proposal.

The asset purchase agreement provides that our board of directors will not change its recommendation that our stockholders approve the Asset Sale unless (i) the board has determined in good faith that failure to change the recommendation (following a superior proposal) would be reasonably likely to cause a breach in fiduciary duties, (ii) NeuStar has had at least four business days' notice of the board's intention to change its recommendation and the identity of the party making the proposal, and (iii) Evolving Systems has negotiated in good faith with NeuStar, to the extent desired by NeuStar, regarding possible revisions to the asset purchase agreement to avoid the change in recommendation. The asset purchase agreement also provides that the board will not change its recommendation in this context if NeuStar has provided a new binding proposal and the board of directors determines in good faith (after consultation with its advisors) that its fiduciary duties do not require a change in its recommendation to stockholders.

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Non-Competition. Evolving Systems agrees in the asset purchase agreement not to (and to cause its subsidiaries not to) (i) compete in the Numbering Business or in products or services that could be used by a national or regional number portability administration center or (ii) solicit employees from NeuStar, in each case for three years after the closing of the Asset Sale.

Other. Evolving Systems makes certain other covenants in the asset purchase agreement, including the following:

- to conduct the Numbering Business and pay liabilities in the ordinary course, consistent with past practice, in the period between signing and closing:

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- to grant NeuStar reasonable access to Evolving Systems representatives, properties and records for due diligence until the closing;
- to issue this proxy statement as soon as reasonably practicable and to take all action reasonably necessary to call a stockholders meeting, which is to be held regardless of any change by our board of directors in recommending the asset purchase agreement to the stockholders;
- to give NeuStar notice of any change, condition or event that renders any representation or warranty untrue or materially inaccurate;
- to pay, prior to the closing, in the ordinary course of business consistent with past practice all of the liabilities and obligations incurred in connection with the Numbering Business, and to pay, after the closing, the excluded liabilities;
- to comply with all bulk transfer laws;
- to not adopt any employee benefit plans in the period between signing and closing, to comply with requirements of the WARN Act and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) with respect to employees transferring to the employment of NeuStar, and to make all payments under employee benefit plans and contracts related to the termination of employees in connection with the Asset Sale;
- to maintain confidentiality of information consistent with the confidentiality agreement entered in connection with the transaction and to not disclose confidential information (as defined in the asset purchase agreement) for a period of three years from the closing of the Asset Sale, subject to certain exceptions;
- to use commercially reasonable efforts to cause all actions necessary for consummation of the Asset Sale, including obtaining all consents, approvals, authorizations, qualifications and orders necessary for consummation of the transactions under the asset purchase agreement and ancillary agreements;
- at NeuStar's request, to provide commercially reasonable assistance to NeuStar in connection with the maintenance, defense, prosecution and enforcement of any patents or marks included in the intellectual property being purchased in the Asset Sale;
- to consult with NeuStar regarding certain public filings and press releases made in connection with the Asset Sale; and

- to negotiate in good faith the terms of a Master Reseller and Subcontractor Agreement to be entered into with NeuStar as of Closing.

Termination

Termination Provisions. Evolving Systems and NeuStar can mutually agree to terminate the asset purchase agreement at any time. Evolving Systems or NeuStar may also terminate the asset purchase agreement if:

- the closing has not occurred by 120 days after the date of the asset purchase agreement, provided, that a party may not terminate for this reason if that party's failure to fulfill any obligation under this Agreement is the cause of or results in the failure of the closing to occur on or prior to such date;
- any governmental authority has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Asset Sale and such order, decree, ruling or other action has become final and non-appealable; provided, that the party so requesting termination has used its commercially reasonable efforts to have such order, decree, ruling or other action vacated; or

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- if the stockholders do not approve the asset purchase agreement at the stockholder meeting convened for its approval.

NeuStar can unilaterally terminate the asset purchase agreement if:

- Evolving Systems breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the asset purchase agreement or any of the related agreements, and such failure would cause a closing condition not to be satisfied, is not or cannot be cured within 10 business days following notice of such breach or failure and has not been waived by NeuStar;
- prior to stockholder approval of the asset purchase agreement, (i) our board of directors changes its recommendation that our stockholders approve the transaction, (ii) the Company fails publicly to reaffirm its recommendation that its stockholders approve the transaction within 10 business days of the date any alternate acquisition proposal or material modification thereto is first published or sent to the Company or (iii) the board or the Company have approved or announced approval, adoption, endorsement or recommendation of any acquisition proposal or alternate agreement relating to an acquisition proposal;
- any of the conditions to NeuStar's obligations to close have become incapable of fulfillment within sixty days from the date of the asset purchase agreement, except in certain circumstances where such failure is the result of NeuStar's failure to fulfill any obligation; or
- prior to the date of closing, an event or condition occurs that has had or is reasonably likely to have a material adverse effect, or if the Company delivers a material development update indicating an event has occurred that could reasonably be expected to cause indemnifiable losses in the excess of \$1,500,000 or otherwise result in a material adverse effect.

Evolving Systems can unilaterally terminate the asset purchase agreement if:

- NeuStar breaches or fails to perform in any respect any of its representations, warranties or covenants contained in the asset purchase agreement or any of the related agreements, and such failure would cause a closing condition not to be satisfied, is not or cannot be cured within 10 business days following notice of such breach or failure and has not been waived by Evolving Systems;
- any of the conditions to Evolving Systems' obligations to close have become incapable of fulfillment within sixty days from the date of the asset purchase agreement, except in certain circumstances where such failure is the result of Evolving Systems' failure to fulfill any obligation; or
- prior to stockholder approval of the asset purchase agreement, if Evolving Systems determines to enter into an alternative acquisition agreement with respect to a superior proposal, provided the Company has otherwise complied in all material respects with the provisions of the

asset purchase agreement relating to solicitations by other acquirors and has paid any applicable termination fee.

Effect of Termination. In the event of the termination of the asset purchase agreement, the asset purchase agreement will be of no further force or effect except that (i) designated provisions of the asset purchase agreement, including, if applicable, the termination fees described below, will survive termination; and (ii) no party will be relieved from liability for any willful breach of the asset purchase agreement or any other agreement contemporaneously or subsequently entered into by the parties. In the event of termination of the asset purchase agreement prior to closing, any related agreements executed prior to the closing will terminate at the same time.

Termination Fees. In the asset purchase agreement, the parties have agreed to the following termination fees payable by Evolving Systems to NeuStar:

- \$1,500,000 if NeuStar terminates the asset purchase agreement because the Company breached its representations, warranties or covenants in the asset purchase agreement, and prior to such breach an

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alternate acquisition proposal had been announced and not withdrawn, and the Company enters into any alternate acquisition proposal within 12 months of termination of the asset purchase agreement;

- \$1,500,000 if NeuStar terminates the asset purchase agreement because our board of directors changes its recommendation that the stockholders approve the asset purchase agreement;
- \$1,500,000 if Evolving Systems terminates the agreement because the board determines to enter into an agreement for a superior proposal;
- \$1,000,000 if (i) an unsolicited offer for an alternate acquisition proposal is made prior to the special meeting but our board of directors continues to recommend the Asset Sale, (ii) the Company's stockholders nonetheless vote against the asset purchase agreement, (iii) either party terminates the asset purchase agreement and (iv) the Company subsequently enters into a transaction with respect to the same alternate acquisition proposal within 12 months of termination of the asset purchase agreement; and
- \$500,000 if no third party offers have been made and our board of directors has not changed its recommendation, but the Company's stockholders vote against the asset purchase agreement and either party terminates the asset purchase agreement.

In the asset purchase agreement, the parties have agreed to the following termination fees payable by NeuStar to Evolving Systems:

- \$500,000 if NeuStar terminates the asset purchase agreement because of litigation that NeuStar determines is reasonably likely to require divestiture of any of NeuStar's assets, prohibit or impose limitations on NeuStar's ownership or operation of all or a material portion of the Numbering Business or any assets of NeuStar, or impose limitations on the ability of NeuStar or its affiliates to control the Numbering Business or the acquired assets in any material respect; and
- \$500,000 if NeuStar terminates the asset purchase agreement because of any writ, order, decree, ruling, judgment, injunction or other action by a governmental authority to prevent the consummation of the Asset Sale for violation of antitrust or competition law.

Amendment

The asset purchase agreement may be amended, modified or supplemented by mutual agreement of the parties' respective boards of directors at any time prior to closing, except that after stockholder approval has been obtained, no amendment will be made that requires approval or adoption of the Evolving Systems stockholders without obtaining that approval or adoption.

Remedies

Specific Performance. The parties are entitled to an injunction or injunctions to prevent or restrain breaches or threatened breaches of the asset purchase agreement and to specifically enforce the terms and provisions of the asset purchase agreement, in addition to other remedies that may be available at law or equity.

Indemnification. Except (i) in the case of actual fraud, intentional misrepresentation or intentional breach, (ii) the working capital adjustment to the purchase price, (iii) NeuStar's right to equitable relief in connection with a breach of Evolving Systems' covenants not to compete or solicit customers and (iv) the parties' ability to seek specific performance of the asset purchase agreement, from and after the closing, the sole and exclusive remedy of the parties with respect to any losses arising out of any breach of any representation, warranty, agreement or covenant of another party to the asset purchase agreement will be the indemnification provisions in the asset purchase agreement.

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After the closing, Evolving Systems will indemnify NeuStar and its affiliates, representatives, successors and assigns for losses arising from (i) any breach of any representation or warranty made by the Company; (ii) any breach of any covenant or agreement by the Company; (iii) any of the excluded liabilities and (iv) the Company's failure to comply with the terms and conditions of any bulk sales or bulk transfer or similar laws.

Except as qualified below, Evolving Systems' obligations to indemnify are subject to the following limitations:

- representations and warranties of the parties terminate on the 12-month anniversary of the closing date of the asset purchase agreement;
- all liability of the parties with respect to covenants or agreements in the asset purchase agreement terminate on the 12-month anniversary of the closing date of the asset purchase agreement (except for covenants and agreements that contemplate performance in whole or in part after the closing, which terminate on the 12-month anniversary of the date by which such covenant or agreement is required to be performed);
- the maximum amount of indemnifiable losses that may be recovered from Evolving Systems, its affiliates, representatives, successors and assigns is \$5,000,000; and
- no indemnification will be made until the aggregate amount of indemnifiable losses exceeds \$260,000, and in that event, the Company will only indemnify for losses in excess of that amount.

The limitations set forth above will not apply to certain core representations (organization and existence, authority, title to the purchased assets, and broker's and finder's fees), which will survive indefinitely, and representations and warranties relating to taxes, which will survive until the close of business on the 45th day following the expiration of the applicable statute of limitations with respect to the applicable tax liabilities. The limitations on amount of indemnification will also not apply to losses arising from (i) the breach of the core representations; (ii) any breach of any covenant or agreement in the asset purchase agreement by the Company; (iii) any of the excluded liabilities; (iv) the Company's failure to comply with the terms and conditions of any bulk sales or bulk transfer or similar laws or (v) any claim for or based on actual fraud, intentional misrepresentation or intentional breach.

After the closing, NeuStar will indemnify Evolving Systems and its affiliates, representatives, successors and assigns for losses arising from (i) any breach of any representation or warranty made by NeuStar; (ii) any breach of any covenant or agreement by NeuStar and (iii) any of the assumed liabilities.

NeuStar's obligations to indemnify are subject to the following limitations, except as qualified below:

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- representations and warranties of the parties terminate on the 12-month anniversary of the closing date of the asset purchase agreement;
- all liability of the parties with respect to covenants or agreements in the asset purchase agreement terminate on the 12-month anniversary of the closing date of the asset purchase agreement (except for covenants and agreements that contemplate performance in whole or in part after the closing, which terminate on the 12-month anniversary of the date by which such covenant or agreement is required to be performed);
- the maximum amount of indemnifiable losses that may be recovered from NeuStar, its affiliates, representatives, successors and assigns is \$5,000,000; and
- no indemnification will be made until the aggregate amount of indemnifiable losses exceeds \$260,000, and in that event, NeuStar will only indemnify for losses in excess of that amount.

The limitations set forth above will not apply to certain core representations (organization and existence, authority, and broker's and finder's fees), which will survive indefinitely. The limitations on amount of

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indemnification will also not apply to losses arising from (i) the breach of the core representations, (ii) any breach of any covenant or agreement, (iii) any of the assumed liabilities, or (iv) any claim for or based on actual fraud, intentional misrepresentation or intentional breach.

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**UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

The following Unaudited Pro Forma Condensed Consolidated Balance Sheet and the Unaudited Pro Forma Condensed Consolidated Statements of Operations are derived from the historical consolidated financial statements of Evolving Systems and give effect to the sale of the Numbering Business to NeuStar, the receipt of the net proceeds from the Asset Sale and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed consolidated financial statements.

Pro forma financial information is intended to provide investors with information about the continuing impact of a transaction by showing how a specific transaction might have affected historical financial statements, illustrating the scope of the change in the historical financial position and results of operations. The adjustments made to historical information give effect to events that are directly attributable to the Asset Sale, factually supportable, and expected to have a continuing impact.

The unaudited pro forma condensed consolidated financial statements consist of:

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2011;

Unaudited Pro Forma Condensed Consolidated Statements of Operations for the three months ended March 31, 2011; and

Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 2010.

The unaudited pro forma condensed consolidated financial statements have been prepared giving effect to the Asset Sale as if it occurred as of March 31, 2011, for the Unaudited Pro Forma Condensed Consolidated Balance Sheet and as of January 1, 2010, for the Unaudited Pro Forma Condensed Consolidated Statements of Operations.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the historical audited consolidated financial statements and notes thereto included in Evolving Systems Form 10-K for the year ended December 31, 2010, and Form 10-Q for the three months ended March 31, 2011, as filed with the SEC, which are incorporated herein by reference.

The unaudited pro forma condensed consolidated financial statements are prepared in accordance with Article 11 of Regulation S-X. The pro forma adjustments are described in the accompanying notes and are based upon information and assumptions available at the time of the filing of this proxy statement.

We did not account for our Numbering Business as, and it was not operated as, a separate, stand-alone entity, subsidiary or division for the periods presented. The unaudited pro forma condensed consolidated financial statements do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the Asset Sale occurred on the dates indicated. In addition, these unaudited pro forma condensed consolidated financial statements are presented for informational purposes only and should not be considered to be fully indicative of our future financial performance. For example, actions that management may undertake to reduce overhead expenses in light of the Asset Sale are not reflected.

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EVOLVING SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

March 31, 2011

(in thousands)

ASSETS	As Reported	Pro Forma Adjustments		Pro Forma
		Sale of Numbering Assets	Other Adjustments	
Current assets:				
Cash and cash equivalents	\$ 17,004	\$	\$ 39,000 a (744) b (2,425) c	\$ 52,835
Contract receivables, net	6,083	2,285		3,798
Unbilled work-in-progress	2,640	562		2,078
Deferred income taxes	200			200
Prepaid and other current assets	1,515	119		1,396
Total current assets	27,442	2,966	35,831	60,307
Property and equipment, net	941	339		602
Amortizable intangible assets, net	986			986
Goodwill	22,405	6,032		16,373
Long-term restricted cash	53			53