



**Charter of the Audit Committee
of the Board of Directors
of
Evolving Systems, Inc.**



The Committee's Role and Responsibilities

The role of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of Evolving Systems, Inc. (the "Company") in fulfilling its oversight responsibilities in the following areas:

- the quality and integrity of the Company's financial reports and other financial information provided by the Company to any governmental body or the public;
- reviewing the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established;
- overseeing the qualifications and independence of the public accounting firm engaged to prepare or issue an audit report on the financial statements of the Company (the "independent auditors"); and
- overseeing the performance of the Company's internal audit function and independent auditors.

In order to carry out its mission and function, the Committee has the authority to perform the following tasks and processes. The Committee shall:

- Be directly responsible for the appointment, retention (or termination when appropriate), compensation and oversight of the firm of independent auditors of the Company. Such firm shall report directly to the Committee.
- Approve in advance all audit and permissible non-audit services to be provided by the independent auditors and establish policies and procedures, on an annual basis, for the pre-approval of audit and permissible non-audit services to be provided by the independent auditors.
- Review with management and the independent auditors the results of any significant matters as a result of the independent auditors' interim review procedures prior to the filing of each Quarterly Report on Form 10-Q or as soon thereafter as possible. The Audit Committee Chairperson may perform this responsibility on behalf of the Audit Committee.
- Review and discuss with management and the independent auditors the Company's annual audited financial statements, including a discussion of the auditors' judgment as to the quality of the Company's accounting principles, and recommend whether or not the audited financial statements should be included in the Company's Annual Report on Form 10-K.
- Review and resolve any significant disagreements among management and the independent auditors regarding financial reporting, accounting practices or policies, or in connection with the preparation of financial statements.
- Discuss with management and the independent auditors, as appropriate, earnings press releases and financial information and earnings guidance provided to the public.
- Review with the independent auditors their audit procedures, including the scope, fees and timing of the audit, and the results of the annual audit examination and any accompanying management letters.

- On an annual basis, (a) receive from the independent auditors a formal written statement regarding their independence and review and discuss with the auditors any relationships between the auditors and the Company that may adversely affect the independence of the auditors; (b) consider any appropriate corrective action which may be required; and (c) review with the independent auditors and financial management the scope and general extent of the proposed audit and audit procedures to be applied in the audit.
- Produce a Committee report as required by the SEC to be included in the Company's annual proxy statement and Annual Report on Form 10-K filed with the SEC.
- Periodically consult with the independent auditors out of the presence of management about internal controls, the fullness and accuracy of the Company's financial statements and such other matters the independent auditors and/or the Committee believe should be discussed privately.
- Review with management and the independent auditors, where appropriate, the financial reporting and accounting policies of the Company and accounting and auditing, accounting and financial reporting rule changes that may have a significant impact on the Company's financial reports, and management's plans to implement such changes. The discussion shall include the quality, as well as acceptability, of such accounting and reporting policies and practices.
- Oversee the Company's policies and procedures regarding compliance with applicable laws and regulations, conflicts of interest, and with the Company's Code of Business Conduct and the Code of Ethics for Finance Employees and receive reports from the Compliance Officer.
- Establish procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (2) the confidential, anonymous submission of concerns by employees regarding any questionable accounting, internal controls or audit matters.
- Establish and oversee policies for the hiring of employees and former employees of the independent auditors consistent with applicable law and the rules of The NASDAQ Stock Market, Inc. ("Nasdaq").
- Annually evaluate the performance of the Committee and the adequacy of the Committee's Charter and recommend changes if the Committee determines changes are appropriate and disclose this Charter as required by Nasdaq and applicable laws.
- Review with the independent auditors and management the adequacy and effectiveness of (1) the Company's internal controls for accounting and financial reporting, including any significant deficiencies in internal control and significant changes in internal controls reported to the Committee by the independent auditors or management and (2) the Company's disclosure controls and procedures and management's reports on these controls and procedures.
- Report its actions and recommendations to the Board at the next regularly scheduled Board meeting following any meeting of the Committee.
- Review all related-party transactions for potential conflicts of interest and approve all such transactions. [See Nasdaq Pub. 4350(h).]
- Perform any other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board deems necessary or appropriate.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors.

Committee Membership

The Audit Committee shall consist of at least three (3) Directors. All members of the Committee shall, in the Board's judgment, meet the applicable experience and independence requirements of the Securities and Exchange Commission ("SEC") and Nasdaq and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with finance and accounting practices and be able to read and understand fundamental financial statements, and at least one member of the Committee shall, in the Board's judgment, be an "audit committee financial expert," as defined in rules promulgated by the SEC.

The members of the Committee shall be appointed by the Board and may be removed by the Board at its discretion. Members of the Committee shall serve until their resignation, death, or removal by the Board or until their successors are appointed. A Committee member shall be automatically removed without further action of the Board if the member ceases to be a director of the Company or is found by the Board to no longer meet the SEC's and Nasdaq's applicable financial ability, experience and independence requirements. The Committee, or the Board, shall appoint one of its members to serve as Chairperson.

The Committee may form and delegate authority to subcommittees of one or more members of the Committee as determined by the Committee to be necessary or advisable.

Meetings

Meetings of the Committee will be held at least four (4) times each year. Additional meetings of the Committee will be held as often as the Committee determines is appropriate to carry out its responsibilities. The Chairperson of the Committee, in consultation with other Committee members, will determine the frequency and length of the meetings and will set agendas consistent with this Charter. Minutes will be prepared and filed with the minutes of the Board and the Committee will report to the Board the results of its meetings. The Committee may designate a non-voting Secretary or Acting Secretary for the Committee, who shall assist in the administration of meetings and prepare the minutes of such meetings as requested by the Committee. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter; (b) any provision of the Bylaws or Certificate of Incorporation of the Company; or (c) the laws of the state of Delaware.

Authority to Engage Advisors

The Committee shall have the authority, and shall have appropriate funding from the Company, to retain such outside consultants, experts and other advisors as it deems appropriate for the fulfillment of its responsibilities. Any communication between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

Adopted March 4, 2004.