MCF CORP
Form PRE 14A
February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

MCF CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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o No fee required.
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MCF CORPORATION

March 21, 2008

Dear MCF Corporation Stockholder:

You are cordially invited to attend MCF Corporation s 2008 annual meeting of stockholders to be held on Friday, May 2, 2008, at 1:30 p.m., Pacific Standard Time, at 600 California Street, 9th Floor, San Francisco, CA 94108.

An outline of the business to be conducted at the meeting is given in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. In addition to the matters to be voted on, there will be a report on our progress and an opportunity for stockholders to ask questions.

I hope you will be able to join us. To ensure your representation at the meeting, I encourage you to complete, sign and return the enclosed proxy card as soon as possible. Your vote is very important. Whether you own a few or many shares of stock, it is important that your shares be represented.

Sincerely,

D. Jonathan Merriman
Chief Executive Officer

MCF CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS May 2, 2008

To the Stockholders:

The 2008 annual meeting of stockholders of MCF Corporation will be held on Friday, May 2, 2008, at 1:30 p.m., Pacific Standard Time, at 600 California Street, 9th Floor, San Francisco, CA 94108. At the meeting, you will be asked:

(1) To elect eight directors to serve until the 2009 annual meeting of stockholders;
(2) To approve the addition of shares of common stock to the 2003 Stock Option and Incentive Plan;
(3) To approve the addition of shares of common stock to the 2006 Directors Stock Option and Incentive Plan
(4) To approve amending the Certificate of Incorporation to change the name of MCF Corporation; and
(5) To transact such other business as may properly be presented at the annual meeting.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

If you were a stockholder of record at the close of business on March 17, 2008, you may vote at the annual meeting and any adjournment or postponement.

We invite all stockholders to attend the meeting in person. If you attend the meeting, you may vote in person even if you previously signed and returned a proxy.

By Order of the Board of Directors,

Christopher L. Aguilar
Secretary

San Francisco, California
March 21, 2008

YOUR VOTE IS IMPORTANT. TO ASSURE REPRESENTATION OF YOUR SHARES, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE.

MCF CORPORATION 600 California Street, 9th Floor San Francisco, California 94108

PROXY STATEMENT
For the 2008 Annual Meeting of Stockholders

General

The Board of Directors (the Board) of MCF Corporation (the Company), a Delaware corporation, is soliciting this proxy on behalf of the Company to be voted at the 2008 annual meeting of stockholders to be held on Friday, May 2, 2008, at 1:30 p.m., Pacific Standard Time, or at any adjournment or postponement thereof. The 2008 annual meeting of stockholders will be held at MCF Corporation, headquarters, 600 California Street, 9th Floor, San Francisco, California 94108.

Method of Proxy Solicitation

These proxy solicitation materials were mailed on or about March 21, 2008, to all stockholders entitled to vote at the meeting. The Company will pay the cost of soliciting these proxies. These costs include the expenses of preparing and mailing proxy materials for the annual meeting and reimbursement paid to brokerage firms and others for their expenses incurred in forwarding the proxy materials. Directors, officers, and employees of the Company may also solicit proxies, in person, or by mail, telephone, facsimile or email, without additional compensation.

Voting of Proxies

Your shares will be voted as you direct on your signed proxy card. If you do not specify on your proxy card how you want to vote your shares, we will vote signed returned proxies:

FOR the election of the Board s eight nominees for director;
FOR the approval of the addition of shares of common stock to the 2003 Stock Option and Incentive Plan;
FOR the approval of the addition of shares of common stock to the 2006 Directors Stock Option and Incentive Plan; and
FOR the approval of amending the Certificate of Incorporation to change the Company s name to Merriman Curhan Ford Group, Inc.

We do not know of any other business that may be presented at the annual meeting. If a proposal other than those listed in the notice is presented at the annual meeting, your signed proxy card gives authority to the persons named in the proxy to vote your shares on such matters in their discretion.

Required Vote

Record holders of shares of the Company s common stock at the close of business on March 17, 2008, the voting record date, may vote at the meeting with respect to the election of eight directors, approval of the addition of shares of common stock to the 2003 Stock Option and Incentive Plan, approval of the addition of shares of common stock to the 2006 Directors Stock Option and Incentive Plan, and approval of amending the Certificate of Incorporation to change the Company s name. Each share of common stock outstanding on the record date has one vote. At the close of business on February 27, 2008, there were 12,645,658 shares of common stock issued and outstanding.

The Company s bylaws provide that a majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum for transaction of business. Assuming the presence of a quorum at the annual meeting, the vote of the holders of at least a plurality of the stock having voting power present in person or represented by proxy is required to elect the eight directors. A majority of the shares having voting power present or represented by proxy is required to approve the addition of shares of common stock to the 2003 Stock Option and Incentive Plan and approve the addition of shares of common stock to the 2006 Directors Stock Option and Incentive Plan. The vote of the holders of a majority of the issued and outstanding shares of

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common stock is required to approve the amendment to the Company s Certificate of Incorporation to change the Company s name. Cumulative voting is not permitted with respect to the election of directors. Each director election vote is tabulated separately. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum. Broker non-votes, however, will not be considered as part of the voting power present or represented at the annual meeting for purposes of any matter voted on at the meeting. For purposes of the approval of the amendment to the Company s Certificate of Incorporation to change the Company s name, abstentions and broker non-votes will have the same effect as a no vote.

Revocability of Proxies

You may revoke your proxy by giving written notice to the Secretary of the Company or by delivering a later proxy to the Secretary, either of which must be received prior to the annual meeting, or by attending the meeting and voting in person.

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PROPOSAL 1: ELECTION OF DIRECTORS

The Board has nominated eight directors for election at the 2008 annual meeting. If you elect them, they will hold office until the next annual meeting, until their respective successors are duly elected and qualified, or until their earlier resignation or removal.

Vote Required

The affirmative vote of the holders of at least a plurality of the stock having voting power present in person or represented by proxy is required to elect the eight nominees of the Board as directors. Cumulative voting is not permitted with respect to the election of directors. Unless you specify otherwise, your returned signed proxy will be voted in favor of each of the Board s nominees. In the event a nominee is unable to serve, your proxy may vote for another person nominated by the Board. The Board has no reason to believe that any of the nominees will be unavailable.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE BOARD S NOMINEES LISTED BELOW.

Directors

Set forth below are the principal occupations of, and other information regarding, the eight director nominees of the Board. Each of these persons is an incumbent director.

John M. Thompson, 69, has served as Chairman of our Board of Directors since November 2007. An experienced business advisor, Mr. Thompson has chaired several boards of directors, including Arthur D. Little and MedPanel, Inc. (now Panel Intelligence, LLC, a wholly owned subsidiary), and served on others. Mr. Thompson resigned as Chairman of Arthur D. Little in February 2003, upon completion of the sale of the company. Mr. Thompson was Chairman of MedPanel, Inc. from 1999 through April 2007, when MedPanel, Inc. was acquired by MCF Corporation. In his last executive position, he served as chairman and Chief Executive Officer of CSC Europe, overseeing all European operations for the Computer Sciences Corporation (NYSE: CSC). Mr. Thompson left Computer Sciences Corporation in April 1993. Prior to that, he was Vice Chairman of Index Group, the company that pioneered the concepts of process redesign and business reengineering. Mr. Thompson is well known on both sides of the Atlantic as a management consultant, helping better position firms for stronger growth. In the 1960's he was a co-founder of Interactive Data Corporation (NYSE:IDC). Mr. Thompson has been a guest faculty member at several universities including Harvard, MIT and Wharton, and he holds an M.A. from Cambridge University.

D. Jonathan Merriman, 47, has served as our Chief Executive Officer from October 2000 to the present and served as Chairman of the Board of Directors from February 2001 to November 2007. Prior to that period, Mr. Merriman was President and CEO of Ratexchange Corporation, the predecessor company to MCF Corporation. Mr. Merriman and his team engineered the transition of Ratexchange, a software trading platform company, into a full-service institutional investment bank, MCF Corporation. From June 1998 to October 2000, Mr. Merriman was Managing Director and Head of the Equity Capital Markets Group and member of the Board of Directors at First Security Van Kasper. In this capacity, he oversaw the Research, Institutional Sales, Equity Trading, Syndicate and Derivatives Trading departments. From June 1997 to June 1998, Mr. Merriman served as Managing Director and Head of Capital Markets at The Seidler Companies in Los Angeles, where he also served on the firm s Board of Directors. Before Seidler, Mr. Merriman was Director of Equities for Dabney/Resnick/Imperial, LLC. In 1989, Mr. Merriman co-founded the hedge fund company Curhan, Merriman Capital Management, Inc., which managed money for high net worth individuals and corporations. Before Curhan, Merriman Capital Management, Inc., he worked in the Risk Arbitrage Department at Bear Stearns & Co. as a trader. Prior to Bear Stearns, Mr. Merriman worked at Merrill Lynch as a financial analyst and as an institutional equity salesman. Mr. Merriman received his Bachelor of Arts in Psychology from Dartmouth College and completed coursework at New York University s Graduate School of Business. Mr. Merriman has served on the Boards of several organizations and currently holds seats on the Board of Directors of MCF Corporation, and Leading Brands, Inc.

Patrick H. Arbor, 71, has served as a member of our Board of Director since February 2001 and has served as a member of the audit committee since April 2001. Mr. Arbor is currently Chairman of United Financial Holdings Inc., a bank holding company. Mr. Arbor has been a principal of the trading firm of Shatkin-Arbor & Co. from 1997 to the present time. He is a longtime member of the Chicago Board of Trade (CBOT), the world s oldest derivatives exchange, serving as the organization s Chairman from 1993 to 1999. During that period, Mr. Arbor also served on the Board of Directors of the National Futures Association. Prior to that, he served as Vice Chairman of the CBOT for three years and ten years as a Director. Mr. Arbor s other exchange memberships include the Chicago Board Options Exchange, the Mid-America Commodity Exchange and the Chicago Stock Exchange. Mr. Arbor received his undergraduate degree in business and economics from Loyola University.

Steven W. Town, 47, has served as a member of our Board of Directors from October 2000 to present and has served as a member of the compensation committee since April 2001. Mr. Town has served as Co-Chief Executive Officer of the Amerex Natural Gas, Amerex Power and Amerex Bandwidth, Ltd. Mr. Town began his commodities career in 1987 in the retail futures industry prior to joining the Amerex Group of Companies. He began the Amerex futures and forwards brokerage group in natural gas in 1990, in Washington D.C., and moved this unit of Amerex to Houston in 1992. During Mr. Town s tenure as Co-Chief Executive Officer, the Amerex companies became a leading brokerage organization in their respective industries. Mr. Town left Amerex in October 2006, when Amerex was purchased by GFI Group, Inc. (GFIG), with final transaction economics in April 2008. Mr. Town is a graduate of Oklahoma State University.

Raymond J. Minehan, 66, has served as a member of our Board of Directors and as a member of our audit committee and compensation committee since August 2003. Since May 2005, Mr. Minehan has served as Chief Financial Officer for the Conservation and Liquidation Office of the State of California. From February 2002 to May 2005, Mr. Minehan was retired. From February 2001 to February 2002, Mr. Minehan served as the Chief Financial Officer at Memestreams, Inc., a startup company that was developing information management software. From January 1997 to August 2000, he served as the Chief Administrative Officer at Sutro & Co. where he was responsible for all administrative functions including finance, management information systems, telecommunications, operations, human resources and facilities. From 1989 to 1997, he served as chief financial officer at Hambrecht & Quist, Inc. From 1972 to 1989, Mr. Minehan served as a partner with Arthur Andersen LLP. Mr. Minehan served in the United States Air Force as a navigator assigned to the Strategic Air Command as B-52 navigator/electronic warfare officer. He attained the rank of Captain. Mr. Minehan received his Bachelor of Arts degree in Finance from Golden Gate University.

Dennis G. Schmal, 61, has served as a member of our Board of Directors and as a member of our audit committee since August 2003. Mr. Schmal has also served as a member of our compensation committee since March 2007 and has served on the Nominations and Corporate Governance Committee since September 2005. From February 1972 to April 1999, Mr. Schmal served as a partner in the audit practice at Arthur Andersen LLP. As a senior business advisor with special focus in finance, he has extensive knowledge of financial reporting and holds the CPA designation. Besides serving on the boards of two private companies, Mr. Schmal also serves on the Board of Directors for Varian Semiconductor Equipment Associates, Inc. (VSEA), a public company and on the boards of the thirteen mutual funds comprising the AssetMark family of mutual funds. Mr. Schmal also served on the board of NorthBay Bancorp (NBAN), a public bank holding company, until it was sold in 2007. Mr. Schmal attended California State University, Fresno where he received a Bachelor of Science in Business Administration- Finance and Accounting Option.

Scott Potter, 39, became a Director of MCF Corporation in August 2004 and has served as a member of our nominations committee since November 2005. From February 2005 until the present, he has served as a Managing General Partner of San Francisco Equity Partners (SFEP), a private equity firm focused on expansion stage companies within the information technology, media, consumer, and service industries. Prior to founding SFEP in February 2005, Mr. Potter served as Director of LMS Capital, the venture capital arm of London Merchant Securities plc (LON:LMSO) from January 2003 to February 2005, where Mr. Potter oversaw LMS North American Private Equity portfolio. Prior to joining LMS, Mr. Potter held the position of Senior Vice President, Field Operations at Inktomi Corporation from August 2002 to January 2003 where he had responsibility for Inktomi s sales force, business development, consulting services, and field offices. From January 2000 to August 2002, Mr. Potter served as President and CEO of Quiver, Inc., an enterprise software

company funded by some of the world s leading Venture Capital firms. Under Mr. Potter s leadership, Quiver became a leading company in the Information Management space, and ultimately was acquired by Inktomi in August of 2002. Prior to his tenure at Quiver, Mr. Potter was Executive Vice President in charge of business development and corporate development at Worldres, Inc., an online travel technology company. Mr. Potter s career began as an attorney for one of Silicon Valley s leading law firms, Venture Law Group. A frequent speaker at technology industry conferences and investor forums, Mr. Potter holds a BA in Industrial Psychology from the University of California at Berkeley and a JD Degree from UC Berkeley s Boalt Hall School of Law. Mr. Potter currently serves as Chairman of The Guild, Inc. and serves on the board of directors of Method Products, Modviz, Penguin Computing, and Rave Motion Pictures.

William J. Febbo, 39, has served as a member of our Board of Director since April 2007. Mr. Febbo was Chief Executive Officer and founder of MedPanel, Inc., an online medical market intelligence firm, from January 1999 to April 2007. At MedPanel, Mr. Febbo oversaw the company's sales, marketing, technology, finance and content development organizations. We acquired MedPanel, Inc. in April 2007(now Panel Intelligence, LLC), where Mr. Febbo continues his responsibilities. Mr. Febbo has been Treasurer on the Board of the United Nations of Greater Boston since November 2004. Prior to founding MedPanel, Inc., Mr. Febbo was Chairman of the Board of Directors of Pollone, a Brazilian manufacturing venture in the automotive industry, from January 1998 to January 1999. From January 1996 to January 1999, Mr. Febbo was with Dura Automotive working in business development and mergers and acquisition overseas. Mr. Febbo received his B.S. degree in international studies, with a focus on economics and Spanish, from Dickinson College.

Executive Officers

Gregory S. Curhan, 46, has served as our Executive Vice President from January 2002 to present and served as Chief Financial Officer from January 2002 to January 2004. Previously, he served as Chief Financial Officer of WorldRes.com from May 1999 through June 2001. Prior to joining WorldRes.com, Mr. Curhan served as Director of Global Technology Research Marketing and Managing Director Specialty Technology Institutional Equity Sales at Merrill Lynch & Co. from May 1998 to May 1999. Prior to joining Merrill Lynch, Mr. Curhan was a partner in the investment banking firm of Volpe Brown Whelan & Co., serving in various capacities including Internet research analyst and Director of Equities from May 1993 to May 1998. Mr. Curhan was a founder and principal of the investment advisor Curhan, Merriman Capital Management from July 1988 through December 1992. Prior to founding Curhan, Merriman, Mr. Curhan was a Vice President institutional equity sales for Montgomery Securities from June 1985 through June 1988. From August 1983 to May 1985, Mr. Curhan was a financial analyst in the investment banking group at Merrill Lynch. Mr. Curhan earned his Bachelor of Arts degree from Dartmouth College.

Robert E. Ford, 47, had served as President and Chief Operating Officer for MCF Corporation since February 2001. He brings 20 years of executive and operations experience to the Company. Prior to joining MCF Corporation from February 2000 to February 2001, Mr. Ford was a co-Founder and CEO of Metacat, Inc., a content management ASP that specialized in enabling supplier catalogs for Global 2000 private exchanges and eMarketplaces. From June 1996 to December 1999, he was President/COO and on the founding team of JobDirect.com, a leading resume and job matching service for university students, which was acquired by Korn Ferry International. Previously, Mr. Ford co-founded and managed an education content company from September 1994 to 1996. Prior to that, from May 1992 to August 1994, he headed up a turnaround and merger as General Manager of a 65 year-old manufacturing and distribution company. Mr. Ford started his career as VP of Business Development at Lazar Enterprises, a technology-consulting firm he helped operate from June 1989 to February 1992. He earned his Masters in International Business and Law from the Fletcher School of Law and Diplomacy in 1989 at Tufts University and a BA with high distinction from Dartmouth College in 1982.

John D. Hiestand, 39, joined MCF Corporation as the Controller in January 2002 and became Chief Financial Officer in January 2004. From December 2000 to November 2001, he served as the Controller of the Metro-Switching Division at CIENA Corporation. Mr. Hiestand had come to CIENA through the merger with Cyras Systems, Inc., where he served as the Controller from March 2000 to December 2000. Prior to joining Cyras Systems, Inc., Mr. Hiestand served as a Senior Manager in the audit practice at KPMG LLP in San

Francisco. Mr. Hiestand received a Bachelor of Arts in Business from California Polytechnic State University at San Luis Obispo in 1991, and holds the Certified Public Accountant (CPA) and Chartered Financial Analyst (CFA) designations.

Christopher L. Aguilar, 45, has served as General Counsel of MCF Corporation from March 2000 to present and serves as General Counsel and Chief Compliance Officer of Merriman Curhan Ford & Co. He brings 19 years of legal and regulatory experience to the Company. From August 1995 to March 2000, Mr. Aguilar was a partner at Bradley, Curley & Asiano, a San Francisco law firm, where he represented the interests of public and private corporations, small businesses and individuals in commercial litigation. Mr. Aguilar has also worked for the San Francisco City Attorney and Alameda County District Attorney s offices. Mr. Aguilar received his juris doctorate degree from the University of California, Hastings College of the Law. He also attended Oxford University as an undergraduate and received his Bachelor of Arts degree from the Integral Program at St. Mary s College of California where he was included in Who s Who among American Colleges and Universities. Mr. Aguilar has served as an adjunct professor at University of California, Hastings College of the Law.

Director Independence

The listing standards of The NASDAQ Stock Market, as well as the American Stock Exchange and the NYSE Arca Exchange, which the Company voluntarily withdrew its listings from in February 2008 and May 2007, respectively, require that a majority of our board of directors be comprised of independent directors. The Board has determined that the following Board members are independent, consistent with the guidelines of The NASDAQ Stock Market, as well as the American Stock Exchange and the NYSE Arca Exchange: John M. Thompson, Patrick H. Arbor, Steven W. Town, Raymond J. Minehan, Dennis G. Schmal, and Scott Potter. The board based this determination primarily on a review of the responses of our directors and executive officers to questions regarding employment and compensation history, affiliations and family and other relationships and on discussions with the directors.

Board Meetings and Committees

In 2007, the Board of Directors held four regular meetings of the Board and one special meeting. During 2007, no incumbent director attended fewer than 75% of the aggregate of (a) the total number of meetings of the Board of Directors held during the period for which he has been a director and (b) the total number of meetings held by all committees of the Board of Directors on which he served during the period that he served. The Company has the following Board committees:

Audit Committee. The principal functions of the Audit Committee are to engage our independent accounting firm, to consult with our auditors concerning the scope of the audit and to review with them the results of their examination, to approve the services performed by the independent auditors, to review and approve any material accounting policy changes affecting our operating results and to review our financial control procedures and personnel. The following Board members served as Audit Committee members during 2007: Patrick Arbor, Raymond Minehan and Dennis Schmal. Mr. Schmal serves as the Chairman of the Audit Committee and is a Financial Expert in satisfaction of the Sarbanes-Oxley and The NASDAQ Stock Market requirements. Raymond Minehan has also been identified as a Financial Expert. The Audit Committee held four regular meetings and one special telephonic meeting in 2007. The Audit Committee approves the engagement of and the services to be performed by the Company s independent accountants and reviews the Company s accounting principles and its system of internal accounting controls. The Board has determined that all members of the Audit Committee are independent as that term is defined in Rule 4200(a)(15) of the listing standards of The NASDAQ Stock Market, and as defined in Rule 121(A) of the listing standards of the American Stock Exchange and the NYSE Arca Exchange, which the Company voluntarily withdrew its listings from in February 2008 and May 2007, respectively.

The Audit Committee is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and expects the Company s directors, as well as its officers and employees, to act ethically at all times and to acknowledge their adherence to the Company s policies. The Company s Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee charter is available at www.mcfco.com.

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Compensation Committee. The Compensation Committee of the Board of Directors has exclusive authority to establish the level of compensation paid to the Company s executive officers and certain employees and administers the Company s stock option plans. The following Board members served as Compensation Committee members during 2007: Steve Town, Dennis Schmal and Ray Minehan. Mr. Town serves as Chairman of the Committee. It is a fully independent committee, consistent with guidelines of The NASDAQ Stock Market, as well as the American Stock Exchange and the NYSE Arca Exchange, which the Company voluntarily withdrew its listings from in February 2008 and May 2007, respectively. The Compensation Committee held four regular meetings and four special telephonic meetings in 2007. The Compensation Committee charter is available at www.mcfco.com.

Nominations and Corporate Governance Committee. This committee is responsible for identifying qualified individuals to become Board members, make recommendations that the Board select director nominees, develop and recommend corporate governance principles to the Board and take a leadership role in corporate governance. The following Board members served as Nominations and Corporate Governance Committee members during 2007: Scott Potter, Dennis Schmal and Steve Town. Mr. Potter serves as the Chairman of the Committee. The committee has approved a Charter and each member is independent, consistent with the guidelines of The NASDAQ Stock Market, as well as the American Stock Exchange and the NYSE Arca Exchange, which the Company voluntarily withdrew its listings from in February 2008 and May 2007, respectively. The Committee will consider qualified and timely stockholder nominees on the same basis that it considers other nominees. Stockholders who wish to submit nominations to the Board for the 2009 annual meeting should submit such nominees to the Company s Secretary no later than November 21. 2008 at 600 California Street, 9th Floor, San Francisco, CA 94108. The Board has no specific minimum qualifications for nominating directors to the Board, but the Board seeks to nominate the most qualified candidates from whatever source. The Board has no formal process for evaluating nominations for directors. When an opening arises on the Board, the Board considers all qualified candidates. The committee met twice in 2007. The Nominations and Corporate Governance Committee charter is available at www.mcfco.com.

Stockholder Communications with the Board of Directors. Stockholders interested in communicating with our Board of Directors may do so by writing to our Secretary and General Counsel, Christopher Aguilar, at 600 California Street, 9th Floor, San Francisco, CA 94108. Our General Counsel will review all stockholder communications. Those that appear to contain subject matter reasonably related to matters within the purview of our Board of Directors will be forwarded to the entire Board or the individual Board member to whom the communication was addressed. Obscene, threatening or harassing communications will not be forwarded. We encourage the members of our Board to attend our annual meeting of stockholders, although attendance is not mandatory. No members of the Board attended the 2007 stockholders meeting.

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AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended.

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the 2007 Annual Report on Form 10-K with Company management and the independent registered public accounting firm. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

The Audit Committee discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees* , as amended. The audit committee has also received written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees (which relates to the accountant s independence from the Company and its related entities) and has discussed with the independent registered public accounting firm their independence from the Company.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board the inclusion of the audited financial statements in the Company s 2007 Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE
Dennis G. Schmal, Chairman
Raymond J. Minehan
Patrick H. Arbor

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee of the Board of Directors, or the Committee in this Compensation Discussion and Analysis, is responsible for establishing, implementing and monitoring compliance with our compensation programs, policies and philosophy. The Committee monitors whether the compensation paid our executive officers, Messrs. Merriman, Curhan, Ford, Hiestand and Aguilar, is fair, reasonable and competitive and is appropriately performance-based. These individuals are referred to as our named executive officers here and elsewhere in this proxy statement.

Compensation Objectives

Our executive compensation program is designed to attract, retain and motivate talented individuals who will execute our business plan so that we can succeed. Our program is simple in its design and easy to communicate to employees.

An executive officer can earn substantial cash compensation above salary to the extent that the Company achieves or exceeds objective performance goals consistent with its business plan. We do not benchmark compensation levels for our named executive officers to pay earned by comparable executives employed by a peer group.

Compensation Committee Process

The first step the Committee takes each year in setting executive compensation is to discuss the short-term and long-term business objectives of the Company with our executive officers and our Board. The Committee defines measurable milestones and performance metrics to be used in the compensation program. The Committee identifies which elements of compensation that it will award to the executive officers and the aggregate amount of cash compensation that will be paid to all executive officers if the Company achieves its business plan for the upcoming year. The Committee generally meets during the fourth quarter of the year immediately prior to the beginning of the upcoming performance year to begin this process. Once the general terms and parameters have been established, the Committee solicits comments and suggested changes to proposed compensation levels from our Board.

Selected members of management assist the Committee where necessary and appropriate. For example, the Committee may request our Chief Financial Officer to model the financial objectives and milestones against established annual budgets to show the impact of annual cash incentives on each of the officer s compensation. Members of management may also be requested to draft the proposed compensation plans under the Committee s supervision. The Committee works closely with the Board of Directors and with management when finalizing compensation plans. The Committee, however, through the authorities delegated to it in its Charter, has ultimate decision making authority with respect to establishing and administrating our executive compensation programs. Our Chief Executive Officer will recommend to the Committee the performance goals for the business plan and the target awards for the executive officers.

The Committee historically has not engaged its own compensation consultant. In early 2007, the Committee engaged the services of Compensia LLC, a compensation consultant, to provide information to the Committee in reviewing our executive compensation plans. The compensation consultant identified a potential peer group of companies against which we could compare our compensation levels and made certain observations regarding our compensation programs. The Committee determined that the suggested peer group was not desirable given that the members of this group were larger in size and in revenues when compared to the Company. As such, the Committee generally did not adjust the Company s executive compensation practices in 2007 based on the findings of the compensation consultant. The Committee did, however, rely on the consultant s recommendations regarding the aggregate size of equity to be granted to all Company employees on an annual basis as further described under section entitled Equity Compensation below.

Elements of Executive Compensation

Our executive compensation program consists of the following elements:

- base salary;
- annual cash award; and
- equity compensation (in the form of stock options and restricted stock).

Each of these elements of executive compensation is addressed separately below.

The Company does not have any deferred compensation programs or retirement programs other than our 401(k) program that is generally available to all employees. The Company enrolls all salaried employees in its health and life insurance programs.

Base Salary

Base salary is provided in order to retain executives consistent with our industry and the geographic location. It provides base compensation when we do not improve financial performance and our executives do not receive incentive compensation. Base salaries for the named executive officers ranged between $225,000 and $250,000 for 2007. The Committee determined in its discretion not to increase the base salaries of our named executive officers in 2007. Base salaries paid to executive officers were fully deductible in 2007.

In 2008, the Chairman of our Board, who was elected by our Board in November, 2007, suggested to the Compensation Committee that it should consider increasing the base salary of our chief executive officer primarily due to his greater duties as compared to the other named executive officers. The Committee decided to increase the Chief Executive Officer s salary by $50,000 to $300,000 per year but did not provide any increase to the other named executive officers.

Annual Cash Award

Annual cash awards under our Executive and Management Bonus Plan (EMB) are designed to reward our named executive officers and other employees to the extent that the Company achieves or exceeds its business plan for a particular year. The EMB provides for a bonus pool to be established based on achieving the Company s annual business plan, with the Committee retaining discretion to allocate the bonus pool. If the Company s business plan with respect to a calendar year is not met, only small amounts will be paid under the EMB for that year.

In 2007, performance targets were as follows:

gross revenue
revenue growth over the immediately prior fiscal year
earnings before interest, taxes, depreciation and amortization (EBITDA)
net income

The Committee selected revenue and profitability as performance goals for the EMB in 2007 primarily because of their direct positive impact on our business. Somewhat greater emphasis was placed on revenue and revenue growth as summarized in the following table given the early stage of the Company s development.

2007 Performance Criteria	Weight	
Gross revenue	34	%
Revenue growth	26	%
Total revenue focus	60	%
EBITDA	33	%
Net income	7	%
Total profitability focus	40	%

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Achieving our 2007 business plan required the Company to meet the following performance goals:

Performance Criteria

	2007 Performance Goal	2006 Actual Performance
Gross revenue	$79 million	$52 million
Revenue growth vs. prior year	52%	20%
EBITDA	$5 million	($2 million)
Net income	$1.3 million	($6.4 million)