

SPESCOM SOFTWARE INC
Form PRE 14A
March 01, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

SPESCOM SOFTWARE 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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (4) Proposed maximum aggregate value of transaction:
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- o Fee paid previously with preliminary materials.
- o 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:

SPESCOM SOFTWARE INC.

10052 Mesa Ridge Court, Suite #100

San Diego, California 92121

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on April 24, 2007

The Annual Meeting of Shareholders of Spescom Software Inc., a California corporation (the Company), will be held at the Company's principal executive offices at 10052 Mesa Ridge Court, Suite #100, San Diego, California, at 9:00 a.m. on April 24, 2007 for the following purposes:

1. To elect six directors to hold office until the next annual meeting of shareholders and until their successors have been elected and qualified.
2. To vote upon a proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of the Company's common stock from 100,000,000 to 200,000,000.
3. To vote upon a proposal to approve the adoption of the 2007 Stock Incentive Plan.
4. To vote upon a proposal to amend the Company's Articles of Incorporation to change the name of the Company to Enterprise Informatics Inc.
5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 22, 2007 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE. THIS WILL ENSURE THAT YOUR SHARES ARE VOTED IN ACCORDANCE WITH YOUR WISHES AND THAT A QUORUM WILL BE PRESENT. YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING, AND YOU MAY VOTE IN PERSON EVEN THOUGH YOU HAVE RETURNED YOUR PROXY. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER.

By Order of the Board of Directors,

John W. Low

Secretary

San Diego, California

March 28, 2007

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SPESCOM SOFTWARE INC.

10052 Mesa Ridge Court, Suite #100

San Diego, California 92121

PROXY STATEMENT

Annual Meeting of Shareholders

April 24, 2007

INFORMATION CONCERNING SOLICITATION AND VOTING

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Spescom Software Inc., a California corporation (the "Company"), for use at the Annual Meeting of Shareholders to be held at the Company's principal executive offices at 10052 Mesa Ridge Court, Suite #100, San Diego, California, on April 24, 2007 at 9:00 a.m., or at any adjournments or postponements thereof, for the purposes set forth herein and in the foregoing Notice. This Proxy Statement and the accompanying proxy card will be first sent to shareholders on or about March 28, 2007.

Shares represented by properly executed proxies, if received in time and not revoked or suspended, will be voted in accordance with the instructions indicated thereon or, if no instructions are given for any or all of the proposals, will be voted: (i) in favor of the election of all persons named in, or otherwise nominated as set forth in, this Proxy Statement to serve as directors; (ii) in favor of the proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of the Company's common stock (the "Common Stock") from 100,000,000 to 200,000,000; (iii) in favor of the proposal to approve the adoption of the 2007 Stock Incentive Plan; and (iv) in favor of the proposal to amend the Company's Articles of Incorporation to change the name of the Company to Enterprise Informatics Inc.

Record Date; Outstanding Shares; Voting Rights

Each holder of record of the Common Stock and of the Company's Series F Convertible Preferred Stock (the "Series F Preferred Stock") at the close of business on March 22, 2007 is entitled to vote on all matters submitted to a vote of the shareholders at the Annual Meeting. At the close of business on March 1, 2007, there were 37,144,494 shares of Common Stock outstanding held of record by approximately 800 shareholders and 5,291 shares of Series F Preferred Stock outstanding held of record by two shareholders. The outstanding shares of Series F Preferred Stock are presently convertible into 11,757,778 shares of Common Stock.

The holders of Series F Preferred Stock are entitled to vote as a class with the holders of Common Stock on all matters submitted to the shareholders at the Annual Meeting. On all such matters, other than the elections of directors, (i) each holder of Common Stock is entitled to one vote for each share of Common Stock held and (ii) each holder of Series F Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock into which such holder's shares of Series F Preferred Stock are convertible.

In the election of directors, unless the election is subject to cumulative voting, each holder of Common Stock and of Series F Preferred Stock is entitled to cast for any one or more candidates no greater than the number of votes to which such shareholder is entitled on matters other than the election of directors (as described in the preceding paragraph). If any shareholder gives notice to the Secretary of such shareholder's intention to cumulate votes prior to the voting, the election will be subject to cumulative voting. Under cumulative voting, each holder of Common Stock or Series F Preferred Stock may give any one candidate whose name was placed in nomination prior to the commencement of voting a number of votes equal to the number of votes to which such shareholder is entitled on matters other than the election of directors multiplied by the number of directors to be elected, or distribute such number of votes on the same principle among as many candidates as the shareholder sees fit. The proxy holders will have authority, in their discretion, to vote cumulatively for less than all of the nominees.

Vote Required

Directors will be elected by a plurality of the votes of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) represented at the Annual Meeting and voting on the election of directors. Therefore, the six nominees receiving the highest number of affirmative votes will be elected.

The affirmative vote of a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) entitled to vote at the Annual Meeting will be required for approval of (i) the proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of Common Stock from 100,000,000 to 200,000,000 and (ii) the proposal to amend the Company's Articles of Incorporation to change the name of the Company to Enterprise Informatics Inc.

Approval of the adoption of the 2007 Stock Incentive Plan requires the affirmative vote of shares constituting (i) a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) represented at the Annual Meeting and voting on the proposal and (ii) a majority of the required quorum, as described in the following paragraph.

Quorum

A quorum comprising a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) entitled to vote at the Annual Meeting, represented in person or by proxy at the meeting, is required to be present in order for business to be transacted at the meeting. If the required quorum is not present at the Annual Meeting, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Recommendations of the Board of Directors

The Company's Board of Directors recommends that you vote **FOR** each of the nominees of the Board of Directors (Proposal 1); **FOR** the increase in authorized shares of Common Stock (Proposal 2); **FOR** the adoption of the 2007 Stock Incentive Plan (Proposal 3); and **FOR** the change of the Company's name to Enterprise Informatics Inc. (Proposal 4).

Revocability of Proxies

A shareholder giving a proxy has the power to revoke it at any time before it is exercised by attending and voting at the Annual Meeting or by filing with the Secretary of the Company either a written notice of revocation or a duly executed proxy bearing a later date.

Abstentions and Broker Non-Votes

Broker non-votes and abstentions will be counted as present for purposes of determining the presence or absence of a quorum, but will not be counted for purposes of determining the number of votes cast regarding any particular proposal except as specifically discussed in this paragraph. Because directors are elected by plurality, abstentions and broker non-votes will be entirely excluded from the vote and will have no effect on its outcome. Proposal 3 must be approved by a majority of the votes cast, provided that the total votes cast in favor represents at least a majority of the quorum required for the meeting. As a result, abstentions and broker non-votes on Proposal 3 generally have no effect, unless an insufficient number of shares is voted to satisfy the majority of a quorum requirement. Proposals 2 and 4 must be approved by the affirmative vote of a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) entitled to vote at the Annual Meeting. As a result, abstentions and broker non-votes have the same effect as votes against Proposals 2 and 4.

Broker non-votes include shares for which a bank, broker or other nominee (i.e., record) holder has not received voting instructions from the beneficial owner and for which the nominee holder does not have discretionary power to vote on a particular matter. Under the rules that govern brokers who are record owners of shares that are held in brokerage accounts for the beneficial owners of the shares, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on routine matters but have no discretion to vote them on non-routine matters. The proposals to be voted upon at the Annual Meeting include both routine matters, such as the election of directors (Proposal 1) and the increase in authorized shares of Common Stock (Proposal 2), and non-routine matters, such as the adoption of the 2007 Stock Incentive Plan (Proposal 3).

Solicitation of Proxies

The cost of this solicitation of proxies will be borne by the Company. Solicitation will be made by mail, telephone, facsimile or e-mail and personally by directors, officers and other employees of the Company, but such persons will not receive compensation for such services over and above their regular salaries. The Company will reimburse brokers, banks, custodians, nominees and fiduciaries holding stock in their names or in the names of their nominees for their reasonable charges and expenses in forwarding proxy material to the beneficial owners of such stock.

Householding of Annual Disclosure Documents

The Securities and Exchange Commission has approved a rule governing the delivery of annual disclosure documents. This rule allows us to send a single set of our Annual Report and Proxy Statement to any household at which two or more of our shareholders reside if we believe that the shareholders are members of the same family. Some banks, brokers and other intermediaries may be participating in this practice of householding proxy statements and annual reports. This rule benefits both our shareholders and us. It reduces the volume of duplicate information received at a shareholder's house and helps reduce our expenses. Each shareholder, however, will continue to receive individual proxy cards or voting instruction forms.

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If your household has previously received a single set of disclosure documents, but you would prefer to receive your own copy this year or in future years, you should contact your bank, broker or other nominee record holder. You may also request additional copies of either our Annual Report or Proxy Statement by writing to Spescom Software Inc., 10052 Mesa Ridge Court, Suite #100, San Diego, California 92121, Attention: Corporate Secretary, or by calling (858) 625-3000. Similarly, if you share an address with another shareholder of the Company and together both of you wish to receive only a single set of our annual disclosure documents, please follow the same instructions.

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PROPOSAL 1**ELECTION OF DIRECTORS**

Six directors are to be elected at the Annual Meeting to hold office until the next Annual Meeting and until their successors are elected and qualified. In the election of directors, in the absence of instructions to the contrary, the proxy holders intend to vote for the election of the six nominees named below. If additional persons are nominated for election as directors, the proxy holders, in the absence of instructions to the contrary, intend to vote all proxies received by them in order to elect as many of the nominees named below as possible, whether or not by cumulative voting. In such event, if the election is subject to cumulative voting, the proxy holder will determine the specific nominees for whom votes will be cumulated. Should any nominee decline or become unavailable to serve as a director or should any vacancy occur before the election, the proxies will be voted, in the absence of instructions to the contrary, for the election of the remaining nominees named in this Proxy Statement.

In accordance with the Stock Purchase Agreement dated as of January 14, 2000 between the Company and Spescom Ltd., the Company has covenanted to include two nominees of Spescom Ltd. in management's slate of nominees to be elected to the Board of Directors and to recommend to the shareholders the election of such nominees for as long as Spescom Ltd. or any affiliate of Spescom Ltd. holds at least 33% of the Common Stock. Dr. Myers and Mr. Isaacman are the current nominees designated by Spescom Ltd.

The following table sets forth certain information concerning each person nominated for election as a director:

Name	Age	Position
Alan Kiraly	46	Chief Executive Officer and Director
Michael Silverman	62	Chairman and Director
Hilton Isaacman	53	Director
D. Ross Hamilton	69	Director
Larry D. Unruh	56	Director
James P. Myers	66	Director

Mr. Kiraly was appointed Chief Executive Officer and a Director of the Company in January 2007, after having served as Interim Chief Executive Officer since August 2006. Mr. Kiraly joined the Company as Vice President of Product Development in August 2004. From October 2000 until joining the Company, he was the Chief Executive Officer of Lascom Solutions Inc., the United States subsidiary of Lascom, SA, a French software developer. Mr. Kiraly was Vice President, Product Management and Development from November 1999 to October 2000 at Motiva Software Inc. Prior to Motiva he held a variety of management positions in product marketing, development and project services at various companies in the software industry. Mr. Kiraly earned a B.S. degree in Mechanical Engineering from Michigan State University in 1983, and Masters of Science in Mechanical Engineering from the University of Dayton in 1986.

Mr. Silverman has been a Director of the Company since April 2004. He was appointed Chairman of the Board of the Company in September 2004. Since 2001 Mr. Silverman has been a director of Island Pacific, Inc., a publicly held software company in the retail industry and in February 2004 was appointed its Chairman. Mr. Silverman founded Advanced Remote Communications Solutions, Inc. (formerly known as Boatracs, Inc.) in 1990 and serves on its board of directors. He previously served as its Chairman until May 2002, and as Chief Executive Officer and President until October 1997, and from November 1999 to May 2002. Mr. Silverman is a Chartered Accountant (South Africa) and received M.B.A. from Stanford University in 1969.

Mr. Isaacman, a nominee of Spescom Ltd., has been a Director of the Company since April 2000. Mr. Isaacman was the Executive Director Corporate Finance of Spescom Ltd. from 1999 to 2005. Mr. Isaacman previously served as Spescom Ltd.'s Financial Director from 1990 to 1998. Mr. Isaacman began his career with Spescom Ltd. in 1988 as Financial Manager and was a member of Spescom Ltd.'s Board of Directors from 1990 to 2005. Mr. Isaacman is a Chartered Accountant (South Africa) and received a certificate in accounting, tax and auditing from the University of Capetown in 1982.

Mr. Hamilton has been a Director of the Company since June 1994. He served as Chairman of the Board of the Company from January 1997 through June 1997. Since 1983 Mr. Hamilton has served as President of Hamilton Research, Inc., a financial consulting firm. Mr. Hamilton received a B.S. degree in Economics from Auburn University in 1961.

Mr. Unruh has served as a Director of the Company since May 1988. Since January 2003 he has been Managing Partner of Hein & Associates LLP, certified public accountants, as well as its Managing Tax Partner since 1982. Mr. Unruh has served as a director of Advanced Laser Technology, Inc. since 1999 and also served as a director of Basin Exploration, Inc., an oil exploration and development company from 1992 to 2001. Mr. Unruh received a B.S. degree in Accounting from the University of Denver in 1973.

Dr. Myers, a nominee of Spescom Ltd., has been a Director of the Company since July 2001. In October 2003 Dr. Myers was appointed as a member of the board of directors of Spescom Ltd. and serves as Chairman. Dr. Myers, currently a consultant, has over 30 years of international business experience specializing in the telecommunications industry. Dr. Myers served as President of Southwestern Bell International Development Africa (Pty) Ltd from 1985 to 1998. Dr. Myers served as the Executive Vice President of that company from 1994 to 1995. From 1993 to 1994, Dr. Myers was the Executive Director of Technology Resources Incorporated. From 1991 to 1993, Dr. Myers was the President of JMA, Inc. From 1979 to 1991, Dr. Myers was the President of The Gammon Group, Inc. From 1969 to 1978, Dr. Myers was a Principal with the accounting firm Arthur Young & Company. From 1965 to 1969, Dr. Myers was an Operations Research Analyst with Texas Instruments, Inc. Dr. Myers earned his B.A. in Mathematics from Texas A&M University in 1963, a Master of Arts in Mathematical Physics from the University of Arizona in 1965, and a Doctor of Philosophy in Industrial Engineering/Operations Research from Texas Tech University in 1969. Dr. Myers is currently serving as a Director for the following entities: Blackstar Investors PLC, African Merchant Bank, Econet Wireless, and American Chamber of Commerce of South Africa.

All directors are elected annually and serve until the next annual meeting of shareholders and until their successors have been elected and qualified.

Vote Required and Recommendation of the Board

The six nominees receiving the highest number of affirmative votes of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) represented at the Annual Meeting and voting on the election of directors shall be elected as directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF ALL SIX NOMINEES NAMED ABOVE.

When a proxy in the form of the proxy enclosed with this Proxy Statement is returned properly executed, unless marked to the contrary, such proxy will be voted in order to elect as many of the directors named above as possible, as described in the first paragraph of this Proposal 1.

PROPOSAL 2

**APPROVAL OF AMENDMENT TO ARTICLES OF INCORPORATION
TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK**

The Board of Directors has unanimously adopted a resolution approving, and is recommending to the shareholders for approval at the Annual Meeting, an amendment to Article III of the Company's Restated Articles of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 100,000,000 to 200,000,000. This proposal is referred to elsewhere in this Proxy Statement as the Authorized Share Amendment. The Board has determined that this amendment is in the best interests of the Company and its shareholders. The Company is currently authorized to issue 1,000,000 shares of preferred stock, and the proposed amendment will not affect that authorization.

Purpose and Effect of the Proposed Amendment

The proposed amendment would increase the number of shares of Common Stock the Company is authorized to issue from 100,000,000 to 200,000,000. The additional 100,000,000 shares of Common Stock would be a part of the same existing class of Common Stock, and, if and when issued, would have the same rights and privileges as the shares of Common Stock currently issued and outstanding. The authorization of the additional 100,000,000 shares of Common Stock would not effect the rights, preferences or privileges of the holders of the Company's preferred stock.

The Company currently has 100,000,000 shares of authorized Common Stock. As of March 1, 2007, the Company had approximately 37,144,494 shares of Common Stock issued and outstanding. In addition, as March 1, 2007, the following shares of Common Stock were reserved for issuance by the Company: (i) 4,372,750 shares of Common Stock issuable upon the exercise of outstanding stock options; (ii) 6,726,852 shares of Common Stock issuable upon exercise of outstanding warrants; (iii) 11,757,778 shares of Common Stock issuable upon conversion of outstanding Series F Convertible Preferred Stock; and (iv) up to 33,793,103 shares of Common Stock issuable upon conversion of outstanding Series I Convertible Preferred Stock. Accordingly, as of March 1, 2007, there were an aggregate of 93,794,477 shares of Common Stock outstanding or reserved for issuance and only 6,205,523 authorized shares of Common Stock that were not outstanding or reserved for issuance.

The Board believes that it is desirable to increase the number of shares of Common Stock the Company is authorized to issue to provide the Company with adequate flexibility in the future with respect to the issuance of its Common Stock for general corporate purposes, including grants of stock options or other stock-based compensation to employees and consultants, payment of stock dividends, equity financings, acquisitions or other business combinations, and stock splits or other recapitalizations, and with respect to the establishment of reserves for uses including employee incentive programs. The Board has no present arrangements, agreements, commitments, understandings or definitive plans with regard to the issuance of the proposed additional shares other than current commitments associated with the shares reserved for issuance as discussed in the preceding paragraph, which can be effected even if this proposal were not approved. As discussed in the following paragraph, the board anticipates that, if the shareholders approve both the Authorized Share Amendment and the 2007 Stock Incentive Plan, a portion of the newly authorized shares will be reserved for issuance pursuant to awards under the 2007 Plan.

As set forth in Proposal 3, the Board is seeking approval of the 2007 Stock Incentive Plan (the 2007 Plan), which provides that the number of shares of Common Stock that may be issued pursuant to stock options and other awards under the plan may not exceed 7,500,000. In the event the adoption of the 2007 Plan is approved by the shareholders, the Board intends to reserve for issuance pursuant to awards

under the plan a number of shares of Common Stock no greater than the number of shares then authorized but not outstanding or otherwise reserved for issuance, even if fewer than the 7,500,000 share maximum set forth in the 2007 Plan. (As indicated above, as of March 1, 2007, there were 6,205,523 authorized shares that were neither outstanding nor reserved for issuance.) Consequently, if the 2007 Plan is approved by the shareholders but the Authorized Share Amendment is not so approved, the Board anticipates that, immediately following the Annual Meeting, it would be limited to reserving fewer than 7,500,000 shares of Common Stock for issuance pursuant to awards under the 2007 Plan. If both proposals are approved, the Board will reserve 7,500,000 shares for issuance pursuant to awards under the 2007 Plan, a portion of which the Board anticipates would be shares newly authorized pursuant to the Authorized Share Amendment. In no event will awards be made under the 2007 Plan pursuant to which the number of shares of Common Stock subject to issuance exceeds the associated reserve established by the Board.

The proposed amendment to Article III would permit the issuance of additional shares of Common Stock, at the discretion of the Board, up to the new maximum authorization. If the Board deems it to be in the best interests of the Company and its shareholders to issue additional shares of Common Stock in the future, the Board will not generally seek further authorization by vote of the shareholders, unless such authorization is otherwise required in a specific case by law or by the listing requirements of any exchange on which the Company's common stock may be quoted. The Board believes it is prudent for the Company to have this flexibility. The holders of Common Stock are not entitled to preemptive rights. Accordingly, the issuance of additional shares of Common Stock will have the effect, under certain circumstances, of diluting the ownership, earnings per share, and voting right of shareholders.

The proposed increase in the number of shares of common stock that the Company is authorized to issue is not intended to inhibit a change in control of the Company. The Board is aware, however, that an increase in the number of authorized but unissued shares of common stock could discourage, or make more difficult, efforts to effect a change in control of the Company. The Board could use the increased number of authorized shares to frustrate persons attempting to gain control of the Company that would otherwise pay an above-market premium favored by holders of a majority of the shares of Common Stock. For example, the Board could privately place shares with purchasers who may side with the Board in opposing a hostile takeover or issue securities that would dilute the stock ownership of persons seeking to obtain control of the Company. There are certain provisions in the Bylaws and Restated Articles of Incorporation of the Company that also could have an anti-takeover effect, in particular the ability to grant shares of our preferred stock, which may be convertible into Common Stock. The Board is not aware of any pending or threatened efforts to effect a change in control of the Company and is not recommending this proposal as part of an anti-takeover strategy.

Implementing the Proposed Amendment

To effect the Authorized Share Amendment, a Certificate of Amendment would be filed with the Secretary of State of the State of California amending and restating Paragraph (a) of Article III of the Company's Restated Articles of Incorporation to read as follows:

(a) This corporation is authorized to issue two classes of shares of stock, designated, respectively as Common Stock and Preferred Stock. The total number of shares of all classes of stock that this Corporation is authorized to issue is Two Hundred-One Million (201,000,000), consisting of Two Hundred Million (200,000,000) shares of Common Stock and One Million (1,000,000) shares of Preferred Stock.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) entitled to vote at the Annual Meeting will be required for approval of the Authorized Shares Amendment. In the absence of approval, the authorized number of shares of Common Stock will remain 100,000,000.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE AUTHORIZED SHARES AMENDMENT TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK TO 200,000,000.

When a proxy in the form of the proxy enclosed with this Proxy Statement is returned properly executed, unless marked to the contrary, such proxy will be voted in favor of the increase in authorized shares of Common Stock contemplated by the Authorized Shares Amendment.

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PROPOSAL 3

APPROVAL OF 2007 STOCK INCENTIVE PLAN

The Board of Directors has unanimously adopted a resolution approving, and is recommending to the shareholders for approval at the Annual Meeting, the Spescom Software Inc. 2007 Stock Incentive Plan (the "2007 Plan"). The Board has determined that adoption of the 2007 Plan is in the best interests of the Company and its shareholders.

The 2007 Plan is intended to be the successor to the Spescom Software Inc. Amended and Restated 1996 Stock Incentive Plan, which expired in 2006, and to govern the grant of stock-based awards to our employees (including officers), directors and consultants. Its purpose is to enable the Company and any other entity controlling or controlled by the Company (an "affiliate") to attract, retain and motivate their directors, employees (including officers) and consultants by providing for or increasing the proprietary interests of such persons in the Company through the granting of stock-based awards.

The principal provisions of the 2007 Plan are summarized below. This summary is qualified in its entirety by reference to the actual 2007 Plan, a copy of which is attached as Appendix A to this Proxy Statement.

Purpose of Adopting the 2007 Plan

Adoption of the 2007 Plan will provide the Company with the continued ability to provide equity-based compensation to employees (including officers), directors and consultants of the Company and its affiliates, thereby enabling the Company to attract, retain and motivate its directors, employees (including officers) and consultants by providing for or increasing the proprietary interests of such persons in the Company.

If shareholders approve the 2007 Plan, the Company will use the 2007 Plan to compensate employees (including officers), directors and consultants of the Company and its affiliates. If the shareholders do not approve the 2007 Plan, the Company will not have a shareholder-approved plan from which to be able to make incentive stock awards to such persons on an ongoing basis, as the Company's Amended and Restated 1996 Stock Incentive Plan expired last year and no new incentive stock awards may be granted under that plan. As a result, if the shareholders do not approve the 2007 Plan, the Board believes that the Company will be placed at a disadvantage in keeping its current employees and attempting to attract new employees.

Summary of the Key Terms of the 2007 Plan

The following is a brief description of the 2007 Plan. The full text of the 2007 Plan is attached as Appendix A to this Proxy Statement, and the following description is qualified in its entirety by reference to the text of the 2007 Plan set forth in Appendix A.

Eligibility. All employees (including officers), directors and consultants of the Company or its affiliates, are eligible to receive stock awards under the 2007 Plan, except that consultants are ineligible to receive incentive stock options by law (each employee, director or consultant who receives such a stock award, a "Participant"). As of March 1, 2007, there were approximately 35 employees (including officers), 5 directors, and 5 consultants who would be eligible to participate in the 2007 Plan. Participants will receive grants of stock awards at the discretion of the Board as compensation for their services to the Company or its affiliates.

Types of Awards. The types of stock awards that are available for grant under the Plan are:

- incentive stock options;
- nonstatutory stock options;
- stock bonus awards;
- stock appreciation rights;
- phantom stock units; and
- restricted stock units.

Administration of the 2007 Plan. The Board shall administer the 2007 Plan unless and until the Board delegates administration to a committee (the Committee). The Board has the power and authority to, among other things: (i) determine which persons eligible under the 2007 Plan shall be granted stock awards, (ii) determine the type(s), number, terms and conditions of stock awards, as well as the timing and manner of grant, (iii) interpret the 2007 Plan, and establish, amend and revoke rules and regulations to administer the 2007 Plan, (iv) amend the 2007 Plan or any stock award granted pursuant thereto, (v) terminate or suspend the 2007 Plan, (vi) adopt sub plans and/or special provisions applicable to stock awards regulated by the laws of a foreign jurisdiction, and (vii) exercise such powers and perform such acts as the Board deems necessary, desirable, convenient or expedient to promote the best interests of the Company that are not in conflict with the provisions of the 2007 Plan. If the Board delegates administration to the Committee, the Committee may exercise, in connection with the administration of the 2007 Plan, any of the powers and authority granted to the Board under the 2007 Plan. The Committee may delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise, subject to such resolutions as may be adopted from time to time by the Board (and references in the 2007 Plan and this summary to the Board shall thereafter be to the Committee or the subcommittee, as applicable). The Board may also delegate to one or more officers of the Company the authority to grant stock awards to Participants who are not officers to the extent permitted by California law. The Board may abolish the Committee at any time and revest in the Board some or all of the administration of the 2007 Plan.

Stock Subject to the 2007 Plan.

The number of shares of our Common Stock that may be issued pursuant to stock awards under the 2007 Plan may not exceed 7,500,000 shares (the Share Reserve). Each share of Common Stock issued pursuant to a stock award will reduce the Share Reserve by one share. To the extent that a distribution pursuant to a stock award is made in cash, the Share Reserve will not be reduced. Shares of Common Stock covered by stock awards that expire, are cancelled, terminate, are repurchased by us at cost or reacquired by us prior to vesting, will revert to and again become available for issuance under the 2007 Plan.

In addition, the number of shares of our Common Stock that may be issued pursuant to stock awards under the 2007 Plan may not exceed the reserve for the issuance of such shares that the Board will establish if the 2007 Plan is approved. The number of shares included in that reserve will be 7,500,000 if both the 2007 Plan and the Authorized Share Amendment (as discussed in Proposal 2) are approved by the shareholders. If, however, the 2007 Plan is approved by the shareholders but the Authorized Share Amendment is not, the Board anticipates that, immediately following the Annual Meeting, it will be limited to reserving fewer than 7,500,000 shares for issuance pursuant to stock awards under the 2007 Plan. See Purpose and Effect of the Proposed Amendment under Proposal 2 for more information regarding the anticipated effects of the approval or non-approval of the Authorized Share Amendment with respect to the issuance of stock awards under the 2007 Plan and of shares of Common Stock pursuant to such awards.

Other Share Limits. The maximum aggregate number of shares of Common Stock that may be issued pursuant to incentive stock options under the 2007 Plan is 7,500,000 shares. No employee shall be eligible to be granted incentive stock options, nonstatutory stock options, or stock appreciation rights covering more than 2,000,000 shares of Common Stock during any calendar year.

Fair Market Value. Generally, fair market value of the Company's Common Stock will be the closing sales price of the Company's Common Stock on the OTC Bulletin Board on the date of determination. On February 23, 2007, the fair market value per share of the Company's Common Stock determined on such basis was \$0.09.

Terms and Conditions of Options.

For each option, the Board will determine in the optionholder's option agreement whether and how such option will vest. Generally, only the vested portion of an option will be exercisable for shares of Common Stock. To the extent required by California securities law, options granted to employees who are not officers will provide for vesting at a rate of at least 20% per year over 5 years from the date of grant.

The exercise price per share of incentive stock options and nonstatutory stock options will be at least 100% of the fair market value per share of our Common Stock on the date the option is granted. The purchase price of Common Stock acquired pursuant to an option will be paid to the Company (i) in cash or by check at the time the option is exercised, or (ii) in the discretion of the Board, in another form of legal consideration other than a promissory note or other form of deferred payment. Unless there is a provision to the contrary in the individual optionholder's option agreement, payment for Common Stock pursuant to an option may only be made in the form of cash or check.

If an optionholder's continuous service terminates for any reason other than disability, death or for cause, he or she will generally have three months from the date of such termination to exercise his or her options (to the extent that the optionholder was entitled to exercise such options as of the date of such termination), unless his or her option agreement provides otherwise. If an optionholder's continuous service terminates as a result of the optionholder's disability or death, he or she will generally have twelve months in the case of disability and eighteen months in the case of death to exercise (or for his or her estate to exercise) his or her options (to the extent that the optionholder was entitled to exercise such options as of the date of such termination), unless his or her option agreement provides otherwise. If an optionholder's continuous service is terminated for cause, his or her option will immediately terminate. However, in no event may the optionholder exercise an option past the expiration of its term as set forth in the option agreement. The term of each option granted under the 2007 Plan will generally be ten years from the date of grant.

Terms and Conditions of Stock Bonus Awards. Stock bonus awards are grants of shares of Common Stock not requiring the payment of any monetary consideration by a Participant. Stock bonus awards may be subject to vesting and such vesting may be based on a Participant's continuous service and/or the achievement of performance criteria. For each stock bonus award the Board will determine in the Participant's award agreement whether and how such stock bonus award will vest. In the event a Participant's continuous service terminates, all unvested shares under these awards shall be automatically reacquired by us at no cost to us.

Terms and Conditions of Stock Appreciation Rights. The Board may grant stock appreciation rights independently of or in connection with an option grant. The base price per share of a stock appreciation right will be at least 100% of the fair market value per share of underlying Common Stock on the date of grant. Each stock appreciation right entitles a Participant upon redemption to an amount equal to (a) the excess of (1) the fair market value on the redemption date of one share of Common Stock over (2) the base price, times (b) the number of shares of Common Stock covered by the stock appreciation right being redeemed. To the extent a stock appreciation right is granted concurrently with an option grant, the redemption of the stock appreciation right will proportionately reduce the number of shares of Common Stock subject to the concurrently granted option. Stock appreciation rights may be paid in shares of Common Stock, cash or a combination thereof in the Board's discretion.

Terms and Conditions of Phantom Stock Units. A phantom stock unit is the right to receive the value of one share of Common Stock, redeemable upon terms and conditions set by the Board. Phantom stock units may be paid in shares of Common Stock, cash or a combination thereof in the Board's discretion at the time of vesting.

Terms and Conditions of Restricted Stock Units. The Board also may award restricted stock units which entitle a Participant to receive one share of Common Stock per unit at the time the unit vests. The Board has discretion to provide that a Participant pay for restricted stock units with cash or other consideration permitted by law. The vesting of restricted stock units may be based on a Participant's continuous service or the achievement of performance criteria. In the event a Participant's continuous service terminates, the unvested portion of any restricted stock unit will expire immediately. To the extent permitted under the terms of the applicable restricted stock unit agreement, a Participant may elect to defer receipt of shares of Common Stock otherwise deliverable upon the vesting of such restricted stock units if such election complies with the procedures established by the Board and applicable law.

Repurchase Option Limitation. The terms of any repurchase option applicable to the unvested portion of a Participant's stock award (or shares of Common Stock subject to the unvested portion of a stock award) granted under the 2007 Plan will be at the original purchase price of such stock award. To the extent required by California securities law, the Company's right to repurchase or reacquire at the original purchase price will lapse at the rate of at least 20% of the shares of Common Stock per year over 5 years from the date the stock award is granted and the right to repurchase will be exercised within 90 days of termination of the Participant's continuous service or such longer period as may be agreed to by the Company and the Participant whose stock award is the subject of a repurchase option.

Acceleration of Stock Awards. The Board shall have the power to accelerate the time at which a stock award may first be exercised or the time during which a stock award will vest, notwithstanding the provision in any stock award agreement to the contrary.

Adjustment. The maximum number of shares of Common Stock subject to the 2007 Plan, the maximum number of shares of Common Stock that can be granted to an employee during any calendar year pursuant to incentive stock options, nonstatutory stock options, or stock appreciation rights, the exercise, redemption or base price applicable to outstanding stock awards, and the number of shares of Common Stock subject to outstanding stock awards, shall be proportionally adjusted on account of mergers, consolidations, reorganizations, recapitalizations, stock splits, spinoffs, stock dividends, extraordinary dividends and distributions other than regular cash dividends, combinations or exchanges of shares, or other similar transactions (except that conversion of convertible securities of the Company shall not be treated as a transaction that would cause the Board to make such an adjustment). Subject to any required action by the shareholders, the Board shall make such adjustments and the Board's determinations with respect to any adjustment will be final, binding and conclusive.

Effect of Change in Control. In the event of a Change in Control (as defined below), any surviving entity or acquiring entity may (a) assume or continue any stock awards outstanding under the 2007 Plan or (b) substitute similar stock awards with substantially equivalent economic value for those outstanding under the 2007 Plan. If the outstanding awards will not be so continued, assumed, or substituted, then with respect to stock awards held by Participants whose continuous service has not terminated, the Board in its discretion may (1) provide for payment of a cash amount in exchange for the cancellation of the stock awards, (2) continue the stock awards, or (3) terminate the stock awards upon the consummation of the Change in Control, but only if Participants have been permitted to exercise or redeem any portion of (including at the discretion of the Board, any unvested portion of) certain stock awards at or prior to the Change in Control. In the event of a dissolution or liquidation of the Company, all outstanding stock awards will terminate immediately prior to such dissolution or liquidation. A stock award held by any Participant whose continuous service has not terminated prior to a change in control may be entitled to additional acceleration of vesting and exercisability or other terms and conditions as set forth in the stock award agreement for such stock award or in any other written agreement between the Company and the Participant.

Definition of Change in Control. Change in Control means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following: (a) any person or group, other than (i) an employee benefit plan maintained by the Company or an entity controlled by the Company or (ii) Spescom Ltd. or any of its controlled affiliates (each, a Permitted Holder) or (iii) a group controlled by a Permitted Holder, is or becomes the beneficial owner (as defined in Rule 13d-3 and Rule 13d-5 promulgated under the Securities Exchange Act of 1934, as amended (the Securities Exchange Act)), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company or any entity which controls the Company or is a successor to all or substantially all of the assets of the Company, including by way of merger, consolidation or otherwise, (b) the sale, exchange, lease or other disposition of all or substantially all of the assets of the Company to any person or group, as such terms are defined in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act, other than to a Permitted Holder or a group controlled by a Permitted Holder, or (c) a merger or consolidation in which the shareholders of the Company immediately prior to the merger or consolidation fail to possess direct or indirect beneficial ownership of more than 50% of the voting power of the securities of the surviving corporation immediately following such transaction. An entity that would otherwise be a Permitted Holder will generally no longer continue to qualify as such if it is acquired by an unrelated third party.

Amendment and Termination of the 2007 Plan. The Board may amend, suspend or terminate the 2007 Plan in any respect and at any time, subject to shareholder approval, if such approval is required by applicable state corporate or securities law requirements or any securities exchange listing requirements. The Board may amend the 2007 Plan without shareholder approval, if such amendment is necessary in order for the 2007 Plan to comply with federal and state securities law requirements. Further, any amendment of the 2007 Plan will not materially impair, and any suspension or termination of the 2007 Plan will not impair, the rights of any Participant with respect to any stock awards already granted to such Participant without such Participant's consent.

Effective Date: Term of the 2007 Plan. The 2007 Plan will become effective immediately following its approval by the Company's shareholders. Unless earlier terminated by the Board, the 2007 Plan will terminate on the day before the 10th anniversary of the date that the 2007 Plan is adopted by the Board or approved by the shareholders, whichever is earlier.

Tax Consequences of the 2007 Plan

The following discussion of the federal income tax consequences of the 2007 Plan is intended to be a summary of applicable federal law as currently in effect. Foreign, state and local tax consequences

may differ and laws may be amended or interpreted differently during the term of the 2007 Plan or of stock awards granted thereunder. Because the federal income tax rules governing stock awards and related payments are complex and subject to frequent change, Participants are advised to consult their individual tax advisors.

Options: When a nonstatutory stock option is granted, an optionholder is not taxed on the grant of such option. On exercise, however, the optionholder recognizes ordinary income equal to the difference between the option's exercise price and the fair market value of the underlying Common Stock on the date of exercise. Any gain (or loss) on subsequent disposition of the shares of Common Stock acquired through exercise of an option is long-term capital gain (or loss) if the shares are held for at least one year following exercise. When an incentive stock option is granted, an optionholder is not taxed on the grant of such option. Upon exercise, the optionholder does not recognize ordinary income and the Company is not entitled to an income tax deduction. The optionholder, however, must treat the excess of fair market value of the underlying Common Stock on the date of exercise over the option's exercise price as an item of adjustment for purposes of the alternative minimum tax. If the optionholder disposes of the underlying Common Stock after the optionholder has held the Common Stock for at least two years from the date of grant and one year after the incentive stock option was exercised, the amount the optionholder receives upon the disposition over the exercise price is treated as long-term capital gain for the optionholder. If the optionholder makes a disqualifying disposition of the underlying Common Stock by disposing of the Common Stock before it has been held for at least two years after the date of grant and one year after the date the incentive stock option was exercised, the optionholder recognizes ordinary income equal to the excess of the fair market value of the underlying Common Stock on the date of exercise over the option's exercise price. The Company generally is entitled to an income tax deduction equal to the ordinary income recognized by the optionholder for the Company's taxable year that ends with or within the taxable year in which the optionholder recognized such ordinary income.

Stock Appreciation Rights and Phantom Stock Units: The grant of a stock appreciation right or phantom stock unit generally is not a taxable event for a Participant or the Company. Upon redemption of the stock appreciation right or vesting of the phantom stock unit, the Participant generally will recognize ordinary income equal to the amount of cash and/or the fair market value (as of the date of receipt) of shares received. The Company will be entitled to a tax deduction in the same year and for the same amount of ordinary income recognized. If the stock appreciation right is settled in shares, the Participant's subsequent sale of the shares generally will give rise to capital gain or loss equal to the difference between the sale price and the ordinary income recognized when the Participant received the shares, and these capital gains (or losses) will be taxable as long-term capital gains if the recipient held the shares for more than one year.

Stock Bonus Awards and Restricted Stock Units: Recipients of stock bonus awards subject to vesting and restricted stock units do not recognize income at the time of the grant of such awards (unless, in the case of the grant of stock bonus awards subject to vesting the recipient makes an election under Section 83(b) of the Internal Revenue Code to be taxed at the time of grant). However, upon payment to Participants of shares of Common Stock with respect to stock units or upon the lapse of restrictions with respect to stock bonus awards, Participants generally recognize ordinary income in an amount equal to the fair market value of the stock or units at such time, and the Company will receive a corresponding deduction.

Limits on Deductions. Under Section 162(m) of the Internal Revenue Code, our ability to deduct compensation paid to our chief executive officer and the four other most highly paid executive officers in a particular year is limited to \$1 million per person, except that compensation that is performance-based, under Section 162(m), will be excluded for purposes of calculating the amount of compensation subject to this \$1 million limitation. Our ability to deduct compensation paid to any other executive officer or employee is not affected by this provision.

New 2007 Plan Benefits

Because benefits under the 2007 Plan will depend on the fair market value of our Common Stock at various future dates, and because the level of stock awards (including options) will be determined in the discretion of the Board, it is not possible to determine the benefits or awards that will be received by Participants under the 2007 Plan if our shareholders approve the 2007 Plan. Therefore, we have not included a table reflecting such benefits and awards.

Vote Required and Recommendation of the Board of Directors

Approval of the 2007 Plan requires the affirmative vote of shares constituting (i) a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) represented at the Annual Meeting and voting on the proposal and (ii) a majority of the quorum required for the meeting. In the absence of approval, the 2007 Plan will be without effect, and no grants thereunder will be made.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE ADOPTION OF THE 2007 PLAN.

When a proxy in the form of the proxy enclosed with this Proxy Statement is returned properly executed, unless marked to the contrary, such proxy will be voted in favor of adoption of the 2007 Plan.

PROPOSAL 4

**APPROVAL OF AMENDMENT TO ARTICLES OF INCORPORATION
TO CHANGE THE NAME OF THE COMPANY**

The Board of Directors has unanimously adopted a resolution approving, and is recommending to the shareholders for approval at the Annual Meeting, an amendment to Article I of the Company's Restated Articles of Incorporation to change the name of the Company to Enterprise Informatics Inc. This proposal is referred to elsewhere in this Proxy Statement as the Name Change Amendment. The Board has determined that this amendment is in the best interests of the Company and its shareholders.

Purpose and Effect of the Proposed Amendment

The Board believes that by changing the Company's name to Enterprise Informatics Inc. current and prospective customers along with investors will gain a better understanding of the Company's mission and vision. Informatics is the science concerned with gathering, manipulating, storing, retrieving, and classifying recorded information, while enterprise organizations with vast amounts of information are who we serve.

The change of the corporate name will not in any way affect the validity or transferability of stock certificates currently outstanding, the capital structure of the Company, or the rights or obligations of the Company with respect to its existing contractual obligations, nor will it impact third parties' obligations with respect to the Company. Similarly, it will not impact the Company's ability to use its current tradename and trademarks.

Implementing the Proposed Amendment

If this proposal is approved by the shareholders, a Certificate of Amendment will be filed with the Secretary of State of the State of California amending and restating Article I of the Company's Restated Articles of Incorporation to read as follows:

The name of the corporation is Enterprise Informatics Inc.

In addition, notification of the name change will be filed with the Securities and Exchange Commission and the National Association of Securities Dealers.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares of Common Stock (whether outstanding or issuable upon the conversion of outstanding shares of Series F Preferred Stock) entitled to vote at the Annual Meeting will be required for approval of the Name Change Amendment. In the absence of approval, the name of the Company will remain as Spescom Software Inc.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF
THE NAME CHANGE AMENDMENT TO CHANGE THE NAME OF THE COMPANY TO ENTERPRISE INFORMATICS INC.**

When a proxy in the form of the proxy enclosed with this Proxy Statement is returned properly executed, unless marked to the contrary, such proxy will be voted in favor of the change of the name of the Company contemplated by the Name Change Amendment.

CORPORATE GOVERNANCE

Committees of the Board of Directors

The Board of Directors has the following standing committees: (i) Audit Committee, (ii) Compensation Committee, (iii) Stock Option Committee, and (iv) Nominating Committee. Information regarding each of these committees is provided below.

Audit Committee. The Audit Committee is responsible for (i) the appointment and oversight of the Company's independent auditors, including reviewing the auditors' qualifications, independence and performance, (ii) the pre-approval of all audit and allowable non-audit services provided by the Company's independent auditors, and (iii) assisting the Board of Directors in its oversight of the quality and integrity of the Company's financial statements, system of internal controls, and accounting and financial reporting processes. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act. The Board of Directors has adopted a written Audit Committee charter. The Audit Committee is comprised of Messrs. Hamilton, Silverman and Unruh. Mr. Unruh is Chairman of the Audit Committee. Messrs. Hamilton, Silverman and Unruh are independent directors under the definition of independence set forth in the NASDAQ listing standards. The Audit Committee held four meetings during the fiscal year ended September 30, 2006.

Compensation Committee. The Compensation Committee reviews the compensation of the Company's officers. The Compensation Committee is comprised of Messrs. Hamilton, Isaacman, Myers and Unruh. The Compensation Committee held one meeting during the fiscal year ended September 30, 2006.

Stock Option Committee. The Stock Option Committee generally administered the Company's Amended and Restated 1996 Stock Incentive Plan and is expected to generally administer the 2007 Stock Incentive Plan, if it is approved by the shareholders (see Proposal 3). The Stock Option Committee is comprised of Messrs. Hamilton, Isaacman, Myers and Unruh. The Stock Option Committee held two meetings during the fiscal year ended September 30, 2006.

Nominating Committee. In January 2007, the Board of Directors established a Nominating Committee comprising Mr. Silverman and Dr. Meyers, which has yet to commence holding meetings. Mr. Silverman is an independent director under the definition of independence set forth in the NASDAQ listing standards. Dr. Meyers is not an independent director under that definition. The objective of the Nominating Committee is to identify and evaluate candidates for service on the Board. Although a charter for the Nominating Committee has not yet been adopted, the Board expects to adopt a written charter for the Nominating Committee during fiscal 2007. In addition, although the Nominating Committee has not yet adopted policies, the committee intends to adopt certain policies associated with the fulfillment of its objective during fiscal 2007.

Because the Nominating Committee has yet to commence holding meetings, the Board as a whole presently continues its past practices of identifying and evaluating candidates for service on the Board, as described under "Director Nomination Process" immediately below. It is anticipated that, during fiscal 2007, the Nominating Committee will assume primary responsibility for identifying and evaluating director candidates and will carry out that role, subject to the oversight of the Board, in substantially the same manner as it is currently carried out by the Board. Following such shift in responsibility to the Nominating Committee, however, it is anticipated that the Board will continue to make final determinations with respect to the rejection, election or nomination of particular candidates, as discussed below, taking into account the recommendations of the Nominating Committee.

Director Nomination Process

As discussed in greater detail under Board Committees immediately above, though the Board of Directors as a whole presently serves to identify and evaluate candidates for service on the Board, it is anticipated that, during fiscal 2007, the Nominating Committee will assume primary responsibility for those functions.

The Board employs a variety of methods to identify and evaluate director candidates. The Board periodically assesses the appropriate size of the Board, whether any vacancies on the Board are expected due to retirement of directors or otherwise, and the need for particular expertise on the Board. To the extent appropriate based on such evaluations, the Board seeks to identify director candidates. Additionally, candidates may come to the attention of the Board at any time through its current members, officers of the Company, professional search firms, shareholders or other persons. Candidates are evaluated at regular or special meetings of the Board, and may be considered at any point during the year. In connection with this evaluation, the Board determines whether to interview the prospective nominee and, as warranted, one or more members of the Board, and others as appropriate, interview prospective nominees in person or by telephone. On the basis of this evaluation and interview, the Board determines whether to reject, elect or nominate the candidate, as the case may be.

The Board will consider written recommendations for director candidates from shareholders. Such recommendations should be submitted to the Board and addressed to Spescom Software Inc. Board of Directors, c/o the Office of the Corporate Secretary, Spescom Software Inc., 10052 Mesa Ridge Court, Suite #100, San Diego, California 92121. Such recommendations should include the following information: (a) all information relating to the candidate that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act (including the person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the name(s) and address(es) of the shareholder(s) making the recommendation and the number of shares of Common Stock which are owned beneficially and owned of record by the shareholder(s); and (c) appropriate biographical information and a statement as to the qualifications of the candidate.

Although the Board currently has no defined minimum criteria for consideration or continued service as a director, the Board evaluates prospective nominees on the basis of factors including their depth and breadth of experience, judgment, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment, willingness to devote adequate time to Board duties, and the extent to which the candidate would be a desirable addition to any committees of the Board. In evaluating prospective nominees, the Board considers the appropriate balance of experience, skills and personal characteristics required of Board members, and seeks to ensure that at least half of the directors are independent under the definition of independence set forth in the NASDAQ listing standards.

The Board evaluates shareholder-recommended candidates using the same process and the same criteria as it uses to evaluate candidates from other sources.

In accordance with the Stock Purchase Agreement dated as of January 14, 2000 between the Company and Spescom Ltd., the Company has covenanted to include two nominees of Spescom Ltd. in management's slate of nominees to be elected to the Board of Directors and to recommend to the shareholders the election of such nominees for as long as Spescom Ltd. or any affiliate of Spescom Ltd. holds at least 33% of the Common Stock. Dr. Myers and Mr. Isaacman are the current nominees designated by Spescom Ltd.

Attendance at Meetings

The Board of Directors held six meetings during the fiscal year ended September 30, 2006. All of the directors attended at least 75% of the aggregate of (i) the total number of meetings of the Board held during the period for which he was a director and (ii) the total number of meetings held by all committees of the Board on which he served during the period he served. The Company encourages directors to attend its annual meeting of shareholders and any special meetings of shareholders. One director attended the last annual meeting of shareholders.

Contacting the Board of Directors

The Company believes that it is important for its shareholders to be able to communicate with its directors, and shareholders interested in communicating directly with the Board, the Chairman, or the non-management directors as a group may do so by sending a letter to the Spescom Software Inc. Board of Directors, c/o the Office of the Corporate Secretary, Spescom Software Inc., 10052 Mesa Ridge Court #100, San Diego, California 92121. Inquiries and other communications may be submitted anonymously and confidentially.

The Corporate Secretary will review the correspondence and forward it to the Chairman of the Board, Chairman of the Audit Committee or to any individual director, group of directors or Committee of the Board to whom the communication is directed, as applicable, if the communication is relevant to, and consistent with, the Company's business and financial operations, policies and corporate philosophies.

The Corporate Secretary has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such communications that are reasonably determined to be unduly hostile, threatening, illegal or are otherwise not reasonably related to the Company or its business.

Code of Ethics

The Company has adopted a Code of Ethics to provide standards for ethical conduct, which applies to the Board of Directors, officers, and all Company employees, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics covers topics including, but not limited to, the expected standards of employee conduct, conflicts of interest, compliance with securities laws, confidentiality of information, insider trading, and compliance with other laws.

Any waiver of a provision of the Code of Ethics with respect to a director or executive officer may only be made by the Board. The Company will file with the SEC on Form 8-K or post on its website all amendments to the Code of Ethics and waivers of its provisions made with respect to any director or executive officer in accordance with the applicable SEC rules.

The Code of Ethics has been posted on the Company's website at www.spescomsoftware.com under the heading Investors.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as to shares of the Common Stock owned as of February 22, 2007 by (i) each director, (ii) all individuals who served as the Company's Chief Executive Officer during the fiscal year ended September 30, 2006, (iii) the other three individuals who served as executive officers during the fiscal year ended September 30, 2006, (iv) all directors and executive

officers as a group and (v) each person who, to the extent known to the Company, beneficially owned more than 5% of the outstanding shares of Common Stock. Unless otherwise indicated in the footnotes following the table, the persons as to whom the information is given have sole voting and investment power over the shares shown as beneficially owned, subject to community property laws where applicable.

Name	Number of Shares (1)		Percent of Class (1)	
Spescom Ltd. (4)	27,408,249	(3)	56.0	%
M.A.G. Capital, LLC (5)	41,680,883	(6)(7)(8)	55.2	%(9)
Forest Securities Limited (10)	3,141,910		8.5	%
D. Ross Hamilton	342,750		*	
Hilton Isaacman	312,500		*	
James P. Myers (2)	27,562,499	(3)	56.2	%
Larry D. Unruh	160,547		*	
John W. Low	704,500		1.9	%
Keith Stentiford (11)				
Pierre de Wet	298,600		*	
Michael Silverman	41,250		*	
Alan Kiraly (12)	122,500		*	
Glenn Cox	196,400		*	
All Current Directors and Executive Officers as a Group (9 persons) (2)	29,741,546	(3)	58.4	%

* Less than one percent.

(1) Amounts and percentages include shares of the Company's common stock that may be acquired within 60 days of February 22, 2007 through the exercise of stock options as follows: 297,000 shares for Mr. De Wet, 122,500 shares for Mr. Kiraly, 160,000 shares for Mr. Cox, 651,000 shares for Mr. Low, 156,250 shares for Mr. Hamilton, 156,250 shares for Mr. Unruh, 312,500 shares for Mr. Isaacman, 141,250 shares for Mr. Myers, 41,250 shares for Mr. Silverman, and 2,038,000 shares for all directors and executive officers as a group.

(2) Dr. Myers, a Director of the Company, is also a member of the board of directors of Spescom Ltd. As an affiliate of Spescom Ltd., Dr. Myers could be deemed to be a beneficial owner of the 27,408,249 shares of common stock of the Company beneficially owned by Spescom Ltd. However, Dr. Myers disclaims beneficial ownership of all such shares.

(3) Amount includes 11,757,778 shares of the Company's common stock issuable upon conversion of the Series F Preferred Stock held by Spescom Ltd. and its United Kingdom subsidiary at an initial conversion price of \$.45 per share.

(4) The primary business address of Spescom Ltd. and Dr. Myers is Spescom Park, Cnr. Alexandra & Second Street, Halfway House, Midrand 1685, South Africa.

(5) The shares of the Company's common stock beneficially owned by M.A.G. Capital, LLC (MAG), as detailed in notes (7) and (8), include certain shares beneficially owned by MAG's affiliates Monarch Pointe Fund, Ltd. (Monarch) and Mercator Momentum Fund III, L.P. (MMF). MAG controls the investments of Monarch and MMF. David F. Firestone is the Managing Member of MAG and, in such capacity, holds the right to vote and the right to dispose of the shares beneficially owned by MAG, Monarch and MMF. The primary business address of MAG is 555 South Flower Street, Suite 4200, Los Angeles, CA 90071, and the primary business address of each of Monarch and MMF is c/o M.A.G. Capital, LLC, 555 South Flower Street, Suite 4200, Los Angeles, CA 90071.

(6) Amount includes 1,475,926 shares of the Company's common stock beneficially owned by MAG by virtue of MAG's ownership of certain warrants, of which shares (i) 550,000 are issuable upon exercise of a warrant at an exercise price of \$0.44 per share; and (ii) 925,926 are issuable upon exercise of warrants at an exercise price of \$0.27 per share.

(7) Amount includes 35,005,556 shares of the Company's common stock beneficially owned by Monarch, of which (i) 3,285,883 are outstanding, (ii) up to 32,000,000 are issuable upon conversion of the Series I Preferred Stock at a conversion price equal to 85% of the market price (the volume weighted average price of the Company's common stock during the 5 trading days prior to conversion, subject to adjustment), provided that in no event shall the conversion price exceed a ceiling price of \$0.21 per share, or be less than a floor price of \$0.0725 per share; (iii) 2,200,000 are issuable upon exercise of a warrant at an exercise price of \$0.44 per share; and (iv) 805,556 are issuable upon exercise of warrants at an exercise price of \$0.27 per share.

(8) Amount includes 1,913,473 shares of the Company's common stock beneficially owned by MMF, of which (i) up to 1,793,103 are issuable upon conversion of the Series I Preferred Stock at a conversion price equal to 85% of the market price (the volume weighted average price of the Company's common stock during the 5 trading days prior to conversion, subject to adjustment), provided that in no event shall the conversion price exceed a ceiling price of \$0.21 per share, or be less than a floor price of \$0.0725 per share; and (ii) 120,370 are issuable upon exercise of a warrant at an exercise price of \$0.27 per share.

(9) Under the Certificate of Determination of Series I Preferred Stock and the terms of each warrant for the purchase of shares of the Company's common stock held by MAG, Monarch and MMF, each of those entities may not convert any shares of Series I Convertible Preferred Stock or exercise any such warrant if doing so would cause the aggregate beneficial ownership of the Company's common stock of MAG, Monarch and MMF to exceed 9.99% of the Company's common stock then outstanding.

(10) The primary business address of Forest Securities Limited is Polygon Hall, P.O. Box 135, Le Marchant Street, St. Peter Port, Guernsey, GY1 4EL.

(11) Mr. Stentiford resigned as Chief Executive Officer and Director of the Company effective August 18, 2006.

(12) Mr. Kiraly was appointed interim Chief Executive Officer of the Company effective August 18, 2006. On January 10, 2006 he was appointed Chief Executive Officer and a Director of the Company.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Officers

The following table and discussion set forth certain information with regard to the Company's current executive officers.

Name	Age	Position
Alan Kiraly	46	Chief Executive Officer
Glenn Cox	50	Vice President, Marketing and Sales
John W. Low	50	Chief Financial Officer and Secretary
Pierre de Wet	43	Vice President, Operations

Biographical information for *Mr. Kiraly* is set forth above in Proposal 1.

Mr. Cox was appointed Vice President, Marketing and Sales in October 2005. Previously *Mr. Cox* served as Vice President Business Development of the Company from April 1998. *Mr. Cox* joined the Company in January 1997 as Vice President Customer Care. Prior to joining the Company *Mr. Cox* was with Northeast Utilities for 15 years holding various management positions within the information technology group. *Mr. Cox* earned a B.S.E. degree from University of Connecticut in 1982.

Mr. Low has served as the Company's Chief Financial Officer and Secretary since June 1990. *Mr. Low* served as Corporate Controller from the time he joined the Company in August 1987 until June 1990. Prior to joining the Company, *Mr. Low* was with PricewaterhouseCoopers LLP, as a Manager working with middle-market and growing companies. *Mr. Low*, a certified public accountant, earned a B.A. degree in Economics from the University of California, Los Angeles in 1978.

Mr. De Wet was appointed Vice President of Operations in September 1999. Previously, *Mr. De Wet* served as Director of Operations from April 1998 to September 1999 and Director of Projects from May 1997 to April 1998. Prior to joining the Company, *Mr. De Wet* was a Technical Marketing Manager at Paradigm System Technology from June 1995 to April 1997 where he was responsible for establishing relationships with technical partners in Europe and North America. From April 1991 to June 1995, *Mr. De Wet* was with PQ Africa, a division of Comparex Holdings. *Mr. De Wet* earned a B.S. degree from the University of Pretoria in 1989.

Summary of Compensation of Executive Officers

The following table sets forth certain information concerning the annual and long-term compensation for services rendered in all capacities to the Company of (i) all individuals who served as the Company's Chief Executive Officer during the fiscal year ended September 30, 2006 and (ii) the other three individuals who served as executive officers during the fiscal year ended September 30, 2006 (collectively, the Named Executive Officers).

Name and Position	Year	Annual Compensation		Other Annual Compensation (\$)(1)	Long-term Compensation Awards Stock Options (# Shares)
		Salary(\$)	Bonus(\$)		
Alan Kiraly Chief Executive Officer (2)	2006	\$ 152,152			200,000
	2005	129,808			
	2004	54,519			30,000
Keith Stentiford Former Chief Executive Officer (3)	2006	\$ 196,967			850,000
	2005	121,154			150,000
Glenn Cox Vice President Sales (4)	2006	\$ 159,312		\$ 66,223	100,000
John W. Low Chief Financial Officer and Secretary	2006	\$ 207,488			150,000
	2005	183,451			
	2004	178,147			
Pierre de Wet Vice President Operations	2006	\$ 160,135			100,000
	2005	143,559			
	2004	144,745			

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- (1) Excludes compensation in the form of other personal benefits, which, other than as set forth in the table above, did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for each year.
- (2) Mr. Kiraly was appointed Interim Chief Executive Officer in August 2006 and the compensation for fiscal 2006 includes \$24,000 received by Mr. Kiraly for his service in that capacity. Prior to his appointment as Interim Chief Executive Officer, Mr. Kiraly served as Vice President of Product Development of the Company.
- (3) Mr. Stentiford resigned as Chief Executive Officer of the Company in August 2006.
- (4) Mr. Cox was appointed Vice President Sales in October 2005. Prior to that appointment, he held the non-executive position of Vice President Business Development of the Company. The compensation of \$66,223 paid in fiscal 2006 related to commissions earned on sales.

Option Grants in Last Fiscal Year

Shown below is information concerning grants of options issued by the Company to the Named Executive Officers during the fiscal year ended September 30, 2006:

Name	Number of Securities Underlying Options Granted(#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(2)	
					5% (\$)	10% (\$)
Alan Kiraly	200,000	9	% \$ 0.13	3/31/16	\$ 16,351	\$ 41,437
Keith Stentiford (3)	750,000	35	% \$ 0.11	12/27/15	\$ 51,884	\$ 131,484
	100,000	5	% \$ 0.13	3/31/16	\$ 8,176	\$ 20,719
Glenn Cox	100,000	5	% \$ 0.13	3/31/16	\$ 8,176	\$ 20,719
John W. Low	150,000	7	% \$ 0.13	3/31/16	\$ 12,263	\$ 31,078
Pierre de Wet	100,000	5	% \$ 0.13	3/31/16	\$ 8,176	\$ 20,719

(1) All options were granted with an exercise price equal to the closing sale price of the Common Stock as reported on the OTC Bulletin Board on the date of grant. The options vest 25% 90 days from the date of grant and in additional annual installments of 25% commencing on the first anniversary of the date of grant.

(2) The 5% and 10% assumed rates of appreciation are specified under the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the future price of its Common Stock. The actual value, if any, which a Named Executive Officer may realize upon the exercise of stock options will be based upon the difference between the market price of the Common Stock on the date of exercise and the exercise price.

(3) Mr. Stentiford resigned in August 2006 and all of his options expired unexercised.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth for the Named Executive Officers information with respect to option exercises during the fiscal year ended September 30, 2006 and unexercised options and option values at September 30, 2006, in each case with respect to options to purchase shares of the Common Stock:

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Options Held as of September 30, 2006		Value of Unexercised in-the- money Options at September 30, 2006(\$)(1)	
			Exercisable	Nonexercisable	Exercisable	Nonexercisable
Alan Kiraly			72,500	157,500		
Keith Stentiford						
Glenn Cox			135,000	85,000		
John W. Low			613,500	112,500		
Pierre de Wet			272,000	75,000		

(1) Based on the closing sale price of the Common Stock on the OTC Bulletin Board on September 30, 2006 (\$0.12 per share).

Equity Compensation Plan Information

The following table gives information about the Company's common stock that may be issued upon the exercise of options under all of the Company's equity compensation plans as of September 30, 2006. The table includes the 1996 Stock Incentive Plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders	4,454,750	\$ 0.28	
Equity compensation plans not approved by security holders	1,300,000	(1)(2)(3) \$ 0.33	
Total	5,754,750	\$ 0.29	

(1) A warrant underlying 1,000,000 of these option shares was granted in 2004 to a public relations firm. The exercise price under the warrant is \$0.40 per share. The warrant expires on November 3, 2007. The warrant vests and becomes exercisable as follows: (i) 500,000 option shares vest on the date that the average of the last sale price of the Company's stock on the OTC Bulletin Board for the ten trading days immediately preceding such date (the Market Price) exceeds \$0.60 per share, (ii) 250,000 option shares vest on the date that the Market Price exceeds \$0.70 per share, and (iii) the remaining 250,000 option shares vest and become exercisable on the date that the Market Price exceeds \$0.80 per share.

(2) A warrant underlying 300,000 of these option shares was granted on March 31, 2006 to a public relations firm. The exercise price under the warrant is \$0.10 per share. The warrant expires on the third anniversary of its date of issuance.

(3) Amount does not include 825,000 shares issuable upon exercise of certain warrants granted to an investment consulting firm pursuant to an agreement executed in connection with the November 2004 private placement of Series G Convertible Preferred Stock. Specifically, that firm received warrants to purchase (i) 550,000 shares of the Company's common stock at a purchase price of \$0.40 per share, expiring November 5, 2009, and (ii) 275,000 shares of the Company's common stock at a purchase price of \$0.44 per share, expiring November 5, 2007.

Employment Arrangements

The Company does not have any employment contracts with the Company's executive officers other than the retention agreements described in the following paragraph.

The Company has entered into retention agreements with Alan Kiraly, Glenn Cox, John W. Low and Pierre de Wet, each of which contains the following terms and conditions: If, at the time of a change in control of the Company, the executive officer party to the agreement has not voluntarily terminated his employment or been terminated by the Company for cause, the officer shall be entitled to a retention bonus, payable in cash and/or securities of the entity acquiring the Company (the Acquirer), allocated to him from a bonus pool with the approval of the Compensation Committee. The bonus pool shall be equal to seven percent of the net acquisition proceeds received by the Company in connection with the change in control, provided that the minimum amount of such pool shall be \$450,000 and the maximum amount shall be \$675,000. The officer shall be entitled to receive at least 50% of the retention bonus in cash. If the officer is not employed by the Company or the Acquirer after the change in control, the Company agrees to, within 12 months after the change in control, redeem, or cause the redemption of, for cash any non-marketable securities of the Acquirer that were paid as part of the retention bonus. The redemption shall be at fair market value, as determined by the Acquirer. In addition to the retention bonus, the Company agrees, subject to the officer's execution of a release and separation agreement, to pay the officer severance benefits equal to his base salary for a certain period, which in each case is six or nine months, and a portion of the COBRA premiums under the Company's or the Acquirer's health plan for the same period, when (i) the officer does not remain employed with the Company or the Acquirer immediately following the change in control and certain other conditions are satisfied or (ii) the officer accepts employment with the Company or the Acquirer following the change in control and is terminated without cause within 12 months.

Director Compensation

The directors of the Company are paid a meeting fee of \$1,250 per Board or Audit Committee meeting attended and \$1,000 per meeting attended of the Compensation, Stock Option or Nominating Committees. In addition Mr. Silverman as Chairman of the Board of Directors receives an annual fee of \$25,000 payable quarterly. Mr. Unruh as Chairman of the Audit Committee receives an annual fee of \$10,000 payable quarterly.

Report of Compensation Committee of the Board of Directors

The following is the Report of the Compensation Committee describing the compensation policies and rationales applicable to the Company's executive officers with respect to the compensation paid to our executive officers for the fiscal year ended September 30, 2006.

The responsibilities of the Compensation Committee are to set compensation policies applicable to the Company's executive officers. The Committee's fundamental policy is to offer the Company's executive officers competitive compensation opportunities based upon the overall performance of the Company, the individual contribution of such officers to the financial success of the Company and market rates of compensation of executive officers at similarly situated technology companies. It is the Committee's objective to have a substantial portion of each officer's total compensation potential contingent upon the Company's performance, as well as upon the officer's own level of performance. Accordingly, each executive officer's compensation package is generally comprised of three elements: (i) base salary, which is established primarily on the basis of individual qualifications, performance and market considerations, (ii) annual variable performance awards payable in cash and tied to the Company's achievement of financial performance goals and the executive's contribution to the achievement of those goals, and (iii) long-term stock-based incentive awards that are intended to strengthen the mutuality of interests between the executive officers and the shareholders.

Base Salary. Individual officer salaries are determined based on individual experience, performance and breadth of responsibility within the Company. The Compensation Committee reviews these factors for each executive officer each year. In addition, the Compensation Committee considers executive officers' salaries for relative competitiveness with similarly-situated companies.

Bonuses. Individual bonuses are based on the contribution of each officer and achievement of overall financial goals of the Company.

Equity Plans. The 1996 Stock Incentive Plan was a long-term incentive plan for the Company's employees, executive officers and directors. The plan expired on March 31, 2006. The plan was intended to align shareholder and employee interests by creating a direct link between long-term rewards and the value of the Company's common stock. The Compensation Committee believes that long-term stock ownership by executive officers and employees is an important factor in retaining valued employees and in achieving growth in share value. The options utilize vesting periods that encourage employees to continue in the employ of the Company. Because the value of an option bears a direct relationship to the Company's stock price, the Compensation Committee believes that options motivate executive officers and employees to manage the Company in a manner which will benefit all shareholders. The Compensation Committee has submitted for shareholder approval the new Stock Incentive Plan described in Proposal 3 of this Proxy Statement.

Stock options may be awarded to employees at any time. The exercise price per share of each stock option is generally equal to the prevailing market price of a share of the Company's common stock on the date the option is granted. The size of stock option grants is determined by a number of factors, including comparable grants to executive officers and employees of similarly situated companies, as well as the executive officer's relative position and responsibilities with the Company, the individual performance of the executive officer over the previous fiscal year, the anticipated contribution of the executive officer to the attainment of the Company's long-term strategic performance goals, and the dilutive effect of the option grant. The Committee views stock option grants as an important component of its long-term, performance-based compensation philosophy.

Compensation for the CEO is determined through a process similar to that discussed above for the other executive officers. The Board of Directors reviews the CEO's compensation based on the Board's overall evaluation of performance toward the achievement of the Company's financial, strategic and other goals, with consideration given to length of service, to competitive chief executive officer compensation information and the overall financial strength of the Company. Mr. Stentiford served as the Company's CEO from prior to the beginning of fiscal 2006 through his resignation in August 2006. Mr. Stentiford's compensation for his service as CEO during fiscal 2006, as approved by the Board, consisted of base salary at the annual rate of \$230,000, target bonus and stock options. Mr. Stentiford was not eligible for receipt of the target bonus approved by the Board because he resigned prior to the end of fiscal 2006. Mr. Kiraly was appointed Interim Chief Executive Officer in August 2006 following Mr. Stentiford's resignation and was appointed Chief Executive Officer in January 2007. Mr. Kiraly's compensation for his services during fiscal 2006, as approved by the Board, consisted of base salary at the annual rate of \$204,000.

Respectfully submitted by the Compensation Committee of the Board of Directors of Spescom Software Inc. for the year ended September 30, 2006.

D. Ross Hamilton Chair
 Hilton Isaacman
 James P. Myers
 Larry D. Unruh

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is and, throughout the fiscal year ended September 30, 2006, was comprised of Messrs. Hamilton, Isaacman, Myers and Unruh. None of the committee members is or, during the fiscal year ended September 30, 2006, was an employee or officer of the Company. Mr. Hamilton held the office of Chairman of the Board of the Company from January 1997 through June 1997. No executive officer of the Company has served as a member of the Board of Directors or Compensation Committee of any company in which Messrs. Hamilton, Isaacman, Myers and Unruh is an executive officer.

INDEPENDENT PUBLIC ACCOUNTANTS AND AUDIT-RELATED INFORMATION

Independent Public Accountants

Singer Lewak Greenbaum & Goldstein LLP has audited the Company's financial statements and related schedules for the fiscal year ended September 30, 2006. Representatives of Singer Lewak Greenbaum & Goldstein LLP are not expected to be present at the annual meeting of shareholders and therefore are not expected to be available to respond to questions. Representatives of Singer Lewak Greenbaum & Goldstein LLP will have the opportunity to attend the annual meeting of shareholders and to make a statement if they desire to do so. The selection of independent public accountants to audit the Company's fiscal 2007 financial statements will be made in the second half of fiscal 2007 after an evaluation of the audit fee proposal.

Fees Paid to Independent Public Accountants

In April 2004 the Company terminated Grant Thornton LLP as the Company's independent public accountants and appointed Singer Lewak Greenbaum & Goldstein LLP. The following fees were paid to Singer Lewak Greenbaum & Goldstein LLP and Grant Thornton LLP for services provided to the Company for the fiscal years ended September 30, 2006 and 2005:

	For the year ended September 30,	
	2006	2005
Audit Fees	\$ 197,034	\$ 206,666
Audit-Related Fees	14,498	24,992
Tax Fees		
All other fees		
Total	\$ 211,532	\$ 231,658

Audit Committee Pre-Approval Policies and Procedures

Pursuant to the Audit Committee charter, the Audit Committee must approve in advance all audit and permissible non-audit services provided by the Company's independent auditors. Accordingly, all of the services described in the table immediately above were approved in advance by the Audit Committee.

As the Audit Committee has not delegated any pre-approval authority, the Audit Committee has not adopted any specific pre-approval policies and procedures for delegates relating to the engagement of its independent auditors. None of the services described in the table immediately above were approved by the Audit Committee under the *de minimis* exception provided by Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Report of the Audit Committee

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process. The Company's independent auditors are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements and related schedules for the fiscal year ended September 30, 2006. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also received from the independent auditors the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the Company and its management. Additionally, the Audit Committee did consider whether the independent auditors' provision of non-audit related tax work is compatible with the independent auditors' independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements and related schedules for the fiscal year ended September 30, 2006 be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2006 for filing with the Securities and Exchange Commission.

The Board has adopted a written charter setting out the audit related functions the Audit Committee is to perform.

Submitted by the Audit Committee:

Larry D. Unruh Chair

D. Ross Hamilton

Hilton Isaacman

Jim Myers

In accordance with the rules of the Securities and Exchange Commission, the foregoing information, which is required by paragraphs (a) and (b) of Regulation S-K Item 306, shall not be deemed to be soliciting material or to be filed with the Commission or subject to the Commission's Regulation 14A, other than as provided in that Item, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, or the Securities Exchange Act of 1934.

STOCK PERFORMANCE GRAPH

The stock performance graph shall not be deemed to be incorporated by referenc