EMTEC INC/NJ
Form DEF 14A
December 28, 2007

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

Emtec, Inc.

(Name of Registrant as Specified in Its Charter)

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

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x No fee required.
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(1) Title of each class of securities to which transaction applies:

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Copies of all communications to:

Scott K. Baker
Dechert LLP
Cira Centre
2929 Arch Street
Philadelphia, PA 19104
215-994-2992

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EMTEC, INC.
525 Lincoln Drive West
5 Greentree Center, Suite 117
Marlton, New Jersey 08053

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 29, 2008

Dear Stockholders,

The Annual Meeting of Stockholders of Emtec, Inc. (the Company) will be held at The Enterprise Center at BCC, 3331 Route 38, Mt. Laurel, New Jersey 08054, on Tuesday, January 29, 2008, commencing at 10:00 a.m. for the following purposes:

To elect one Class B director to the Board of Directors to serve for a term ending at the 2009 Annual Meeting and until his successor has been elected and qualified;
To ratify the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending August 31, 2008; and
To attend to any other business properly brought before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice. The record date for determining those stockholders, who will be entitled to notice of, and vote at, the Annual Meeting, or any adjournment thereof, is December 26, 2007. The stock transfer books of the Company will not be closed between the record date and the date of the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the offices of the Company.

You are cordially invited to attend the meeting in person. Whether or not you plan to attend the Annual Meeting, please sign and date the enclosed proxy, which is solicited by us and our Board of Directors, and promptly return it in the pre-addressed envelope provided for that purpose. Any stockholder may revoke his or her proxy at any time before the Annual Meeting by giving written notice to such effect, by submitting a subsequently dated proxy or by attending the Annual Meeting and voting in person.

EMTEC, INC.

By: Sam Bhatt,
Secretary

Marlton, New Jersey
December 28, 2007

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EMTEC, INC.
525 Lincoln Drive West
5 Greentree Center, Suite 117
Marlton, New Jersey 08053

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 29, 2008

This proxy statement and the accompanying proxy card are being mailed beginning on or about December 28, 2007 to the owners of shares of common stock of Emtec, Inc., a Delaware corporation (the Company), in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders to be held on January 29, 2008, at 10:00 a.m. at The Enterprise Center at BCC, 3331 Route 38, Mt. Laurel, New Jersey 08054 and any adjournment thereof (the Annual Meeting) for the purposes set forth in the accompanying Notice of Annual Meeting and as further discussed herein. This proxy procedure is necessary to permit all holders of our common stock, many of whom live throughout the United States and in foreign countries and are unable to attend the Annual Meeting, to vote. The Board of Directors (the Board) does not know of any business to be presented for consideration at the Annual Meeting or any adjournment thereof other than as stated in the Notice of Annual Meeting.

A copy of the Company s Annual Report to Stockholders for the fiscal year ended August 31, 2007, accompanies this proxy statement.

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QUESTIONS AND ANSWERS

Your vote is very important. Your shares can only be voted at the Annual Meeting if you are present or represented by proxy. Whether or not you plan to attend the Annual Meeting, you are encouraged to vote by proxy to assure that your shares will be represented. You may revoke your proxy at any time before it is voted by written notice to the Secretary of the Company by submission of a proxy bearing a later date or by casting a ballot at the Annual Meeting. Properly executed proxies that are received before the Annual Meeting s adjournment will be voted in accordance with the directions provided. If no directions are given, your shares will be voted by one of the individuals named on your proxy card as recommended by the Board of Directors. If you wish to give a proxy to someone other than those named on the proxy card, you should cross out those names and insert the name(s) of the person(s), not more than two, to whom you wish to give your proxy.

Q: WHO IS SOLICITING MY VOTE?

A: This proxy solicitation is being made on behalf of us and our Board of Directors. Proxies are being solicited by mail, and all expenses of preparing and soliciting such proxies will be paid by us. In addition to the use of mail, proxies may be solicited by our directors, officers and regular employees, without additional compensation, in person or by telephone or other electronic means. We will reimburse brokerage houses and other nominees for their expenses in forwarding proxy materials to beneficial owners of our common stock.

Q: WHO IS ENTITLED TO VOTE?

A: Stockholders as of the close of business on December 26, 2007 (the Record Date) are entitled to vote at the Annual Meeting. On that date, 14,839,260 shares of our Common Stock were outstanding and eligible to vote. Every holder of Common Stock is entitled to one vote for each share held. A list of stockholders eligible to vote will be available at our principal place of business, 525 Lincoln Drive West, 5 Greentree Center, Suite 117, Marlton, New Jersey, beginning January 2, 2008. Stockholders may examine this list during normal business hours for any purpose relating to the Annual Meeting.

Q: WHO WILL COUNT THE VOTE?

A: Representatives of our transfer agent, Zions Bank, will count the votes.

Q: IS MY VOTE CONFIDENTIAL?

A: Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Zions Bank, and handled in a manner that protects your voting privacy. Your vote will not be disclosed except (1) as needed to permit Zions Bank to tabulate and certify the vote and (2) as required by law. Additionally, all comments written on the proxy card or elsewhere will be forwarded to management. Your identity will be kept confidential unless you ask that your name be disclosed.

Q: WHAT IS A QUORUM?

A: A quorum is a majority of the outstanding shares of our common stock entitled to vote on December 26, 2007. These shares must be present at the Annual Meeting, in person or by proxy, for the meeting to be held for the transaction of business.

Broker non-votes, votes withheld and abstentions will be counted for purposes of determining whether a quorum has been reached. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have the discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Q: HOW MANY VOTES ARE REQUIRED FOR THE APPROVAL OF THE PROPOSALS?

A: Assuming a quorum is present, the director will be elected by a plurality of the votes cast at the Annual Meeting. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of a majority of shares present and entitled to vote at the Annual Meeting and voting thereon. Because abstentions will be included in tabulations of the votes entitled to vote for purposes of determining whether a proposal has been approved, abstentions have the same effect as negative votes. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matters which the broker has not expressly voted. Broker non-votes are not counted in determining whether the affirmative vote required for the approval of Items 1 and 2 has been cast.

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Q: HOW DOES THE BOARD RECOMMEND I VOTE?

A: The Board recommends a vote **FOR** the Board nominee (Item 1), and **FOR** the ratification of the Board of Directors appointment of McGladrey & Pullen LLP as the independent, registered certified public accountants of the Company for the upcoming year (Item 2).

Q: WHO CAN ATTEND THE ANNUAL MEETING?

A: All stockholders as of December 26, 2007, the record date, can attend. If your shares are held through a broker and you would like to attend, please bring a copy of your brokerage account statement or an omnibus proxy (which you can obtain from your broker) to gain entrance to the Annual Meeting.

Q: HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?

A: We do not know of any business to be considered at the Annual Meeting other than the proposals described in this proxy statement. If any other business is presented at the Annual Meeting, your signed proxy card gives authority to Dinesh R. Desai, our Chairman, President and Chief Executive Officer, and Stephen C. Donnelly, our Chief Financial Officer, to vote on such matters at their discretion.

Q: WHO ARE THE LARGEST PRINCIPAL STOCKHOLDERS?

A: As of December 28, 2007, Mr. Desai owned a total of 7,737,407 shares of our Common Stock (52.14%), 7,022,488 of which are owned through DARR Westwood LLC, in which he is a sole member and 600,000 of which are owned through DARR Emtec LLC, in which he is a member, and Mary Margaret Grabel, spouse of Keith Grabel, President of Sales and Marketing, owned 1,905,622 shares (12.84%).

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CORPORATE GOVERNANCE

In accordance with the General Corporation Law of the State of Delaware and our Certificate of Incorporation, as amended and our Amended and Restated Bylaws, our business, property and affairs are managed under the direction of the Board of Directors. The Board delegates the conduct of business to the Company s senior management team. Although our non-employee directors are not involved in our day-to-day operating details, they are kept informed of our business through written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by our officers at meetings of the Board of Directors and committees of the Board of Directors.

Board and Committee Meetings

Our Board usually meets four times a year in regularly scheduled meetings. It may meet more often if necessary. During the fiscal year ended August 31, 2007, the board held six meetings. Each director attended all of the meetings. The Chairman usually determines the agenda for the meetings. Board members receive the agenda and supporting information in advance of the meetings. Board members may also raise other matters at the meetings.

We have a Code of Ethics, which was adopted in its current form in July 2004, applicable to all of its employees, including our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, as well as the members of our Board. The Code of Ethics seeks to ensure compliance with all applicable laws and to maintain the highest standards of ethical conduct. The Code of Ethics sets out basic principles and methodology to help guide all of our officers, directors and employees in the attainment of this common goal.

Qualifications for consideration as a Board nominee may vary according to the particular areas of expertise being sought as a complement to the existing Board composition. However, in making its nominations, the Board of Directors considers, among other things, an individual s business experience, industry experience, breadth of knowledge about issues affecting our company, time available for meetings and consultation regarding company matters and other particular skills and experience possessed by the individual.

Any stockholder recommendation of a director candidate should include the candidate s name, biographical data and a detailed description of the candidate s qualifications for Board membership, and should be sent to Emtec, Inc., 525 Lincoln Drive West, 5 Greentree Center, Suite 117, Marlton, New Jersey 08053, Attention: Sam Bhatt. Any stockholder recommendations must be submitted in sufficient time for an appropriate evaluation by the Board.

Stockholder Communication with Board Members

We maintain contact information for stockholders, both by telephone and email, on our website at *www.emtecinc.com* under the heading About Us Investor Relations. By following the link, a stockholder will be given access to our telephone number and mailing address as well as a link for providing email correspondence to Investor Relations. Communications sent to Investor Relations and specifically marked as a communication for our Board will be forwarded to the Board or specific members of the Board as directed in the stockholder communication. In addition, communications received via telephone or mail that are directed to the Board are forwarded to the Board by one of our officers.

Board Member Attendance at Annual Meetings

Our Board of Directors does not have a formal policy regarding attendance of directors at our annual stockholder meetings. All directors attended our 2007 Annual Meeting of Stockholders on January 22, 2007.

Director Independence

The Board of Directors has determined that two of its members, Gregory Chandler and Robert Mannarino, are independent under the listing standards of the National Association of Securities Dealers.

Committees of the Board of Directors

The Board of Directors has established two standing committees.

Audit Committee assists the Board of Directors in monitoring: (i) the integrity of the consolidated financial statements of the Company; (ii) the Company s compliance with legal and regulatory requirements related to the financial statements, including the Company s systems of internal controls regarding finance, accounting, legal compliance and ethics that have been established relating to such financial statements; and (iii) the independence and performance of the Company s external auditors. In addition, the Audit Committee maintains the sole responsibility to appoint, determine funding for, and oversee the independence and performance of our internal and external auditors and has the authority to engage independent counsel and other advisors to assist in such responsibility. Each of the members of the Audit Committee is independent under the listing standards of the National Association of Securities Dealers and as that term is used in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Audit Committee met six times during 2007. The Audit Committee has adopted a written charter, a copy of which is available on our Internet website at *www.emtecinc.com*. The current members of the Audit Committee are Mr. Chandler (Chairman) and Mr. Mannarino. The Board has determined that Mr. Chandler is a financial expert, as described in Rule 401(h) of Regulation S-K promulgated under the Securities Act of 1933, as amended.

Compensation Committee reviews and determines compensation arrangements for the President and the other executive officers. The Compensation Committee also administers our equity compensation plans and makes recommendations to the Board of Directors regarding the compensation to be provided to the directors. The Compensation Committee has adopted a written charter, a copy of which is available on our Internet website at *www.emtecinc.com*. The Compensation Committee held ten meetings during 2007. The current members of the Compensation Committee are Mr. Mannarino (Chairman) and Mr. Chandler. Each member of the Compensation Committee is independent as defined under the listing standards of the National Association of Securities Dealers.

Nominating and Corporate Governance At this time, given that the Board consists of five members, two of whom are independent as defined under the listing standards of the National Association of Securities Dealers, the Board has concluded that all members of the Board of Directors should convene for purposes of considering potential candidates to the Board. We expect that the Board will continue to review whether formation of a nominating and governance committee is appropriate.

The Independent Directors will consider director candidates recommended by stockholders. A description of the procedures a stockholder must follow to submit a director candidate and the criteria the Independent Directors will use to evaluate candidates is set forth on page 3 under the subheading Board and Committee Meetings and on page 26 under the heading Stockholder Proposals for the 2009 Annual Meeting.

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ELECTION OF DIRECTORS ITEM 1 ON PROXY CARD

Our Certificate of Incorporation, as amended and Amended and Restated Bylaws provide that our business will be managed by a Board of Directors. Our Board of Directors currently has five directors, divided into two classes. Four of the directors are Class A directors and one of the directors is Class B director. Each of the Class A directors serves for a term of three years or until his successor is elected and qualified and the Class B director serves for a term of one year or until his successor is elected and qualified.

Director candidates are nominated by the Board of Directors. The Board of Directors did not receive any stockholder recommendations for a director candidate to be considered for election at the Annual Meeting.

At the Annual Meeting, one Class B director is to be elected. Mr. Grabel has consented to being named as nominee for director of the Company and has agreed to serve if elected. We do not anticipate that Mr. Grabel will be unable to stand for election. If that occurred, the Board would designate a substitute. If a substitute were designated, the shares represented by proxy will be voted for the substituted candidate designated by the Board of Directors. You may vote for or withhold from voting on this matter. Assuming a quorum is present, director election is determined by a plurality of the votes cast at the Annual Meeting.

Information about the Nominees

Nominee for election to the Board of Directors, as a Class B director, for a one-year term expiring in 2009.

Keith Grabel **Director since August 5, 2005**

Director and President of Sales and Marketing. Since August 2005, Mr. Grabel has served as Director and President of Sales and Marketing of the Company. Mr. Grabel has served as a director of Emtec Federal, Inc. (formerly Westwood Computer Corporation) since 1990 and held the position of President of Emtec Federal from 1994 to August 2005. Mr. Grabel graduated from the University of Miami School of Business in 1974.

Board Recommendation

Your Board of Directors unanimously recommends a vote FOR the election of Mr. Grabel as a Class B director.

Current Directors whose terms expire in 2009

Dinesh R. Desai **Director since August 5, 2005**

Chairman, Chief Executive Officer and President. Mr. Desai, age 57, has served as the Chairman of the Board, Chief Executive Officer and President of the Company since August 2005. From 1986 to August 2005, Mr. Desai was the Chairman and CEO of DARR Global Holdings, Inc., a management consulting firm. Since 2004, he has also served as Chairman on the Board of Directors of Emtec Federal, Inc. (formerly Westwood Computer Corporation). Mr. Desai was a President, CEO, Co-Chairman and an owner of Western Sky Industries (Western Sky), a manufacturer of highly engineered, proprietary component parts used primarily in aerospace applications. Western Sky grew from approximately $3 million in revenues to over $170 million in revenues during the 1990 s prior to being sold to McKechnie in 1999. Prior to 1986, Mr. Desai spent twelve years with American Can and Arco Chemical in various management positions, including marketing, manufacturing, finance, planning and research and development. Mr. Desai has also served as a member of the Board of Directors of the Enterprise Center, a Nonprofit Organization. Mr. Desai holds a Bachelor of Science Degree in chemical engineering from the Indian Institute of Technology in Bombay, India, and a Masters of Science Degree in both chemical and industrial engineering from Montana State University. He earned a Masters in Business Administration from Temple University in 1978.

Brian McAdams **Director since August 5, 2005**

Director and Vice Chairman. Mr. McAdams, age 65, has been Director and Vice Chairman of the Company since August 2005. From 2001 to August 2005, Mr. McAdams served as a Senior Partner with DARR Global Holdings, Inc., as the Vice Chairman of Emtec Federal, Inc. (formerly Westwood Computer Corporation), the CEO of Passport Express Services, Inc., and the CEO of My Help Desk, Inc. He has held prior positions as director at two public companies: Crusader Bank Corporation and National Media Corporation, where he served as both Chairman and CEO.

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Gregory Chandler **Director since August 5, 2005**

Director. Mr. Chandler, age 41, currently works as the Managing Director of the Business and IT Solutions Investment Banking Practice at Janney Montgomery Scott LLC, where he has been employed since 1999. Prior to this, he worked as a manager in the Office of the CFO consulting practice at PricewaterhouseCoopers. He has also worked in the Business Assurance Practice at Coopers & Lybrand, and served as an officer in the United States Army. Mr. Chandler received his undergraduate degree from the United States Military Academy at West Point and a Masters in Business Administration from Harvard University.

Current Directors whose terms expire in 2010

Robert Mannarino **Director since May 24, 2006**

Director. Mr. Mannarino, age 50, is currently the President of Boardroom Associates, a strategy consulting firm. Prior to this, Mr. Mannarino served as the Chairman, CEO and President of RewardsPlus, a benefits administration outsourcing firm. Mr. Mannarino also previously served as the President and Chief Operating Officer of two public companies, ICT Group and CDI Corporation, respectively. Mr. Mannarino has also served as the Chief Operating Officer of Checkfree s Investment Services business and held senior positions at ADP and Citigroup. Mr. Mannarino received an MBA from the University of Chicago Graduate School of Business and a Bachelor of Science Degree in Computer Science from Union College.

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RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS ITEM 2 ON PROXY CARD

Subject to stockholder ratification, the Audit Committee of the Board of Directors has appointed the firm of McGladrey & Pullen, LLP (McGladrey), as the independent registered public accounting firm, to audit and report on our consolidated financial statements for our fiscal year ended August 31, 2008. Although the submission to stockholders of the appointment of McGladrey is not required by law or the Company s Amended and Restated Bylaws, the Audit Committee and the Board of Directors believe it is appropriate to submit this matter to stockholders to allow a forum for stockholders to express their views with regard to the Audit Committee s selection. In the event the stockholders fail to ratify the appointment, the Audit Committee may reconsider its selection. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its stockholders.

One or more representatives of McGladrey are expected to attend the Annual Meeting. They will have the opportunity to speak at the meeting if they desire to do so and will also be available to respond to appropriate questions.

Audit Fees; Audit-Related Fees; Tax Fees; All Other Fees

The following table sets forth the aggregate fees incurred by us for the fiscal years ended August 31, 2007 and 2006 to our principal auditing firm:

	2007	2006
Audit Fees	$ 260,879	$ 282,356 (1)
Audit Related Fees		
Tax Fees	34,225	
All Other Fees		
Total	$ 295,104	$ 282,356

(1) Includes $45,242 paid to Ernst & Young, LLP, our former independent accountants, in connection with its SAS 100 review of Form 10-Q for three months ended November 30, 2005.

Audit Fees: The Audit Fees for the fiscal years ended August 31, 2007 and August 31, 2006 were for professional services rendered for the audits of the financial statements of the Company, quarterly reviews, and assistance with the review of documents filed with the Securities and Exchange Commission.

Tax Fees: The Tax Fees for the fiscal year ended August 31, 2007 were for services performed in connection with income tax compliance.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

All the services described above were approved by our Audit Committee. In accordance with the charter of our Audit Committee and consistent with the policies of the Securities and Exchange Commission, all auditing services and all non-audit services to be provided by any independent auditor of the Company shall be pre-approved by the Audit Committee. In assessing requests for services by the independent auditor, the Audit Committee considers whether such services are consistent with the auditor s independence, whether the independent auditor is likely to provide the most effective and efficient service based upon their familiarity with the Company, and whether the service could enhance the Company s ability to manage or control risk or improve audit quality.

In making its recommendation to ratify the appointment of McGladrey as our auditor for the current fiscal year, the Audit Committee has considered whether the non-audit services provided by McGladrey are compatible with maintaining the independence of McGladrey.

Your Board of Directors unanimously recommends a vote FOR the ratification of the selection of McGladrey & Pullen, LLP as the auditors of the Company.

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REPORT OF THE AUDIT COMMITTEE

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

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors, and is composed of two independent Directors who are not officers or employees of the Company. In 2007, the Audit Committee consisted of Gregory Chandler and, Robert Mannarino. The Audit Committee operates under a written charter that was adopted in July 2006 by the Board of Directors. The Audit Committee held six official meetings during the fiscal year ended August 31, 2007. The Audit Committee Charter can be accessed on the Internet via the Company s website at *www.emtecinc.com*.

All current members of the Company s Audit Committee are independent within the meaning of the rules of the Securities and Exchange Commission. Gregory Chandler, the Chairman of the Audit Committee meets the definition of audit committee financial expert (as defined by the Securities and Exchange Commission).

The Audit Committee oversees the Company s financial reporting process on behalf of the board. Management is responsible for the Company s financial reporting process including its system of internal control, and for the preparation of consolidated financial statements in accordance with accounting principals generally accepted in the United States (GAAP). The Company s independent auditors are responsible for auditing those financial statements. The Audit Committee s responsibility is to monitor and review these processes. It is not the Audit Committee s duty or responsibility to conduct auditing or accounting reviews or procedures.

In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality and the acceptability of the Company s financial reporting and controls and procedures and the certifications by the Company s Chief Executive Officer and Chief Financial Officer, which are required by the Securities and Exchange Commission under the Sarbanes-Oxley Act of 2002 for certain of the Company s filings with the Securities and Exchange Commission.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with GAAP, their judgments as to the quality and the acceptability of the Company s financial reporting and such other matters as are required to be discussed with the Audit Committee under the standards of the Public Company Accounting Oversight Board (United States). In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report on Form 10-K with the independent auditors. The Audit Committee has also discussed with the independent auditors for the Company the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

The Audit Committee has received the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the independent auditors their independence. The Audit Committee reviews and approves any non-auditing services to be provided by McGladrey & Pullen, LLP prior to the firm being retained to perform such services.

The Audit Committee members are not employees of the Company and are not accountants or auditors by profession. Therefore, the Audit Committee has relied, without independent verification, on management s representation that the financial statements have been prepared with integrity and objectively and in conformity with GAAP and on the representations of the independent auditors included in their report on the Company s financial statements. The Audit Committee s oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions with management and the independent auditors do not assure that the Company s financial statements are presented in accordance with GAAP, that the audit of the Company s financial statements has been carried

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out in accordance with the standards of the Public Company Accounting Oversight Board (United States) or that the Company s independent accountants are in fact independent.

The Audit Committee has reappointed, subject to stockholder ratification, the firm of McGladrey & Pullen, LLP, certified public accountants, as the Company s independent registered public accounting firm to audit and report upon the Company s financial statements for 2008. In appointing McGladrey & Pullen, LLP as the Company s auditors for the year ending August 31, 2008, the Audit Committee has considered whether McGladrey & Pullen, LLP s provision of services other than audit services are compatible with maintaining their independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended August 31, 2007 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE
GREGORY CHANDLER, CHAIRMAN
ROBERT J. MANNARINO

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EXECUTIVE COMPENSATION

This Compensation Discussion and Analysis (CD&A) provides an overview of the Company s executive compensation programs for the Company s Chief Executive Officer, Chief Financial Officer and certain other executive officers (collectively, the named executive officers (NEOs)) together with a description of the material factors underlying the decisions which resulted in the 2007 compensation provided to the NEOs as presented in the tables which follow this CD&A. The Company s executive compensation program is based on principles designed to align executive compensation with the Company s business strategy of creating wealth for its shareholders and creating long-term value for the business. The Compensation Committee believes that executive compensation tied to the execution of a sound business strategy achieves stockholder value. It is the Company s philosophy to evaluate its executive compensation structure with other companies of comparative size, type and geographic scope. The Company s compensation policy for executives is intended to further the interests of the Company and its stockholders by encouraging growth of its business through securing, retaining, and motivating management employees of high caliber who possess the skills necessary to the development and growth of the Company.

Objective of Compensation Policy

The objective of the Company s compensation policy is to provide a total compensation package that will enable us to:

- attract, motivate and retain outstanding individual named executive officers;
- align the financial interests of each named executive officer with the interests of our stockholders;
- reward named executive officers for attaining desired levels of profit and shareholder value; and
- encourage each named executive officer s stake in our long-term performance and success.

What Our Compensation Program is Designed to Reward

Overall, our compensation program is designed to reward individual and Company short-term and long-term performance. As discussed further below, a significant portion (typically between 30 and 50% of total compensation), of named executive officer compensation is comprised of a combination of annual cash bonuses, which reward annual

Company and executive performance, and equity compensation, which rewards long-term Company performance. We believe that by making the bonus and long-term incentive components a significant portion of our total compensation program, we appropriately reward individual achievement while at the same time providing incentives to promote Company performance. We also believe that salary levels should be reflective of individual performance and therefore factor this into the adjustment of base salary levels each year.

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REPORT OF THE COMPENSATION COMMITTEE

Role of the Compensation Committee

The Compensation Committee of the Board of Directors establishes, oversees and directs the Company s executive compensation programs and policies and administers the Company s equity compensation plans. The Compensation Committee seeks to align executive compensation with Company objectives and strategies, management programs and business financial performance in order to enhance shareholder value. The Compensation Committee annually evaluates the performance of and determines and reports to the full board, the compensation of the Chief Executive Officer (CEO) and our other executive officers based upon a combination of the achievement of corporate goals and individual performances. The Compensation Committee consists of two non-employee directors. In 2007, the Compensation Committee consisted of Robert Mannarino and Gregory Chandler.

Compensation Consultant

The Compensation Committee has the authority under its charter to engage the services of outside advisors, experts and others to assist the Compensation Committee. In accordance with this authority, the Compensation Committee engages Compensation Resources, Inc. (the Compensation Consultant) as independent compensation consulting firm to advise the Compensation Committee on matters related to director, chief executive officer and other executive compensation. The Company s named executive officers did not participate in the selection of the compensation consultant. The compensation consultant also assists with, among other things, structuring our various compensation programs and guiding the Committee and us in the development of short-term and long-term individual performance objectives necessary to achieve long-term profitability. The Compensation Consultant is engaged by, and reports directly to, the Compensation Committee. The Compensation Consultant does not advise our management, and receives no other compensation from us.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee during fiscal year 2007 was an officer or employee of the Company, or any of its subsidiaries, or was formerly an officer of the Company or any of its subsidiaries. No member of the Compensation Committee had any relationship requiring disclosure by the Company under any paragraph of Item 404 of Regulation S-K. Furthermore, none of the other executive officers, directors or Compensation Committee members of the Company currently serve, or have in the past served, on the Compensation Committee of any other company whose directors and executive officers have served on the Company s Compensation Committee.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of the Company s proxy with management, and based on the Compensation Committee s review and discussion with management, the Compensation Committee recommended to the Company s Board of Directors that the Compensation

Discussion and Analysis section be included in the Company s proxy for fiscal year 2007.

COMPENSATION COMMITTEE
ROBERT J. MANNARINO, CHAIRMAN
GREGORY CHANDLER

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General Compensation Policies

Benchmarking

The Compensation Committee annually determines the appropriate combination of cash and equity-based compensation for named executive officers, and weighs the competitiveness of our overall compensation arrangements in relation to a group of comparable information technology companies and publicly traded companies. The relevant peer group for compensation and benefit programs consists primarily of companies of comparative size, similar businesses, similar financial strength, and geographic scope. These are the firms with which the Company competes for talent. The comparator group was chosen to include companies with similar market capitalization, similar revenue size ($101,000,000 $539,000,000), and/or certain direct competitors. Additionally, the NEO positions were compared to published survey data from nationally recognized sources to ensure the accuracy and validity of the proxy peer group. The companies from this peer analysis (the Peer Group) are listed below:

Analex Corporation
Computer Horizons Corp.
Computer Task Group Inc.
Datatec Systems, Inc.
Digital River, Inc.
En Pointe Technologies, Inc.
ePlus Inc.
iGate Corporation
Indus International, Inc.
Intelligroup Inc.
INX, Inc.
Kanbay International Inc.
Lionbridge Technologies, Inc.
Manchester Technologies, Inc.
MTM Technologies, Inc.
PFSWeb, Inc.
Programmer s Paradise, Inc.
SED International Holdings, Inc.
TechTeam Global, Inc.
Tier Technologies, Inc.
Tyler Technologies, Inc.

In order to compare the levels of compensation of our NEOs with our Peer Group, a market analysis for each of the NEOs was completed and reviewed by the Compensation Committee. Dollar amounts were affixed to all components of the NEO s 2007 compensation, including current pay (salary and bonus), equity awards, benefits and perquisites.

Based on the review of Peer Group compensation, the Compensation Committee sought to target total fiscal year 2007 salary, target bonus levels and equity award values around the 50th percentile of total compensation paid to executives holding equivalent positions in the Peer Group. The Compensation Committee believed this level of compensation to be consistent with our financial performance and reasonable in its totality.

Process for Setting Total Compensation

The Compensation Committee sets actual base salaries, cash bonuses, and equity-based awards for each NEO within the range described above, but considering each NEO s annual review, awards given to the named executive officer in past years, and progress toward or attainment of previously set personal and corporate goals and objectives, including Company financial performance, shareholder return and such other factors as the Compensation Committee deems appropriate and in our best interests and the best interests of our shareholders. The Compensation Committee does not rely on predetermined formulas or a limited set of criteria when it evaluates the performance of our NEOs. The Committee may accord different weight at different times to different factors for each NEO.

The Compensation Committee also considers recommendations from the Chief Executive Officer regarding total compensation for NEOs. Our Chief Executive Officer presents the Compensation Committee with historical breakdowns of the components of compensation for each NEO, and may make recommendations for each other NEO s overall compensation package for the following fiscal year. The Compensation Committee reviews the recommendations of the Chief Executive Officer carefully in light of his proximity to the other executives and knowledge of their contribution to the Company.

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Elements of Compensation

Our compensation program for NEOs consists of the following elements of compensation, each described in greater depth below:

Base salaries.
Annual bonus compensation.
Equity-based incentive compensation.
Other Compensation and Perquisites.

Base Salary

We pay base salaries because salaries are essential to recruiting and retaining qualified employees. Base salaries also create a performance incentive in the form of potential salary increases. We strive to set base salary at levels commensurate with the companies in our Peer Group, however, consistent with our philosophy of linking pay to performance, base salaries for our NEOs tend to be slightly below the 50th percentile of persons holding comparable positions at the companies within our Peer Group. Base salaries are initially set by the Compensation Committee and, in certain cases, incorporated into employment contracts entered into with our NEOs. These salary levels are set based on the NEO s experience and performance with previous employers, pay levels for similar positions in our Peer Group and negotiations with individual named executive officers. Thereafter, the Compensation Committee reviews base salaries each year based on its subjective assessment of our overall performance over the preceding year, as well as NEO performance and experience, length of service, changes in responsibilities and the level of pay compared to our Peer Group. Included in this subjective determination is the Compensation Committee s evaluation of the development and execution of strategic plans, the exercise of leadership, and involvement in industry groups. The weight given such factors by the Compensation Committee may vary from one named executive officer to another.

There was no change in salary between fiscal year 2006 and 2007 with respect to Messrs. Desai, Donnelly and McAdams as the Company restructured its compensation program. Additionally, as part of the Company s compensation restructuring, Mr. Seitz s annual base salary was increased from $230,000 to $250,000 in connection with his execution of a new employment agreement in February 2007 and Mr. Grabel s salary was reduced from $300,000 to $250,000 in connection with his execution of a new employment agreement in February 2007. These changes in base salary were designed to more closely align the Company with its Peer Group and to reflect internal changes within the organization.

Annual Bonus Compensation

In line with our strategy of rewarding performance, a significant part of the Company s executive compensation philosophy is the payment of cash bonuses to NEOs based on an annual evaluation of individual and Company performance, considering several factors as discussed below. The Compensation Committee makes recommendations for target bonuses (the amount each Executive may receive if performance goals and objectives are met) to the Board who approves the recommendations and communicates bonus opportunities and performance goals to each named executive officer near the beginning of the fiscal year. The target bonuses are intended to create an incentive for NEOs to achieve the objectives established by the Compensation Committee. At the end of the fiscal year, the Compensation Committee determines in its discretion whether and how much cash bonus to pay each NEO based on its review of Company and individual performance. Depending on the Compensation Committee s assessment, bonuses may be equal, more or less than the previously established target amounts.

Senior Management Annual Incentive Plan. In November 2006, with the assistance of the Compensation Consultant and upon the recommendation of the Compensation Committee, the Board approved the Senior Management Annual Incentive Plan (the Incentive Plan) to pay annual bonuses to certain full-time management employees of the Company and its subsidiaries based on the Company s achievement of annual performance goals and, if applicable, a participant s achievement of individual performance goals. The Company s performance goals for any fiscal year will be based on earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, business unit or departmental objectives, or some combination of the foregoing, as determined by the Compensation Committee. In particular, EBITDA and earnings per

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share have been determined by the Compensation Committee to be the most appropriate measures of Company performance because they directly take into account the Company s earnings and are consistent with the Compensation Committee s compensation philosophy of aligning executive performance with the Company s financial performance.

Unless the Compensation Committee determines otherwise, the NEOs will be eligible to receive a bonus under the Incentive Plan, provided they have been employed by the Company for at least six months. The Compensation Committee will annually designate a percentage of each participant s base salary (ranging from 10% to 50%) or dollar amount as such participant s bonus opportunity if target performance is achieved. The threshold, or minimum, bonus that may be earned by a participant is 25% of such participant s bonus opportunity and the target bonus that may be earned is 100% of such bonus opportunity. Subject to the discretion of the Compensation Committee, no bonus is paid unless the performance goals are achieved at the threshold level or above. A straight line sliding scale is used for calculating the percentage of bonus opportunity earned between the threshold and target levels. Participants may receive additional bonuses if performance exceeds the target level, with a maximum bonus opportunity of 200% of the Executive s target bonus award being paid if the Company achieves 130% of its financial performance objectives.

Bonuses for 2007 were to be paid to participants who remain employed on the date of payment in a combination of cash (70%) and restricted stock (30%), upon the Committee s determination and certification that performance goals were achieved for the fiscal year. The Committee believes that in providing for a portion of each NEO s bonus in restricted stock serves as a retention tool and better aligns the long term interests of the NEOs with the Company. Restricted stock awards will be granted under the Equity Plan (described below), and vest on the first anniversary of the date of grant. Subject to the prior approval of the Compensation Committee, participants may elect to have all or a portion of the cash bonus paid in immediately vested stock options.

Bonus opportunities for each NEO were based on tiers established in the Incentive Plan. Under the terms of the Incentive Plan, participants are divided into various tiers by level of function and scope of position within the Company with the CEO and senior business line executives being offered the highest bonus opportunities of up to 50%. Final slotting of participants within the various tiers is done by the CEO in conjunction with the Compensation Committee.

Bonus targets for 2007 were based on the Company s attainment of specified levels of EBITDA and earnings per share and the Compensation Committee approved the following bonus opportunities for the NEOs:

Name	2007 Bonus Opportunity	% Cash		% Restricted Stock	
Dinesh Desai, Chairman, President and Chief Executive Officer	50% Base Salary	35.0	%	15.0	%
Brian McAdams, Vice Chairman	30% Base Salary	21.0	%	9.0	%
Stephen Donnelly, Chief Financial Officer	30% Base Salary	21.0	%	9.0	%
Ronald Seitz, President Emtec Operations	50% Base Salary	35.0	%	15.0	%
Keith Grabel, President Sales and Marketing	$ 75,000	$ 52,500		$ 22,500	

For the 2007 fiscal year, neither the Company s EBITDA nor its earnings per share met the targets set forth in the Incentive Plan and, accordingly, no bonuses were paid to our NEOs under the Incentive Plan. The Company estimated EBITDA and earnings per share targets in 2007 that it knew would be a challenge to achieve and which were, in part, based on the Company s goal of completing additional acquisitions. Separately, the Company paid bonuses in the amount of $60,000 to Mr. Seitz as a signing bonus in connection with the execution of his amended and restated employment agreement and in the amount of $220,000 to Mr. Grabel under the terms of his previous employment agreement.

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Because the Compensation Committee determines whether and how much cash bonus to pay each NEO based on a discretionary review of Company and individual performance, NEOs bonuses are not considered to be performance based under Section 162(m) of the Internal Revenue Code. Therefore, the Company may not be able to deduct, on its corporate tax return, all of a NEO s base salary and bonus if the total amount of such base salary and bonus (and other compensation considered under Section 162(m) of the Code) exceeds $1,000,000 in that fiscal year.

Equity Compensation

In General. The Compensation Committee believes that NEOs should be compensated in part with equity interests in the Company in order to more closely align the long-term interests of stockholders and executives. The Committee also believes that equity awards are an important means of attracting and retaining qualified executives. Accordingly, the Committee provides long-term incentives to its NEOs by means of periodic grants of stock options and restricted stock awards under the Company s 2006 Stock-Based Incentive Compensation Plan (the Equity Plan) which, consistent with its overall compensation philosophy, are generally above the 50^{th} percentile of persons holding comparable positions within its Peer Group. Stock awards available under the Equity Plan include restricted stock, stock options and deferred stock.

All grants of equity compensation to NEOs are made by the Compensation Committee. Whether grants are made and the type and size of any grants are based upon Company and individual performance, position held, years of service, level of experience and potential of future contribution to the Company s success. The Committee may also consider long-term incentive grants previously awarded to the NEOs, long-term incentive grants given to other executive officers throughout the Company s history and grant practices at Peer Group companies.

We do not have a program, plan or practice to time option grants in coordination with the release of material, non-public information, nor do we plan to time, nor have timed, our release of material, non-public information for the purpose of affecting the value of executive compensation.

2007 Equity Grants. On November 3, 2006, the Compensation Committee approved grants of restricted shares of the Company s common stock to each of our NEOs, based on the closing price of the Company s common stock on November 3, 2006 of $1.24 per share. As a result, Mr. Desai received 114,919 shares, Mr. Donnelly received 43,548 shares, Mr. McAdams received 80,465 shares and Messrs. Grabel and Seitz were each awarded 100,806 shares.

These awards were granted both as an incentive to these executives and in particular for their performance in implementing the Company s merger with Darr Westwood Technology Corporation in 2005. The restricted share grants to each of Messrs. Desai, Donnelly and McAdams were completed on November 3, 2006 and the restricted share grants to Messrs. Grabel and Seitz, while approved by the Compensation Committee on November 3, 2006, were not awarded until February 5, 2007 in connection with the execution by each Executive of an amended employment agreement. In addition, prior to the granting of this award, Mr. Donnelly, our Chief Financial Officer, did not have significant holdings in the Company.

The restricted shares will vest, and the restrictions will cease to apply, in four equal tranches, on the first, second, third and fourth anniversaries of the grant date. The Compensation Committee believes that this vesting schedule serves to motivate and retain the recipients, providing continuing benefits to the Company beyond those achieved in the year of grant.

Stock Ownership/Retention Guidelines. The Company does not require its NEOs to maintain a minimum ownership interest in the Company.

Other Compensation and Perquisites

The Company provides few personal benefits to NEOs, and what personal benefits are provided are generally considered related to each NEO s performance of his duties with the Company. NEOs participate in the Company s 401(k) savings plans, health and benefit plans, and are entitled to paid time off based on the Company s general paid time off policies. In 2007, in addition to the principal categories of compensation described above, the Company provides its NEOs with coverage under its broad-based health and welfare benefits plans as well as certain personal-benefit perquisites to NEOs as summarized below. The aggregate

incremental cost to the Company of the perquisites received by each of the NEOs in 2007 is included in the Summary Compensation Table above and described in the accompanying footnotes.

The Company provides a car allowance of $15,000 per year to Mr. Seitz and a vehicle for Mr. Grabel s use, as well as other automobile benefits such as fuel, maintenance and insurance costs, under the terms of their respective employment agreements. Because of their positions within the Company and need to travel in connection with the

Company s business, the Company believes that the provision of a vehicle is appropriate for each executive s performance of his duties. In addition, as reported in footnote (a) to the Summary Compensation Table, the Company paid $5,769 in home office expenses to Mr. McAdams, an $18,000 cash allowance to Mr. Seitz and $5,778 in club dues to Mr. Grabel, all under the terms of their existing employment agreements.

The following are standard benefits offered to all eligible Company employees, including named executive officers.

Retirement Benefits. Two of the Company s subsidiaries, Emtec, Inc., a New Jersey corporation (Emtec NJ), and Emtec Federal, Inc. (Emtec Federal), maintain tax-qualified 401(k) savings plans for all of their eligible employees, including the NEOs.

Emtec NJ sponsors a 401(k) plan for all employees who are at least 20 years of age with at least 6 months of service. Eligible employees may contribute 2% to 75% of their annual compensation to the plan. Emtec NJ matches 25% of the first 6% of employee plan contributions. Participants are vested in employer contributions 20% after 2 years of service and vested an additional 20% after each subsequent year of service and are fully vested after 6 years. Each the Company s NEOs other than Mr. Grabel participate in this plan.

Emtec Federal maintains a defined contribution 401(k) pension plan for all employees who are at least 21 years of age with at least 12 months of service. Eligible employees may contribute 1% to 15% of their annual compensation to the plan. Emtec Federal matches 20% of the first 5% of employee plan contributions and may contribute additional amounts at its discretion. Participants are vested in employer contributions 100% after 3 years of service. Mr. Grabel participates in this plan.

Medical, Dental, Life Insurance and Disability Coverage. Active employee benefits such as medical, dental, life insurance and disability coverage are available to all eligible employees. The Company believes that these benefits are in line with those offered by similarly-situated companies and also believes it is essential to provide these benefits to NEOs, as well as the Company s other employees, in order to defray the rising costs of health care. The value of these benefits is not required to be included in the Summary Compensation Table since they are made available on a Company-wide basis to all eligible employees.

Other Paid Time-Off Benefits. We also provide paid time off and other paid holidays to all employees, including the NEOs, which are comparable to those provided at other large companies.

Policy with Respect to Employment Agreements

The Compensation Committee believes that it is important for the Company to enter into employment agreements with its NEOs for a number of reasons, including the ability to include non-competition and non-solicitation covenants in such employment agreements in order to reduce the risk that a key member of management is recruited by a competitor and the increased certainty resulting from negotiated employment agreements reduces that distraction caused by ongoing negotiations over compensation matters.

The Company currently has employment agreements with each NEO other than Mr. Desai and Mr. Donnelly, which are described further under the caption Employment Agreements below. Mr. Desai and Mr. Donnelly are currently paid a salary of $285,000 and $180,000, respectively, on an annual basis. The Board of Directors intends to put employment contracts in place in 2008 for these two executives.

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2007 Summary Compensation Table

The following table sets forth the aggregate compensation that we paid for services rendered by our Chief Executive Officer and our four most highly paid executive officers other than our Chief Executive Officer, during the fiscal year ended August 31, 2007.

(1) Amounts shown are the dollar amounts recognized as compensation expense for financial reporting purposes in 2006 under Statement of Financial Accounting Standard No. 123 (revised 2004), Share-Based Payment (FAS 123(R)), (excluding amounts for forfeitures) for shares of restricted stock granted in 2007. The fair market value of all the awards is equal to the market price of our Common Stock on the date of grant. Although the amounts included in the table do not reflect estimated forfeitures, the amounts actually recognized in our consolidated financial statements are reduced, in accordance with FAS 123(R), for estimated forfeitures. There were no named executive forfeitures in 2007. More information on the awards can be found in the 2007 Grant of Plan-Based Awards table on page 18.

(2) The amounts reported for each of the named executive officers in All Other Compensation are shown below:

Name	Year	Perquisites and Other Personal Benefits ($)[a]	Promissory Notes ($)	Company Contributions to 401(k) Plan ($)	Total ($)
Dinesh R. Desai	2007		250,913[b]	1,151	252,064
Stephen C. Donnelly	2007			1,558	1,558
Ronald A. Seitz	2007	33,000		2,084	35,084
Keith Grabel	2007	14,838	163,519	3,138	181,495
Brian McAdams	2007	5,769		3,087	8,856

(a) Amounts shown in this column include the following for each named executive officer:

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Name	Year	Company Provided Automobile ($)[c]	Automobile Allowance ($)	Home Office ($)	Club Dues ($)	Cash Allowance ($)	Total ($)
Dinesh R. Desai	2007						