TUCOWS INC /PA/
Form DEF 14A
April 30, 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

TUCOWS 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:
	(2)	Aggregate number of securities to which transaction applies:
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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:

April 30, 2007

Dear Fellow Shareholder:

You are cordially invited to attend the 2007 annual meeting of shareholders of Tucows Inc. to be held at the offices of the company, 96 Mowat Avenue, Toronto, Ontario, Canada, on Thursday, June 7, 2007, at 4:30 p.m. (local time).

The accompanying notice of annual meeting and proxy statement describes the matters we will discuss and vote on at the annual meeting. You will also have an opportunity to ask questions.

Please read the accompanying notice of annual meeting and proxy statement carefully. It is important that your shares be represented at the meeting, whether or not you attend the meeting and regardless of the number of shares you own. Whether or not you plan to attend, you can ensure that your shares are represented and voted at the annual meeting in accordance with your instructions by promptly completing, signing, dating and returning the enclosed proxy card in the envelope provided, or by voting your shares over the phone or Internet. You can revoke your proxy anytime before the annual meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to revoke your proxy on page three of this proxy statement. If you decide to attend the annual meeting and wish to change your proxy vote, you may do so by voting in person at the meeting.

Your vote is very important. We look forward to seeing you on June 7, 2007.

Sincerely,

Elliot Noss
President and Chief Executive Officer

TUCOWS INC.

96 Mowat Avenue
Toronto, Ontario M6K 3M1
Canada

Notice of Annual Meeting of Shareholders - June 7, 2007

The 2007 annual meeting of shareholders of Tucows Inc. will be held at 4:30 p.m. (local time) on June 7, 2007 at the offices of the company, 96 Mowat Avenue, Toronto, Ontario, Canada, to:

1. Elect seven directors to serve on our board of directors until the next annual meeting of shareholders or until their successors are duly elected and qualified;

2. Ratify the appointment of KPMG LLP as our independent public accountants to audit our financial statements for the year ending December 31, 2007; and

3. Transact such other business as may properly come before the meeting and any and all adjournments and postponements thereof.

At the annual meeting, the board of directors intends to present Eugene Fiume, Erez Gissin, Allen Karp, Lloyd Morrisett, Elliot Noss, Jeffery Schwartz and Stanley Stern as nominees for election to the board of directors.

Only shareholders of record on the books of the company at the close of business on April 30, 2007 will be entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Our board of directors is soliciting the enclosed proxy. Please carefully read the accompanying proxy statement for more information regarding the business to be transacted at the annual meeting. You will also find enclosed our 2006 annual report on Form 10-K.

We will make available at the annual meeting a complete list of the shareholders entitled to vote at the annual meeting, and you may examine the list for any purpose related to the annual meeting.

Regardless of whether you plan to attend the annual meeting, please complete, sign, date and return the enclosed proxy card promptly. You are cordially invited to attend the annual meeting in person. Returning the enclosed proxy card will not affect your right to revoke your proxy or to vote in person if you do attend the annual meeting.

Michael Cooperman
Chief Financial Officer and Secretary

Toronto, Ontario
April 30, 2007

Your vote is important. Please vote by using the Internet, vote by telephone or sign and return the enclosed proxy card as soon as possible to ensure your representation at the annual meeting.

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TUCOWS INC.
96 Mowat Avenue
Toronto, Ontario M6K 3M1
Canada

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
June 7, 2007

We are sending this proxy statement to shareholders of Tucows Inc., a Pennsylvania corporation, in connection with our board of directors solicitation of proxies for use at our annual meeting of shareholders on June 7, 2007. We invite you to attend in person. We have also enclosed our 2006 annual report on Form 10-K (which does not form a part of the proxy solicitation material).

VOTING INFORMATION

Record date.

The record date for the annual meeting was April 30, 2007. You may vote all shares of our common stock that you owned as of the close of business on that date. On April 30, 2007, we had 74,739,242 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter to be voted at the annual meeting. We will begin mailing this proxy statement and the proxy card on or about May 3, 2007 to shareholders of record as of the close of business on the record date.

How to vote.

By mail. If you hold your shares through a securities broker (that is, in street name), you may complete and mail the voting instruction card forwarded to you by your broker. If you hold your shares in your name as a holder of record, you can vote your shares by proxy by completing, signing and dating the proxy card and returning it in the enclosed postage-paid envelope. A properly completed and returned proxy card will be voted as you instruct, unless you subsequently revoke your instructions.

By telephone. If you hold your shares through a securities broker, you may vote by telephone by following the instructions included with the voting instruction card forwarded to you by your broker.

By Internet. If you hold your shares through a securities broker, you may vote your shares via the Internet by following the instructions included with the voting instruction card forwarded to you by your broker. If you vote your shares via the Internet, you may incur costs such as telephone and Internet access charges.

At the annual meeting. Submitting your vote by mail or via the Internet does not limit your right to vote in person at the annual meeting if you later decide to do so. If you hold your shares in street name and want to vote in person at the annual meeting, you must obtain a proxy from your broker and bring it to the annual meeting.

Revoking your proxy.

You can revoke your proxy at any time before your shares are voted at the annual meeting by:

- sending a written notice of revocation to our secretary at our principal executive office (96 Mowat Avenue, Toronto, Ontario M6K 3M1, Canada);

- submitting a properly executed proxy showing a later date to our secretary at our principal executive office; or

- attending the annual meeting and voting in person. Merely attending the annual meeting will not revoke your proxy.

Returning your proxy without indicating your vote.

If you return a signed proxy card without indicating your vote and do not revoke your proxy, your shares will be voted according to the board of directors recommendations.

Withholding your vote or voting to abstain.

In the election of directors, you can withhold your vote for any of the nominees. Withheld votes will be excluded entirely from the vote and will have no effect on the outcome. On the other proposals, you can vote to abstain. If you vote to abstain, your shares will be excluded entirely from the vote and will have no effect on the outcome.

Votes required to hold the annual meeting.

On June 7, 2007, we need a majority of shares of common stock outstanding as of April 30, 2007, the record date, present, in person or by proxy, to have a quorum to be able to hold the annual meeting. Shares represented by a properly signed and returned proxy are considered present at the annual meeting for purposes of determining a quorum, regardless of whether the holder of such shares or proxy withholds his, her or its vote or abstains. Broker non-votes also count as shares present at the annual meeting for purposes of a quorum

Votes required to elect directors.

A plurality of the votes cast is required for the election of directors. Accordingly, the seven nominees for election as directors who receive the highest number of votes actually cast will be elected.

Votes required to ratify the appointment of KPMG LLP.

The affirmative vote of a majority of the votes cast by all holders of shares of common stock represented at the annual meeting and entitled to vote is required to ratify the appointment of KPMG LLP as our independent public accountants for the year ended December 31, 2007.

Street Name Shares and Broker Non-Votes.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors. Non-routine matters include matters such as the approval of stock plans. Therefore, if you do not give your broker or nominee specific instructions, your shares may not be voted .on non-routine matters and will not be counted in the voting results. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Broker non-votes will not be counted toward a nominee s total of affirmative votes in the election of directors and will have no effect on the approval of the other proposals.

Postponement or adjournment of annual meeting.

If the annual meeting is postponed or adjourned, your proxy will still be valid and may be voted at the rescheduled meeting. You will still be able to revoke your proxy until it is voted.

BENEFICIAL OWNERSHIP OF COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Stock ownership of management.

We encourage stock ownership by our directors, officers and employees to align their interests with your interests as shareholders. Under the rules of the Securities and Exchange Commission, which we refer to in this proxy statement as the SEC, a person who directly or indirectly has or shares voting power and/or investment power with respect to a security is considered a beneficial owner of the security. Voting power includes the power to vote or direct the voting of shares, and investment power includes the power to dispose of or direct the disposition of shares. Shares as to which voting power and/or investment power may be acquired within 60 days are also considered beneficially owned under the SEC s rules.

The following table sets forth the beneficial ownership of our common stock, as of April 1, 2007 by each of our chief executive officer, our chief financial officer and our three other most highly compensated executive officers, as well as by all of our directors and executive officers as a group. The information on beneficial ownership in the table and related footnotes is based upon data furnished to us by, or on behalf of, the persons referred to in the table. Unless otherwise indicated in the footnotes to the table, each person named has sole voting power and sole investment power with respect to the shares included in the table.

	Beneficial Ownership of Common Stock			
Name	**Common Stock Beneficially Owned Excluding Options**	**Stock Options Exercisable within 60 Days of April 1, 2007**	**Total Common Stock Beneficially Owned**	**Percent of Class(1)**
Executive officers and directors				
Elliot Noss	401,197 (2)	2,157,480	2,558,677	3.3 %
Michael Cooperman	90,715	868,569	959,284	1.3 %
David Woroch	93,050	132,290	225,340	*
Judith Fields		111,665	111,665	*
Alain Chesnais		31,250	31,250	*
Eugene Fiume		20,000	20,000	*
Erez Gissin		25,000	25,000	*
Allen Karp	20,000 (4)	35,000	55,000	*
Lloyd Morrisett	65,000 (3)	85,000	150,000	*
Jeffrey Schwartz		50,000	50,000	*
Stanley Stern	173,850	213,050	386,900	*
All directors and executive officers as a group (13 persons)	843,812	3,741,804	4,585,616	5.8 %

* Less than 1%.

(1) Based on 74,713,234 shares outstanding as of April 1, 2007, adjusted for shares of stock beneficially owned but not yet issued.

(2) Includes an aggregate of 86,869 shares of common stock owned by two separate family trusts of which Mr. Noss is the trustee.

(3) These shares of common stock are owned jointly by Dr. Morrisett and his wife.

(4) These shares of common stock are owned by Karp Corp., Inc., as nominee for Mr. Karp s wife.

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Principal shareholders.

The following table sets forth information with respect to each shareholder known to us to be the beneficial owner of more than 5% of our outstanding common stock as of April 1, 2007.

Name and Address of Beneficial Owner	Beneficial Ownership of Common Stock Number of Shares Beneficially Owned	Percent of Class(1)
Diker GP, LLC 745 Fifth Avenue, Suite 1409 New York, New York 10151	9,407,035 (2)	12.6 %
Wellington Management Company, LLP 75 State Street Boston, MA 02109	9,533,900 (3)	12.8 %
Mark Cuban 5424 Deloache Avenue Dallas, TX 75220	6,932,784 (4)	9.3 %

(1) Based on 74,713,234 shares outstanding as of April 1, 2007.

(2) As disclosed on Amendment No. 2 to Schedule 13G, filed with the SEC on February 13, 2007. The shares are held indirectly by Diker Management, LLC, in its capacity as the Registered Investment Adviser of certain managed accounts and funds. The reporting person is a Registered Investment Adviser and as such disclaims all beneficial ownership of these shares and in any case disclaims beneficial ownership of these shares except to the extent of the reporting person s pecuniary interest in the shares. The reporting person is a Registered Investment Adviser but elected to file a Form 3 nonetheless.

(3) As disclosed on Amendment No. 2 to Schedule 13G, filed with the SEC on February 14, 2007.

(4) As disclosed on Schedule 13D filed with the SEC on August 22, 2006.

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PROPOSAL NO. 1
ELECTION OF DIRECTORS

The current term of office of all of our directors expires at the 2007 annual meeting. The board of directors proposes that the following seven nominees, all of whom are currently serving as directors, be elected for a term of one year and until their successors are duly selected and qualified. The number of directors fixed pursuant our governing instruments and a resolution adopted by our board of directors is nine. Proxies cannot be voted for a greater number of persons than the number of nominees named in this proxy statement.

Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a director, the board of directors may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the board of directors. Unless you withhold authority to vote for these persons, your proxy will be voted FOR the election of the seven nominees.

The directors standing for election are:

Stanley Stern	Chairman of the board of directors since August 2001

Mr. Stern, age 50, has been a managing director and head of investment banking with Oppenheimer & Co. Inc., an investment banking firm, since April 2004. From February 2002 to March 2004, Mr. Stern served as a managing director and head of investment with C.E. Unterberg, Towbin, an investment banking firm. From January 2000 to February 2002, Mr. Stern served as managing director of STI Ventures Advisory USA Inc. and as a member of the board of directors and the investment committee of STI Ventures, a venture capital company focusing on the high technology market.

Eugene Fiume	Director since June 2005

Mr. Fiume, age 49, is a Professor (since 1995) and past Chair (1998-2004) of the Department of Computer Science at the University of Toronto, where he also co-directs the Dynamic Graphics Project. Mr. Fiume s board positions include the Scientific Advisory Board of GMD, Germany, Max-Planck Center for Visual Computing and Communication, TrueSpectra, Inc., Communications and Information Technology Ontario (CITO). In addition, Mr. Fiume serves on the advisory boards of CastleHill Ventures, PlateSpin, BitFlash, TrueSpectra, OctigaBay Systems and NGRAIN Corporation and the Executive Advisory Board of the IBM Lab in Toronto. Mr. Fiume also works with venture capital companies and SMEs on due diligence and strategy.

Erez Gissin	Director since August 2001

Mr. Gissin, age 48, is the chief executive officer of BCID Ltd., an investment company focusing on infrastructure development projects in China. From July 2000 till March 2005, Mr. Gissin has served as the Chief Executive Officer of IP Planet Networks Ltd., an Israeli satellite communication operator providing Internet backbone connectivity and solutions to Internet Service Providers. Before that, from July 1995 to July 2000, Mr. Gissin was vice president, business development of Eurocom Communications Ltd., a holding company that controls several telecommunications services, equipment and Internet companies in Israel and elsewhere. Mr. Gissin is also a director of Partner Communications Ltd. (NASDAQ: PTNR).

Allen Karp Director since October 2005

Mr. Karp, age 66, is currently a director of several companies. Mr. Karp was a partner in the law firm of Goodman and Carr LLP, where he practiced law from 1966 until 1986. Mr. Karp had been with Cineplex Odeon Corporation since 1986, where he retired as Chairman and Chief Executive Officer in 2002; and as Chairman Emeritus in 2005. Mr. Karp sits on the board of directors of Teknion Corporation, where he is lead director and sits on all major committees; is a Trustee of Royal LePage Franchise Services Fund and a director of its management company, the Chair of its corporate governance committee and sits on the audit committee; is Chairman of IBI Income fund, and is Chair of the corporate governance committee; is a Director Alliance Atlantis Communications Inc., and is Chair of the Human Resources and Compensation Committee; and is Chairman of the Toronto International Film Festival Group and a member of all major committees.

Lloyd Morrisett Director since February 1994

Dr. Morrisett, age 77, served as a director of Infonautics, Inc., our predecessor, beginning in February 1994 and served as chairman of the board of directors of Infonautics beginning in March 1998 until we merged with a Delaware corporation in August 2001 and became Tucows Inc. He is the co-founder of the Children s Television Workshop now Sesame Workshop and served from 1969 to 1998 as president of The Markle Foundation, a charitable organization.

Elliot Noss Director since August 2001

Mr. Noss, age 43, is our president and chief executive officer and has served in such capacity since the completion of our merger with Tucows Delaware in August 2001. From May 1999 until completion of the merger in August 2001, Mr. Noss served as president and chief executive officer of Tucows Delaware. Before that, from April 1997 to May 1999, Mr. Noss served as vice president of corporate services of Tucows Interactive Ltd., which was acquired by Tucows Delaware in May 1999.

Jeffrey Schwartz Director since June 2005

Jeffrey Schwartz, age 44, was originally Vice President of the Juvenile Division of Dorel Industries, a position he held until 1989, when our Canadian divisions were merged and he became our Vice-President, Finance. Mr. Schwartz held the position of Vice-President, Finance from 1989 until 2003. In 2003, his title was changed to Executive Vice-President and Chief Financial Officer. Mr. Schwartz is a graduate of McGill University in Montreal and has a degree in the field of business administration.

The board of directors unanimously recommends a vote FOR the nominees listed above.

CORPORATE GOVERNANCE

Governance Principals

The governance principals of our board of directors include the charter of our audit committee, our Code of Conduct, and our Code of Ethics. Each of these documents and various other documents embodying our governance principals are published on our website at www.tucowsinc.com. Amendments and waivers of our Code of Ethics will either be posted on our website or filed with the SEC on a current report on Form 8-K.

Our website is not part of this proxy statement; references to our website address in this proxy statement are intended to be inactive textual references only.

Affirmative Determinations Regarding Director Independence

Our board of directors has determined that each of Messrs. Stern, Fiume, Gissin, Schwartz and Karp and Dr. Morrisett are independent directors as defined in Section 121A of the American Stock Exchange (AMEX) listing standards. In this proxy statement, these six directors are referred to individually as an independent director and collectively as the independent directors.

Meetings.

Our board of directors met nine times during the 2006 fiscal year. Our board of directors also took action by unanimous written consent on 4 occasions during the 2006 fiscal year. Each director attended at least 75% of the total number of meetings of the board of directors and the committees on which he served during the 2006 fiscal year other than Mr. Gissin who attended 67%.

Executive Sessions of Independent Directors.

A majority of the independent directors meet quarterly in executive sessions without members of our management present. Mr. Schwartz was responsible for chairing the executive sessions.

Policy regarding attendance.

Directors are expected, but are not required, to attend board meetings, meetings of committees on which they serve, and shareholder meetings, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly. Elliot Noss attended our 2006 annual meeting of shareholders in person while the remainder of the board of directors were available by teleconference.

Committees.

Our board of directors has two committees, an audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, and a compensation committee which has not adopted a written charter. Our committees generally meet in connection with regularly scheduled quarterly and annual meetings of the board of directors, with additional meetings held as often as its members deem necessary to perform its responsibilities. From time to time, depending on the circumstances, the board may form a new committee or disband a current committee.

The audit committee currently consists of Mr. Schwartz, Mr. Karp and Dr. Morrisett, all of whom are independent directors as defined in Section 121A of the AMEX listing standards.

The audit committee held six meetings during the 2006 fiscal year. The audit committee s purposes are:

- To assist the board of directors in its oversight of (1) our accounting and financial reporting processes and the audits of our financial statements, and (2) our compliance with legal and regulatory requirements;

- To interact directly with and evaluate the performance of the independent auditors, including to determine whether to engage or dismiss the independent auditors and to monitor the independent auditors qualifications and independence; and

- To prepare the report required by the rules of the SEC to be included in our annual proxy statement.

Each of the members of our audit committee is an independent director and satisfies the independence standards specified in Section 121A of the AMEX listing requirements and Rule 10A-3 under the Securities Exchange Act of 1934, and is able to read and understand fundamental financial statements, including balance sheets, income statements and cash flow statements. Additionally, the board of directors has determined that Mr. Schwartz qualifies is an audit committee financial expert as defined under Item 407(d)(v) of Regulation S-K. The board of directors has adopted a written charter for the audit committee, which the audit committee has reviewed and determined to be in compliance with the rules set forth in the AMEX listing requirements. For further information concerning the audit committee, please see the Audit Committee Report on page 28.

The compensation committee members in the 2006 fiscal year, all of whom are independent directors as defined in Section 121A of the AMEX listing standards, were Mr. Stern, Mr. Schwartz and Dr. Morrisett.

The committee held three meetings during the 2006 fiscal year. The compensation committee has responsibility for the oversight, review and approval of senior management s compensation philosophy and practices. To assist it in meeting this mandate the compensation committee has the authority to hire its own independent advisors and is authorized to delegate responsibilities to management, independent accountants and internal and outside lawyers.

The compensation committee makes recommendations to the board of directors on compensation for the chief executive officer and approves the compensation for individuals that report directly to the chief executive officer, including the named executive officers, to ensure that they meet corporate objectives. For this purpose, named executive officers are defined as the chief executive officer, the chief financial officer and our three other most highly compensated executive officers. The board of directors and the compensation committee also review, approve and evaluate short-term and long-term incentive designs and incentive awards for our senior management. The committee also has the responsibility to review and discuss our Compensation Discussion and Analysis with management and, based on that review, makes a recommendation to the Board of Directors regarding inclusion of the Compensation Discussion and Analysis in our annual proxy statement or annual report on Form 10-K filed with the SEC. The board as a whole reviews the recommendations of the compensation committee and gives final approval on the compensation for the chief executive officer.

Director nomination process.

We do not have a standing nominating committee or a charter with respect to the nominating process. Our board of directors believes that it is not necessary to have such a committee because its size and composition allow it to adequately identify and evaluate qualified candidates for directors. By resolution, our board of directors has adopted a policy regarding director nominations. Under this policy, a majority of our independent directors, as defined in Section 121A of the AMEX listing standards, consider and recommend to the whole board the potential director nominees.

Our board of directors will consider any candidate proposed in good faith by a shareholder. To do so, our board of directors has adopted a resolution that requires a shareholder to timely submit to our secretary at the address set forth on the first page of this proxy statement the following:

- the candidate s name and the information about the individual that would be required to be included in a proxy statement under the rules of the SEC;
- information about the relationship between the candidate and the nominating shareholder;
- the consent of the candidate to serve as a director; and
- proof of the number of shares of our common stock that the nominating shareholder owns and the length of time the shares have been owned.

To be timely, a shareholder s nomination must be delivered to our secretary at least 120 days before the date on which we first mailed our proxy materials for our prior year s annual meeting of shareholders. Subject to compliance with statutory or regulatory requirements, our board of directors does not expect that candidates recommended by shareholders will be evaluated in a different manner than other candidates.

In considering candidates for nomination, our board of directors shall seek individuals who evidence strength of character, mature judgment and the ability to work collegially with others. Furthermore, it is the policy of our board of directors that it endeavor to have directors who collectively possess a broad range of skills, expertise, industry and other knowledge and business and other experience useful to the effective oversight of our business; therefore, in considering whether to nominate a person for election as a director, the independent directors and our board of directors will consider, among other factors, the contribution such person can make to the collective competencies of the board based on such person s background. In determining whether to nominate a current director for re-election, the board will take into account these same criteria as well as the director s past performance, including his or her participation in and contributions to the activities of the board. Because we do not have a standing nominating committee, the seven nominees that are currently serving as directors were selected for re-election by our whole board.

Ethics policy for senior officers.

Our board of directors has adopted an ethics policy for our senior officers, including our chief executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the ethics policy for senior officers can be obtained from our Internet web site at http://www.tucowsinc.com, without charge.

Communications with the board of directors.

We provide an informal process for shareholders to send communications to our board of directors. If you wish to communicate with our board of directors, you may send correspondence to the attention of our Secretary at our address set forth on the first page of this proxy statement. The Secretary will submit your correspondence to the chairman of the board of directors, the chairman of the appropriate committee, or the appropriate individual director, as applicable.

Director compensation.

Directors who are employees receive no additional or special compensation for serving as directors. The board of directors determines the total amount of the annual retainer as well as the amounts of any meeting or committee fee based upon recommendations from the compensation committee of the board and input from the chief executive officer.

Under the terms of our current equity compensation plan, we make formula grants of nonqualified stock options to our non-employee directors and members of committees of our board of directors as described below. All stock-based compensation for our Non-employee directors is governed by our 2006 Omnibus Equity Compensation Plan (the 2006 Plan) or its predecessor, our 1996 Equity Compensation Plan (the 1996 Plan). All options granted under the formula grants are immediately exercisable, have an exercise price equal to the fair market value per share of our common stock as determined by the per share price as of the close of business on the date of grant and have a five-year term.

- on the date each non-employee director becomes a director, he or she is granted options to purchase 15,000 shares of our common stock;

- on the date each director becomes a member of a committee of our board of directors, he or she is granted options to purchase 10,000 shares of our common stock with respect to each committee on which he or she sits;

- on each date on which we hold our annual meeting of shareholders, each non-employee director in office immediately before and after the annual election of directors will receive an automatic grant of options to purchase 5,000 shares of our common stock; and

- on each date on which we hold our annual meeting of shareholders, each member of a committee of our board of directors in office immediately before and after the annual election of directors will receive an automatic grant of options to purchase 5,000 shares of our common stock.

Effective as of January 1, 2004, non-employee directors who serve as members of our audit committee receive an annual fee of $12,000 and non-employee directors who serve on our compensation committee receive an annual fee of $6,000. All fees are paid in quarterly installments. In addition, prior to January 1, 2006, non-employee directors who physically attended board meetings received a fee of $3,000 for each meeting attended. Effective January 1, 2007, all non-employee directors will receive the following meeting attendance fees:

Director meeting attendance fee (Beginning fiscal 2007)	
Board Meeting Personal Attendance Fees (per meeting)	$ 3,000
Regularly Scheduled Telephonic Board Meeting Attendance Fees (per meeting)	$ 500
Regularly Scheduled Telephonic Audit Committee Meeting Attendance Fees (per meeting)	$ 250
Regularly Scheduled Telephonic Compensation Committee Meeting Attendance Fees (per meeting)	$ 250

We also purchase directors and officers liability insurance for the benefit of our directors and officers as a group in the amount of $10 million. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or its committees. No fees are payable to directors for attendance at specially called meetings of the board.

The table below shows all compensation paid to each of our non-employee directors during 2006. Each of the directors listed below served for the entire year, with the exception of Mr. Lipton, who chose not to stand for reelection at our 2005 annual meeting and ceased to be a director on November 22, 2006.

Name (a)	**Fees earned or paid in cash ($) (b)**	**Option awards ($)(1) (d)**	**All other compensation ($) (g)**	**Total ($) (h)**
Stanley Stern	12,000	5,090		17,090
Eugene Fiume	6,000	2,545		8,545
Erez Gissin	6,000	2,545		8,545
Allen Karp	18,000	5,090		23,090
Lloyd Morrisett	21,000	7,635		28,635
Jeffrey Schwartz	24,000	7,635		31,635
Alan Lipton				
	87,000	30,540		117,540

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(1) On November 22, 2006 under the 2006 Omnibus Equity Compensation Plan (the 2006 Plan), our non-employee directors were awarded these automatic option grants. Under the 2006 Plan these options vested immediately and carry an exercise price of $0.80. All these options remained outstanding at December 31, 2006 and have a five year term. The Grant Date Fair Value of the Option Grants was based on the Black-Scholes option-pricing model and used the same assumptions that are set forth in Note 8 to our audited consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended December 31, 2006.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis.

Compensation policy and overall objectives. The objective of our compensation program is to attract and retain the senior leadership required to build superior, long-term shareholder value in a rapidly changing high technology environment. Our goal is to compete in the market for high caliber individuals with the talent and capabilities that we believe are necessary to our success. We construct our executive compensation program and its various components to reflect market practices. Our pay philosophy incorporates a pay-for-performance approach to align our executives interests with those of our shareholders, and to provide a motivational element..

General Executive Compensation Process. The compensation committee establishes total compensation opportunities (and each of the individual elements) for Elliot Noss, President and chief executive officer. The committee also approves the compensation of the other executive officers, with input from the chief executive officer. To assist it in performing its duties, the committee utilizes market data to assess our relative position among technology companies of similar size. For the fiscal year ended December 31, 2006, data was collected and used from several salary surveys, with Culpepper becoming the company standard. We also conduct comprehensive market reviews of compensation philosophy and practices on a periodic basis to establish pay practices that are both competitive and reasonable and meet the company s objectives. This information is presented to the compensation committee to assist with assessment of competitive compensation for our executives.

The committee considers and determines the compensation package for the chief executive officer based on a competitive analysis prepared from the market data and includes consideration of financial performance relative to plans, projections and long term operating goals, shareholder return and shareholder value. The committee first determines the total targeted compensation opportunity for the chief executive officer and then the appropriate mix of the elements of compensation, based on an analysis of the market data. During the compensation review process, the chief executive officer recommends the compensation levels for all other executive officers to the compensation committee, based on peer group levels. The committee specifically approves all compensation for our executive officers.

Elements of Compensation. The primary elements of our executive compensation is composed of the following components: fixed compensation that includes base salary, benefits , such as general health, life and disability insurance plans, most of which are available to all salaried employees, and performance-related compensation that includes an annual incentive plan, an overachievement plan, special awards and a long-term incentive plan. The base salary reflects the value an individual brings to our organization on a day-to-day basis. The annual incentive is designed to reward delivery of agreed upon financial and strategic plans during a given year, and the long-term incentive serves to drive performance that reflects shareholder interests and provide rewards commensurate with investor returns. Termination benefits are designed to recognize peer group practices and to recognize long-term service and attract and retain quality executives. We do not have any retirement benefits at this stage. In determining actual compensation levels, we consider all elements of the program in total rather than any one element in isolation.

In setting compensation levels we are guided by the competitive practices in the peer group and in general, our target positioning provides competitive pay (50th percentile to the market) for achieving target performance. The percentage of total compensation allocated to salary, annual incentive and long-term incentive varies by individual, and that individual determination is based on the responsibilities of the individual executive, consistent with executives at other companies in similar positions. For 2006, we targeted for a percentage of total executive compensation to performance-related compensation, of no less than 34% of the chief executive officer s total annual compensation, and from 17% to 39% of the total annual compensation for our other named executive officers.

For annual incentives, the cash bonus for the chief executive officer, executives and key employees is entirely dependent upon our net income performance. In addition, if we exceeds our approved budget, the named executives and key employees participate in an overachievement bonus that is designed to allow us to emphasize additional goals for management. For fiscal 2006, the committee designated that 30% of the amount that we exceeded the adjusted net income target approved by the board during the 2006 operational plan process, should be placed in a pool to reward the named executives and key employees. For this purpose, adjusted net income is defined as net income adjusted for depreciation, amortization, interest, taxes and further adjusted for net deferred revenue and certain cash and non-cash charges. We establish a target level for each of the various performance criteria at a level high enough that it is viewed as a target that will be beneficial to shareholders. The individual target level for a numerical performance criterion may change from year to year. For long-term incentive compensation, we primarily use market trends to determine the number of stock options to grant each year.

Our normal practice for an executive who is new in his/her position is to establish compensation at the 50th percentile to the market and then to assess the executives performance annually thereafter to establish if any if any increase is warranted. Other reasons that could result in a material increases in compensation generally relate to promotions or added responsibilities as well as broader labor market conditions. The total 2006 salary, target annual incentive and long term incentive compensation for our named executive officers were 15.1% below the peer group median.

Base salary. Base salary provides an executive with basic compensation and reflects the value of the employee in the market as well as his or her historic contribution to our success. As a guideline, we usually establish base salary at approximately the median compensation level among the peer group. In 2006, salaries of our chief executive officer and other named executive officers were 8.3% below that market median. We initially determine base salaries for executives by evaluating their level of responsibility, prior experience, breadth of knowledge, internal equity issues and external pay practices. Increases to base salaries will be driven primarily by performance. We evaluate an executive s performance based upon his or her sustained level of contribution to the company. The compensation committee has historically made salary adjustments for the named executive officers on an annual basis.

In determining the chief executive officer s base salary, the compensation committee considers a number of factors, including data regarding chief executive officer salaries in the peer group, the scope of his responsibilities, and the length of time he has served in the position. For our chief executive officer, we have steadily increased his base salary and effective January 1, 2006, the committee increased his base salary by 14.6% to $233,051. Effective January 1, 2007, Mr. Noss s base salary will increase to $268,000, which remains approximately 10% below the median level of the peer group. In making base salary recommendations to the compensation committee for the other named executive officers, the chief executive officer considers similar factors.

Annual IncentivePlans (Non-equity Incentive Plan Compensation).

Annual Incentive Plan. We structure our annual incentive compensation program based on a quarterly assessment of our year-to-date net income performance (with a holdback to ensure that annual goals are the primary consideration) against our approved budget. We believe that this ensures regular motivation of named executives and key employees and allows a significant portion of an executive s compensation to vary with our results in a given year, while providing financial incentives to executives to achieve our short term financial and strategic objectives. The annual incentive communicates to executives the key accomplishments the compensation committee wishes to reward and ensures that overall executive compensation correlates with our goals. With respect to key operational factors and non-financial goals we believe important to our long-term success that may not be immediately reflected in financial performance metrics such as revenue or net income, we attempt to identify them separately as non-pecuniary goals that go in to the over evaluation of performance.

As long as we have achieved the minimum year-to-date quarterly net income target set by the committee, a quarterly bonus payment, computed on a pro-rata basis up to 100% of quarterly target, will be paid. No bonus payments, including personal performance payments, will be made unless the minimum year-to-date net income goal has been achieved. Quarterly payments are subject to a 25% holdback which is paid once the assessment of the annual net income has been completed.

In establishing the annual incentive pool we review data regarding the median percentage of net income allocated by the peer group to annual incentives. Based on this information, the chief executive officer makes a recommendation to the compensation committee regarding the maximum percentage of our net income to be allocated to the annual incentives pool for all members of our senior management (including named executive officers) for the year. During the annual operating plan process, the committee sets the maximum percentage of net income available for annual incentives for that year (28% for 2006 and 18% for 2007). At that time, the committee also approves the maximum portion of the annual incentive pool payable to each of the chief executive officer s direct reports and authorizes the chief executive officer to set the annual personal performance objectives, if any, for each executive and key employee participating in the plan. Personal performance is assessed by the chief executive officer as part of the review of the annual results. The committee also recommends to the board for approval the targeted bonus for the chief executive officer. The allocation of a percentage of the maximum annual incentive pool to each of the named executive officers is discretionary with the compensation committee, but generally is based on the named executive officer s compensation relative to the other named executive officers.

Once the annual financial results are available, the committee reviews with the chief executive officer the dollar amounts payable for each of the named executives based on a combination of our net income performance and their personal performance. For fiscal 2006, as we exceeded the minimum year-to-date net income target for the quarters ended March 2006 and June 2006, quarterly bonus payments were made. As we did not exceed the minimum year-to-date net income target for the quarters ended September 2006 and December 2006 no further bonus payments were made.

As we achieved our net income targets for the quarters ended March 2006 and June 2006, our chief executive officer received $45,513 of his annual incentive for 2006 performance. This represented 37% of the maximum annual incentive available under the annual incentive plan. As we did not achieve our year-to-date net income targets for the quarters ended September 2006 and December 2006 no further payments were made.

The compensation committee s assessment of the annual incentives for the other named executive officers was based on the same criteria described above.

Special Cash Award. On January 10, 2006 and January 13, 2006, in recognition of the successful closing of the acquisition of Critical Path, inc. the compensation committee of our board of directors unanimously approved special cash award bonuses totaling $46,432 to certain of our employees who actively participated in the acquisition. Bonus recipients included the following named executive officers:

Name	**Cash award**
Michael Cooperman	13,240
Alain Chesnais	8,827
Judith Fields	8,827

Overachievement Bonus Plan 2006. The overachievement bonus is an annual bonus that is designed to allow us to emphasize additional goals for exceeding our approved budget. The committee has designated an adjusted net income target be utilized for this purpose. The committee defines adjusted net income as net income adjusted for depreciation, amortization, interest, taxes and further adjusted for net deferred revenue and certain cash and non-cash charges. During the annual operating plan process, the committee sets the maximum percentage of adjusted net income available for the overachievement bonus plan for that year (30% of the amount by which adjusted net income exceeds the approved budget for both 2006 and 2007) and also approved, for both 2006 and 2007, that 55% of the pool should be designated as the executive pool and 45% should be designated the key employee pool. At that time, the committee also approves the maximum portion of the executive pool payable to each of the chief executive officer s direct reports and authorizes the chief executive officer to set the maximum portion of the key employee pool payable to each participating key employee. The committee also recommends to the board for approval the targeted overachievement bonus for the chief executive officer. The allocation of a percentage of the maximum executive pool to each of the named executive officers is discretionary with the compensation committee, but generally is based on the named executive officer s compensation relative to the other named executive officers.

As we did not achieve our targeted adjusted net income for 2006, the compensation committee determined that no overachievement bonuses were payable.

Long Term Incentive Compensation and option granting process. Our long-term incentive plan is designed to assist us in attracting, motivating, and retaining the quality executive talent we need and to reinforce management s commitment to long-term improvement in both profitability and shareholder value. In prior years, the committee has made annual grants of stock options under the 1996 Plan to the named executive officers and other employees, most recently in August 2004. Supplemental grants are also made from time to time when the committee deems they are warranted. Since fiscal 2004 however, the 1996 Plan has had insufficient shares reserved for issuance to allow the committee to make annual grants, therefore no annual grants were made in 2006. In assessing if we should renew our option plan in April 2006, we commissioned Mercer Human Resource Consulting, or Mercer, to review our long term compensation alternatives. As part of their review of our long term incentive programs, Mercer reviewed our existing program, conducted a study of peer group programs and considered alternative programs, including cash based long term incentive awards, stock appreciation right plans, performance awards and restricted stock plans. Based on their review, we chose to continue granting stock options because we believe they best ensure alignment of financial interests among executives and shareholders. For this reason, on August 8, 2006 our board adopted the 2006 Plan which was presented to our shareholders for approval on November 22, 2006. Under the plan, the shareholders approved the reservation of 5 million common shares for issuance. Eligible participants include all employees of Tucows and its subsidiaries. Under the terms of the plans, management makes recommendations to the chief executive officer on the number of stock options, if any, to be granted to eligible participants based on the individual s ability to affect future financial performance, competitiveness (with reference to the median of the peer groups), the individual s past performance and an assessment of their individual contribution relative to other key employees in the organization and consistent with company culture. The chief executive officer s grant is similarly determined by the compensation committee and all proposed grants are reviewed and approved by the committee. The only grant made to any of our named executive officers during 2006 was a grant of options to Alain Chesnais in February 2006 in connection with his commencement of employment as an executive officer.

Potential option grants are typically presented to the compensation committee for review and approval at our regularly-scheduled compensation committee meetings. These meetings are scheduled around the time of the public release of our year end and quarterly earnings reports and in accordance with the definition of fair market value in the Plan, have an exercise price equal to the closing price of our common stock as reported AMEX on the day the grant is approved by the committee.

In determining the number of shares available for annual award purposes, the committee primarily considered the competitive practices of our peer group. Based on our assessment, the committee has established that the maximum number of shares available for annual option grants should be set between 1% to 2% of our outstanding common stock. We believe that this places us at the lower end of current industry practice. We monitor changes in trends on an annual basis and may elect to vary the pool for annual grant purposes from year to year.

As no annual grants have been made since August, 2004, under the newly adopted 2006 Equity Compensation Plan, on March 19, 2007 the compensation committee approved annual grants totaling 1,372,500 common shares to current eligible employees, of which 510,000 were granted to our named executive officers. All of these stock options have an exercise price of $0.85 per share, vest annually in four equal installments commencing on the anniversary of the date of grant and have a 7 year term. The stock options granted to our named executive officers are listed in the following table:

Name	**Number of Options Granted**
Elliot Noss	150,000
Michael Cooperman	120,000
David Woroch	80,000
Alain Chesnais	80,000
Judith Fields	80,000
	510,000

Other Compensation. We structure our other compensation to provide competitive benefit packages to employees, including our executives. We offer certain perquisites and other personal benefits to executives, primarily consisting of automobile allowances, general health, life and disability insurance plans (as well as the severance and change in control benefits described below). We tie these benefits to competitive practices in the market, a practice the compensation committee believes enables us to attract and retain executives with the talents and skill sets we require.

We offer certain benefits, such as a portion of health insurance premiums, to all salaried employees, while senior managers and executives are provided between $1,000 and $1,500 per annum as an additional benefit which is placed in their flexible health spending account. We also encourage all Canadian salaried employees to contribute to their Registered Retirement Savings Plans by offering them an annual matching contribution of up to $662 to their Registered Retirement Savings Plans. A similar benefit is offered to US based salaries employees whereby they are encouraged to contribute to our 401(k) plan. This plan currently operates under a safe harbor employer contribution under which we will match the first 3% contributed by the employee and 50% of the next 2% contributed to the plan. We try to structure our benefit programs to be comparable to those offered by most companies.

Change in Control Agreements. We provide a severance plan to executives, as a retention incentive and in the case of our chief executive officer and chief financial officer, a change in control plan enacted in 2003 to ensure that in a potential change in control situation that could benefit our shareholders, that they are personally indifferent to the outcome of the transaction. Our change in control program is designed to ensure that our chief executive officer and chief financial officer work to secure the best outcome for shareholders in the event of a possible change in control, even if it means that they lose their jobs as a result. Each of our senior executives also has an Executive Agreement that provides that if the executive s employment is terminated without cause, the executive will receive specified benefits.

Overall compensation assessment. It is the view of the compensation committee and the board of directors that the compensation philosophy and principles, as well as the executive compensation levels for the named executive officers, are appropriate for the size of the organization, the scope and complexity of the businesses managed and the achievement of certain goals and objectives during the year. We believe that the combination of salary and bonus made to the named executive officers for the 2006 fiscal year were reasonable considering their duties and responsibilities and their individual contributions to the company. It is also our view that the offering of a competitive, performance-based compensation program with a large equity component helps to achieve this objective by aligning the interests of officers and other key employees with those of our shareholders. We believe that our 2006 fiscal year compensation program met these objectives. For the 2007 fiscal year, we have approved an incentive compensation program based on similar principles that applied to the program in the 2006 fiscal year. Furthermore, it is contemplated that any stock options or awards that may be granted will be granted in accordance with our currently approved plan or on a case-by-case basis, as and when deemed appropriate.

Tax and Accounting Considerations

All elements of compensation, including salaries, generate charges to earnings under generally accepted accounting principles (GAAP). We generally do not adjust compensation components based on accounting factors. With respect to tax treatment, we consider the tax effect of types of compensation. In the main, we attempt to structure incentive compensation to secure the deduction for performance-based compensation under Section 162(m) of the Code. Section 162(m) denies a deduction for compensation paid to a named executive officer in a taxable year for compensation in excess of $1,000,000 unless such excess amount meets the definition of performance-based compensation. We attempt to structure our stock options, as well as significant portions of the annual incentive, to meet the criteria for performance-based compensation. It is possible, however, that portions of these awards will not qualify as performance-based compensation, and, when combined with salary and other compensation to a named executive officer, may exceed this limitation in any particular year.

We have no policy addressing recovery of performance-based awards to the extent financial results underlying those awards are restated, but that situation has never arisen. If it does occur, our compensation committee would determine the appropriate action under the circumstances.

Summary compensation table.

The following Summary Compensation table provides a summary of the compensation earned by the chief executive officer, Elliot Noss, the chief financial officer, Michael Cooperman and our three other most highly compensated executive officers for services rendered in all capacities during the fiscal year ended December 31, 2006. Specific aspects of this compensation are dealt with in further detail in the tables that follow. All dollar amounts below are shown in U.S. dollars. If necessary, amounts that were paid in Canadian dollars during the 2006 fiscal year were converted into U.S. dollars based upon the exchange rate of 1.1329 Canadian dollars for each U.S. dollar, which represents the average Bank of Canada exchange rate for the 2006 fiscal year.

Current Compensation
Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Option Awards(1) ($) (f)	All Other Compensation(2) ($) (i)	Total ($) (j)
Elliot Noss *President and Chief Executive Officer*	2006	242,739	45,513	32,769	9,268	330,289
Michael Cooperman *Chief Financial Officer*	2006	194,192	36,648	26,277	10,857	267,974
David Woroch *Vice President, Sales*	2006	150,058	27,309	10,465	6,620	194,452
Alain Chesnais(6) *Vice President, Product Development*	2006	154,471	27,446	18,929	6,620	207,466
Judith Fields *Vice President, Operations*	2006	132,404	16,275	6,865	1,324	156,868

(1) Represents the dollar amount we recognized in our 2006 income statement for option awards to the named executive officers, calculated in accordance with FAS 123R, and thus include amounts from awards granted in 2006 and in prior years. Please see the note entitled Stock Option Plans in the notes to our audited financial statements included in our 2006 annual report on Form 10-K for a discussion of the assumptions underlying these calculations.

(2) Amounts reported in this column are comprised of the following items:

	Additional Health Spending Credits ($)	Car Allowance ($)	Health Club Membership ($)	All Other Compensation ($)
Elliot Noss	1,324	7,944		9,268
Michael Cooperman	1,324	7,415	2,118	10,857
David Woroch	1,324	5,296		6,620
Alain Chesnais	1,324			