FORM S-1

General form of registration statement for all companies including face-amount certificate companies

Filing Date: **1999-09-10**
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FILER

METASOLV SOFTWARE INC
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As filed with the Securities and Exchange Commission on September 10, 1999.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

METASOLV SOFTWARE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	7371	75-2476509
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5560 Tennyson Parkway
Plano, Texas 75024
(972) 403-8300
(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

GLENN A. ETHERINGTON
Chief Financial Officer
MetaSolv Software, Inc.
5560 Tennyson Parkway
Plano, Texas 75024
(972) 403-8300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of this prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $0.01 par value.....	$60,000,000	$16,680

</TABLE>

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

+The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.+

PROSPECTUS (Subject to Completion)
Issued , 1999

Shares

[LOGO OF METASOLV SOFTWARE APPEARS HERE]

COMMON STOCK

MetaSolv Software, Inc. is offering shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

We have applied to list our common stock on the Nasdaq National Market under the symbol "MSLV."

Investing in our common stock involves risks.
See "Risk Factors" beginning on page 5.

PRICE $ A SHARE

<TABLE>
<CAPTION>

	Price	Underwriting

	to Public	Discounts and Commissions	Proceeds to MetaSolv
<S>	<C>	<C>	<C>
Per Share	$	$	$
Total	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

MetaSolv Software, Inc. has granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares of common stock to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER

BANCBOSTON ROBERTSON STEPHENS

JEFFERIES & COMPANY, INC.

, 1999

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MetaSolv Software, Inc. was originally incorporated as Omnicase, Inc. in Delaware on July 6, 1992. Our principal executive offices are located at 5560 Tennyson Parkway, Plano, Texas 75024 and our telephone number is (972) 403-8300. Our Web site is www.metasolv.com. The information on our Web site is not incorporated by reference into this prospectus.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are

permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

Unless otherwise indicated, all information in this prospectus gives effect to the conversion of all outstanding shares of preferred stock into shares of common stock effective upon the closing of the offering and assumes no exercise of the underwriters' over-allotment option.

Until , 1999, all dealers that buy, sell or trade the common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

You should read this summary together with the more detailed information and our financial statements and notes appearing elsewhere in this prospectus.

METASOLV SOFTWARE

We are a leading provider of order management and service provisioning, or O&P, solutions for next-generation telecommunications service providers. Our Telecom Business Solution, or TBS, software is a comprehensive O&P solution that encompasses all of the functions necessary to fulfill customer requests for telecommunications service. Currently, we have over 50 customers including market-leading competitive local exchange carriers, or CLECs, such as Allegiance Telecom and GST Telecommunications; broadband backbone providers, such as Qwest Communications and Williams Communications; incumbent service providers, such as GTE and ALLTEL; long distance providers, such as BellSouth and Ameritech; and new data CLECs such as HarvardNET and GTE Global Networks Infrastructure.

We developed our TBS software to address the complex O&P needs of next-generation service providers using an open architecture, which facilitates customization and integration with existing software applications by our customers, partners, and third parties. Next-generation service providers offer a bundled set of telecommunications services, including local exchange, private line, domestic and international long distance, enhanced voice, data and a full suite of Internet services. Based on recent industry reports, we estimate the worldwide spending on third party O&P solutions by these next-generation service providers will grow by over 40% per year to $1.2 billion in 2001.

Founded in 1992, we have leveraged our expertise in building and deploying mission-critical, enterprise-wide applications to build a software company focused on providing commercial, off-the-shelf software to the telecommunications industry. We began development of an ordering and provisioning solution in early 1994 in conjunction with ALLTEL, an incumbent service provider upgrading its legacy operations support system infrastructure. This initial product release was focused on the long distance access and private line business of incumbent service providers and competitive access providers. In response to the needs of the CLEC market created by the Telecommunications Act of 1996, we expanded our product line to support the resale and wholesale of local exchange and long distance services. In early 1997, we expanded our TBS software to support convergent voice and data services. Throughout 1998 and 1999, we enhanced our TBS software to provide support for the ordering and provisioning of Internet protocol, or IP, based networks and services.

THE OFFERING

Common stock offered.....	shares
	shares
Common stock to be outstanding after this offering.....	
Use of proceeds.....	For general corporate purposes, including working capital.

Proposed Nasdaq National Market symbol..... MSLV

SUMMARY FINANCIAL DATA

<TABLE>
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	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
	(in thousands, except per share data)			(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues:					
License	$ 1,895	$ 5,262	$23,432	$ 6,548	$17,165
Service	3,170	6,283	19,144	6,775	14,971
Total revenues	5,065	11,545	42,576	13,323	32,136
Cost of revenues:					
License	69	223	1,298	423	900
Service	1,090	3,302	14,803	4,727	11,690
Total cost of revenues	1,159	3,525	16,101	5,150	12,590
Gross profit	3,906	8,020	26,475	8,173	19,546
Total operating expenses	3,325	7,955	26,983	9,752	18,476
Income (loss) from operations	$ 581	$ 65	$ (508)	$(1,579)	$ 1,070
Net income (loss)	$ 648	$ 120	$ (186)	$(1,312)	$ 716
Earnings (loss) per share:					
Basic	$ 0.11	$ 0.02	$ (0.03)	$ (0.23)	$ 0.12
Diluted	$ 0.06	$ 0.01	$ (0.03)	$ (0.23)	$ 0.05
Weighted-average shares outstanding:					
Basic	5,702	5,705	5,736	5,711	5,852
Diluted	11,220	12,472	5,736	5,711	15,627

</TABLE>

The following table presents our summary balance sheet at June 30, 1999. The pro forma balance sheet data reflect the conversion of our preferred stock outstanding as of June 30, 1999 into 8,122,653 shares of common stock and the pro forma as adjusted data reflect our sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share and the application of the estimated net proceeds.

<TABLE>
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	As of June 30, 1999		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands) (unaudited)		
<S>	<C>	<C>	<C>
Balance Sheet Data:			
Cash and cash equivalents	$11,222	$11,222	$
Working capital	9,963	9,963	
Total current liabilities	18,431	18,431	
Redeemable convertible preferred stock	12,610	--	
Total stockholders' equity	2,587	15,197	

</TABLE>

RISK FACTORS

You should carefully consider the following risks before making an investment decision. Any of the following risks could seriously harm our business or adversely affect our financial condition or results of operations. As a result, these risks could cause the decline in the trading price of our common stock, and you may lose all or part of your investment. You should also refer to the other information set forth in this prospectus, including our financial statements and the related notes.

Risks Related to Our Business

We Have a Limited Operating History with Inconsistent Profitability, which Makes our Future Operating Results Uncertain

We were founded in July 1992 and began development of an ordering and provisioning solution in early 1994. Accordingly, our prospects must be considered in light of the risks and difficulties frequently encountered by companies in the early stage of development, particularly companies in new, rapidly evolving and highly competitive markets. To address these risks, we must respond effectively to competition, continue to attract, retain and motivate qualified personnel and continue to improve our products. Although we have achieved profitability in the most recent six-month period ended June 30, 1999, we had a net loss in the year ended December 31, 1998, following three years of only limited profitability. Our operating losses and marginal profitability have been due in part to the commitment of significant resources to our research and development, sales and marketing and professional services organizations. We expect to devote additional resources to these areas and, as a result, will need to continue increasing our quarterly revenues to maintain profitability. Although our revenues have increased in recent periods, we cannot be certain that our revenues will grow at past rates or that we will sustain profitability on a quarterly or annual basis in the future.

Our Quarterly Operating Results Have Varied Significantly and May Cause Our Stock Price to Fluctuate

Our quarterly operating results have varied significantly and are difficult to predict. As a result, we believe that period-to-period comparisons of our results of operations are not a good indication of our future performance. It is likely that in some future quarter or quarters our operating results will be below the expectations of public market analysts or investors. In such an event, the market price of our common stock may decline significantly. A number of factors are likely to cause our quarterly results to vary, including:

- Our ability to sell new and follow-on product licenses;
- The amount and timing of expenditures by our customers for order management and provisioning solutions;
- Our customers' willingness to buy, rather than build, order management and provisioning solutions;
- The timing of individual software orders, particularly those involving large license fees that would materially affect our revenues in a given quarter;
- Delays in implementation of our software, impacting our recognition of service revenues;
- Changes in our mix of license and services revenue;
- The introduction of new products and services by us or our competitors;
- Changes in our pricing policies or those of our competitors;
- Our ability to manage costs, including personnel costs and support services costs;
- The utilization rate of our professional services employees and the extent to which we use third party subcontractors to provide consulting services;

- Costs related to possible acquisitions of other businesses;
- Our ability to collect outstanding accounts receivable;
- Innovation and introduction of new technologies, products and services in the telecommunications and information technology industries; and
- Costs related to the expansion of our operations.

We forecast the volume and timing of orders for our operational planning, but these forecasts are based on many factors and subjective judgments, and we can not assure their accuracy. We have hired and trained a large number of personnel in core areas, including product development and professional services, based on our forecast of future revenues. As a result, a significant portion of our operating expenses are fixed in the short term. Therefore, failure to generate revenues according to our expectations in a particular quarter could have an immediate negative effect on results for that quarter.

We operate with virtually no backlog because we ship software products and perform services shortly after orders are received. As a result, our quarterly revenues are largely dependent upon orders booked and delivered during that quarter. We expect that our sales will continue to involve large financial commitments from a relatively small number of customers. As a result, the cancellation, deferral, or failure to complete the sale of even a small number of licenses for our products and related services may cause our revenues to fall below expectations. Also, we have often booked a large portion of our quarterly sales in the last month of any given quarter, and often in the last week of that month. Accordingly, delays in the completion of sales near the end of a quarter could cause quarterly revenues to fall substantially short of anticipated levels. Significant sales may also occur earlier than expected, which could cause operating results for later quarters to compare unfavorably with operating results from earlier quarters.

Some contracts for software licenses may not qualify for revenue recognition upon product delivery. Revenue may be deferred when there are significant elements required under the contract that have not been completed, there are express conditions relating to product acceptance, or when collection is not considered probable. Because of these uncertainties we may not be able to predict accurately when revenues from these contracts will be recognized.

If We Fail to Accurately Estimate the Resources Necessary to Complete Any Fixed-Price Contract, Or If We Fail to Meet Our Performance Obligations, We May Be Required to Absorb Cost Overruns and We May Suffer Losses On Projects

In addition to time and materials contracts, we have periodically entered into fixed-price contracts for software implementation, and we may do so in the future. These fixed-price contracts involve risks because they require us to absorb possible cost overruns. Our failure to accurately estimate the resources required for a project or our failure to complete our contractual obligations in a manner consistent with the project plan would likely cause us to have lower margins or to suffer a loss on such a project, which would negatively impact our operating results. In specific circumstances, we have been required to commit unanticipated additional resources to complete projects. We may experience similar situations in the future. In addition, for specific projects, we may fix the price before the requirements are finalized. This could result in a fixed price that turns out to be too low, which would cause us to suffer a loss on the project that would negatively impact our operating results.

We Rely on a Limited Number of Customers for a Significant Portion of Our Revenues

We currently derive, and we expect to continue to derive, a significant portion of our revenues through large financial commitments by a limited number of customers. For the six months ended June 30, 1999, our ten largest customers accounted for approximately 65% of our total revenues, with Qwest Communications, Time Warner Communications and Allegiance Telecom accounting for 14%, 8% and 8% of the total, respectively. The amount

of revenue we derive from a specific customer is likely to vary from period to period, and a major customer in one period may not produce significant additional revenue in a subsequent period. To the extent that any major customer terminates its relationship with us, our revenues could decline significantly.

We Have Relied and Expect to Continue to Rely on Sales of Our Telecom Business Solution Product for Our Revenue

We currently derive all of our revenues from the licensing, related professional services and maintenance and support of our Telecom Business Solution software product. We expect that we will continue to depend on revenue related to new and enhanced versions of our TBS software for the foreseeable future. We cannot be certain that we will be successful in upgrading and marketing our TBS software or that we will successfully develop and market new products or services. Any failure to continue to increase revenue related to our existing products or to generate revenue from new products and services would adversely affect our operating results and financial condition.

In Order to Increase Market Awareness of Our Products and Generate Increased Revenue, We Need to Expand Our Sales and Distribution Capabilities

We must expand our direct and indirect sales operations to increase market awareness of our products and to generate increased revenue. We cannot be certain that we will be successful in these efforts. Our products and services require a sophisticated sales effort targeted at the senior management of our prospective customers. New hires will require training and take time to achieve full productivity. We cannot be certain that our recent hires will become as productive as necessary or that we will be able to hire enough qualified individuals in the future. We also plan to expand our relationships with systems integrators and other third-party resellers to build an indirect sales channel. Failure to expand these sales channels would adversely affect our revenues and operating results. In addition, we will need to manage potential conflicts between our direct sales force and third-party reselling efforts.

We Depend on Certain Key Personnel, and the Loss of Any Key Personnel Could Affect Our Ability to Compete

We believe that our success will depend on the continued employment of our senior management team and key technical personnel. This dependence is particularly important to our business because personal relationships are a critical element of obtaining and maintaining business contacts with our customers. Our senior management team and key technical personnel would be very difficult to replace and the loss of any of these key employees could seriously harm our business. In addition, we currently do not have non-compete agreements in place, and if any of these key employees joins a competitor or forms a competing company, some of our customers might choose to use the products or services of that competitor or of a new company instead of ours.

Our Ability to Attract, Train and Retain Qualified Employees is Crucial to Results of Operations and Future Growth

As a company focused on the development, sale and delivery of software products and related services, our personnel are our most valued assets. Our future success depends in large part on our ability to hire, train and retain software developers, systems architects, project managers, telecommunications business process experts, systems analysts, trainers, writers, consultants and sales and marketing professionals of various experience levels. Skilled personnel are in short supply, and this shortage is likely to continue. As a result, competition for these people is intense, and the industry turnover rate for them is high. Any inability to hire, train and retain a sufficient number of qualified employees could hinder the growth of our business. In addition, we believe that the prospective employees that we target after the offering may perceive that the stock option component of our compensation packages is not as valuable as the component was prior to this offering. Consequently, we may have difficulty hiring our desired numbers of qualified employees after this offering. Moreover, even if we are

able to expand our employee base, the resources required to attract and retain such employees may adversely affect our operating margins.

Our Future Success Depends on Our Continued Use of Strategic Relationships to Implement and Sell Our Products

We have entered into relationships with third-party systems integrators, as well as with hardware platform and software applications developers. We rely on these third parties to assist our customers and to lend expertise in large scale, multi-system implementation and integration projects, including overall program management and development of custom interfaces for our product. Should these third parties go out of business or choose not to provide these services, we may be forced to develop those capabilities internally, incurring significant expense and adversely affecting our operating margins. In addition, we have derived and anticipate that we will continue to derive, a significant portion of our revenues from customers that have established relationships with our marketing and platform partners. We could lose sales opportunities if we fail to work effectively with these parties or fail to grow our base of marketing and platform partners.

Failure to Manage Our Growth May Adversely Affect Our Business

We have grown rapidly and expect to continue to grow rapidly by hiring new employees and by expanding our offering of products and services. For example, our headcount has grown from 144 as of January 1, 1998 to 337 as of June 30, 1999, and several members of our senior management team have only recently joined us. Our growth has resulted in new and increased responsibilities for management and will continue to place a significant strain on our internal systems. In order to accommodate the increased number of transactions and customers and the increased size of our operations, we will need to hire, train and retain the appropriate personnel to manage our operations. We will also need to improve our financial and management controls, reporting systems and operating systems. We are currently implementing new systems for our human resource and accounting functions. We plan to redesign several internal control systems, including contract and order management systems. We may encounter difficulties in transitioning to the new systems, and even after we implement these systems, our personnel, systems, procedures and controls may be inadequate to support our future operations.

Our Planned International Operations Face Additional Risks That Could Harm Our Business

To date, international revenues have been minimal. We intend, however, to expand our operations in the future by opening more international offices and will need to devote significant management and financial resources for our international expansion. In particular, we will have to attract experienced management, technical, sales, marketing and support personnel for our international offices. Competition for these people is intense and we may be unable to attract qualified staff. International expansion may be more difficult or take longer than we anticipate, especially due to language barriers, currency exchange risks and the fact that the telecommunications infrastructure in foreign countries may be less advanced than the telecommunications infrastructure in the United States. If we are unable to expand our international operations successfully and in a timely manner, our expenses could increase at a greater rate than our revenues, and our operating results could be adversely affected.

Moreover, international operations are subject to a variety of additional risks that could adversely affect our operating results and financial condition. These risks include the following:

- Longer payment cycles;
- Problems in collecting accounts receivable;
- The impact of recessions in economies outside the United States;

- Unexpected changes in regulatory requirements;
- Higher levels of regulation specific to the telecommunications industry;

- Trade barriers and barriers to foreign investment, in some cases specifically applicable to the telecommunications industry;
- Barriers to the repatriation of capital or profits;
- Fluctuations in currency exchange rates;
- Restrictions on the import and export of certain technologies;
- Lower protection for intellectual property rights;
- Seasonal reductions in business activity during the summer months, particularly in Europe;
- Potentially adverse tax consequences;
- Increases in tariffs, duties, price controls or other restrictions on foreign currencies; and
- Requirements of a locally domiciled business entity.

Potential Future Acquisitions Could Be Difficult to Integrate, Disrupt Our Business, Dilute Stockholder Value and Adversely Affect Our Operating Results

We may acquire other businesses in the future, which would complicate our management tasks. We may need to integrate widely dispersed operations that have different and unfamiliar corporate cultures. These integration efforts may not succeed or may distract management's attention from existing business operations. Our failure to successfully manage future acquisitions could seriously harm our business. Also, our existing stockholders would be diluted if we financed the acquisitions by issuing equity securities.

Our Failure to Meet Customer Expectations or Deliver Error-Free Software Could Result in Losses and Negative Publicity

The complexity of our products and the potential for undetected software errors increase the risk of claims and claim-related costs. Due to the mission-critical nature of order management and service provisioning systems, undetected software errors are of particular concern. The implementation of our products, which we accomplish through our professional services division and with our partners, typically involves working with sophisticated software, computing and communications systems. If we experience difficulties with an implementation or do not meet project milestones in a timely manner, we could be obligated to devote more customer support, engineering and other resources to a particular project and to provide these services at reduced or no charge. If our software contains undetected errors or we fail to meet our customers' expectations or project milestones in a timely manner, we could experience:

- Delayed or lost revenues and market share due to adverse customer reaction;
- Loss of existing customers;
- Negative publicity regarding us and our products, which could adversely affect our ability to attract new customers;
- Expenses associated with providing additional products and services to a customer at a reduced charge or at no charge;
- Claims for substantial damages against us, regardless of our responsibility for any failure;
- Increased insurance costs; and
- Diversion of development and management time and resources.

Our licenses with customers generally contain provisions designed to limit our exposure to potential claims, such as disclaimers of warranties and limitations on liability for special, consequential and incidental damages. In addition, our license agreements usually cap the amounts recoverable for damages to the

amounts paid by the licensee to us for the product or services giving rise to the damages. However, we cannot be sure that these contractual provisions will protect us from additional liability. Furthermore, our general liability insurance coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to any future claim. The successful assertion of any large claim against us could adversely affect our operating results and financial condition.

Our Business Could Be Affected by Year 2000 Issues

Many currently installed computer systems and software products have been designed to accommodate only two digit entries to represent the year in the date field. As a result, these systems may be unable to determine whether the designation "00" means the year 1900 or the year 2000. This may result in system failures or the creation of erroneous results and is commonly known as the Year 2000 problem.

We must assess the impact of the Year 2000 problem on software sold to customers, internal information systems, and the impact on significant vendors of products and services. We have established a Year 2000 program management office to ensure that we have adequately addressed exposures related to the Year 2000 and are Year 2000 ready. "Year 2000 ready" means that the performance or functionality of both our TBS software and our internal systems will not be significantly affected by the dates prior to, during and after the Year 2000, to include leap year calculations and specific day-of-the-week calculations.

Our review of our TBS software for Year 2000 readiness is performed as part of our normal quality assurance function. As of the date of this prospectus, we have identified no material Year 2000 compliance issues with respect to any TBS software that is currently being operated by our customers. However, our TBS software operates in complex network environments and must interact with many different hardware and software systems. We have not performed extensive tests on all hardware and software that may operate in conjunction with our TBS software. Accordingly, some customers may experience Year 2000 problems, which may require our assistance to correct.

Through a risk analysis completed by our Year 2000 program management office, we have identified the critical systems within our internal operations that may be affected by Year 2000 issues. We believe we have identified substantially all major computers, software applications and related equipment used within our internal operations that must be upgraded or replaced to minimize the possibility of a disruption to our business. The version of accounting software we currently use is not Year 2000 ready. Rather than upgrade to a new version of software, we have elected to replace this system with a new management reporting system that will be much more flexible as we grow. We expect this conversion to be completed during the fourth quarter of 1999. However, if we are not ready to convert, we believe that it would be possible to upgrade to a Year 2000 ready version of our existing software, or to process data manually until the new system is ready for conversion.

In addition to our accounting system, our business is also dependent upon software to operate our e-mail system, software development and testing tools and office software applications. We are unaware of any material costs or operational issues associated with preparing these internal systems for the year 2000.

Our business is also dependent upon computer controlled systems of third parties such as vendors, customers and public service providers. The operation of our office and facilities equipment, such as elevators, fax machines, photocopiers, security systems and telephone switches may all be affected by the Year 2000 problem. We have contacted each of our vendors to obtain assurance that these systems are Year 2000 ready, however, not all vendors have responded. In addition, we have not independently tested the claims of our vendors who have responded. We believe that, absent a critical failure of electrical, telephone or other public services beyond our control, Year 2000 problems experienced by third parties will not have a material impact on our operations.

We are currently developing contingency plans to be implemented in the event that we fail to identify all of the Year 2000 problems affecting our internal systems. These plans could include accelerated replacement of

equipment and software, short-term use of back-up systems, manipulation of system dates or manual workarounds until any problems are corrected.

Despite our efforts, there is no assurance that we will be able to identify and correct all Year 2000 problems. Any failure to achieve Year 2000 readiness could result in a decrease in revenues, an increase in resources required to address the Year 2000 problems of our customers or an increase in litigation costs relating to losses suffered by our customers as a result of the Year 2000 problem. The costs associated with remediating any Year 2000 problems have not been material to date. Although we do not anticipate that these costs will be material in the future, we cannot assure you that these future costs will not be material.

Our Business Will Suffer if We Are Not Able to Protect Our Intellectual Property and Proprietary Rights

Our success depends in part on our proprietary software technology. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our technology. We cannot guarantee that the steps we have taken to protect our proprietary rights will be adequate to deter misappropriation of our intellectual property, and we may not be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. If third parties infringe or misappropriate our copyrights, trademarks, trade secrets or other proprietary information, our business could be seriously harmed. In addition, although we believe that our proprietary rights do not infringe on the intellectual property rights of others, other parties may assert infringement claims against us or claim that we have violated their intellectual property rights. Claims against us, even if not true, could result in significant legal and other costs and may be a distraction to management. We currently focus on intellectual property protection within the United States. Protection of intellectual property outside of the United States will sometimes require additional filings with local patent, trademark, or copyright offices, as well as the implementation of contractual or license terms different from those used in the United States. Protection of intellectual property in many foreign countries is weaker and less reliable than in the United States. If our business expands into foreign countries, costs and risks associated with protecting our intellectual property abroad will increase.

Risks Related to Our Industry

The Telecommunications Market is Changing Rapidly

Over the last decade, the market for telecommunications products and services has been characterized by rapid technological developments, evolving industry standards, dramatic changes in the regulatory environment, emerging companies and frequent new product and service introductions. Our future success depends largely on our ability to enhance our existing products and services and to introduce new products and services that are based on leading technologies and that are capable of adapting to changing technologies, industry standards and customer preferences. In addition, we must hire, train and retain professionals who can fulfill the increasingly sophisticated needs of our customers. If we are unable to successfully respond to these technological developments or do not respond in a timely or cost-effective way, our sales could decline and our costs for developing competitive products could increase.

New technologies, services or standards could require significant changes in our business model, development of new products or provision of additional services. New products and services may be expensive to develop and may result in the introduction of additional competitors into the marketplace. Furthermore, if the overall market for order management and service provisioning systems grows more slowly than we anticipate, or if our products and services fail in any respect to achieve market acceptance, operating results and financial condition could be materially adversely affected.

The Telecommunications Industry is Experiencing Consolidation

The telecommunications industry has experienced significant consolidation. In the future, there may be fewer potential customers requiring operations

of competition in the industry. In addition, larger, consolidated telecommunications companies have strengthened their purchasing power, which could create pressure on the prices and the margins we could realize. These companies are also striving to streamline their operations by combining different telecommunications systems and the related operations support systems into one system, reducing the number of vendors needed. Although we have sought to address this situation by continuing to market our products and services to new customers and by working with existing customers to provide products and services that they need to remain competitive, we cannot be certain that we will not lose customers as a result of industry consolidation.

Competition from Larger, Better Capitalized or Emerging Competitors for the Telecommunications Products and Services that We Offer Could Result in Price Reductions, Reduced Gross Margins and Loss of Market Share

Competition in the telecommunications products market is intense. We compete against other companies selling telecommunications software and services and against the in-house development efforts of our customers. We expect competition to persist and intensify in the future. We cannot be certain that we will be able to compete successfully with existing or new competitors, and increased competition could result in price reductions, reduced gross margins and loss of market share.

Our current competitors include, and may in the future include, other providers of operations support systems, such as Telcordia Technologies (formerly Bellcore), Lucent Technologies, Architel Systems and Eftia OSS Solutions, large systems integrators such as the consulting arms of the "Big Five" accounting firms, and outsourcing firms, such as Computer Sciences, Electronic Data Systems and Perot Systems. In addition, some large information technology consulting firms have announced that they will focus more resources on telecommunications opportunities within our market.

Many of our current competitors have longer operating histories, a larger customer base, greater brand recognition and greater financial, technical, marketing and other resources than we do. This may place us at a disadvantage in responding to our competitors' pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives. In addition, many of our competitors have well-established relationships with our current and potential customers and have extensive knowledge of our industry. As a result, our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote more resources to the development, promotion and sale of their products and services than we can. To the extent that our competitors offer customized products that are competitive with our more standardized product offerings, our competitors may have a substantial competitive advantage, which may cause us to lower our prices and realize lower margins.

Current and potential competitors also have established or may establish cooperative relationships among themselves or with others to increase their ability to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. In addition, some of our competitors may develop products and services that are superior to, or have greater market acceptance than, the products and related services that we offer.

Our Business Depends Heavily on the Continued Growth of the Internet and Internet-Based Services

Our success depends heavily on the Internet being accepted and widely used as a medium of commerce and communication. The growth of the Internet has driven changes in the public telecommunications network and has given rise to the growth of the next-generation service providers who are our core customers. Rapid growth in the use of the Internet and on-line services is a recent phenomenon, and it may not continue. If use of the Internet does not continue to grow or grows more slowly than expected, the market for software that manages Internet protocol-based communications may not develop and our sales would be adversely affected. Consumers and businesses may reject the Internet as a viable commercial medium for a number of reasons, including potentially inadequate network infrastructure, slow development of

technologies or insufficient commercial

support. The Internet infrastructure may not be able to support the demands placed on it by increased Internet usage and bandwidth requirements. In addition, delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or increased government regulation could cause the Internet to lose its viability as a commercial medium. Even if the required infrastructure, standards, protocols or complementary products, services or facilities are developed, we may incur substantial expense adapting our solutions to changing or emerging technologies.

Changes in Telecommunications Regulation Could Adversely Affect Our Business

Our customers are subject to extensive regulation as telecommunications service providers. Changes in legislation or regulation that adversely affect our existing and potential customers could seriously affect our business and financial condition.

Risks Related to This Offering

Our Stock Price May Be Volatile Because Our Shares Have Not Been Publicly Traded Before this Offering

Prior to this offering, you could not buy or sell our common stock publicly. Accordingly, we cannot assure you that an active public trading market for our stock will develop or be sustained after this offering. The market price after this offering may vary significantly from the initial offering price in response to any of the following factors, some of which are beyond our control:

- Variations in our quarterly operating results;
- Changes in financial estimates or investment recommendations by securities analysts relating to our stock;
- Changes in market valuations of other telecommunications service providers or telecommunications businesses;
- Announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Loss of a major customer;
- Additions or departures of key personnel;
- The potential for future sales of our common stock; and
- Fluctuations in the stock market price and volume of traded shares generally, especially fluctuations in the traditionally volatile technology sector.

We Are at Risk of Securities Class Action Litigation Due to Our Expected Stock Price Volatility

In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. Due to the potential volatility of our stock price, we may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources, which could adversely affect our operating results and financial condition.

Purchasers in this Offering Will Incur Immediate and Substantial Dilution

The initial public offering price of our common stock will be substantially higher than the book value per share of the outstanding common stock. As a result, investors purchasing common stock in this offering will incur immediate and substantial dilution.

We May Need to Raise Additional Capital that May Not Be Available

We expect that the net proceeds from this offering will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. After that, we may need to raise additional funds, and we cannot be certain that we will be able to obtain additional financing on favorable terms, if at all. If we need additional capital and cannot raise it on acceptable terms, we may not be able to:

- Develop enhancements and additional features for our products;
- Develop new products and services;
- Hire, train and retain employees;
- Enhance our infrastructure;
- Respond to competitive pressures or unanticipated requirements;
- Pursue international expansion; or
- Pursue acquisition opportunities.

Concentration of Ownership May Have the Effect of Delaying or Preventing a Change in Control

Upon completion of this offering, our directors, executive officers, existing stockholders and each of their affiliates will beneficially own, in the aggregate, approximately % of our outstanding common stock. This percentage will be % if the underwriters exercise their over-allotment option in full. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions.

We Have Various Mechanisms in Place to Discourage Takeover Attempts

Our certificate of incorporation and bylaws may discourage, delay or prevent a change in control of MetaSolv that a stockholder may consider favorable. Our charter and bylaws include provisions:

- Authorizing the issuance of "blank check" preferred stock;
- Providing for a classified board of directors with staggered, three-year terms;
- Prohibiting cumulative voting in the election of directors;
- Requiring super-majority voting to effect certain amendments to our certificate of incorporation and bylaws;
- Limiting the persons who may call special meetings of stockholders;
- Prohibiting stockholder action by written consent; and
- Establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law and our stock incentive plans may discourage, delay or prevent a change in control of MetaSolv.

Our Stock Price Could Be Affected by Shares Becoming Available for Sale

Sales of a substantial number of shares of common stock after this offering could adversely affect the market price of the common stock and could impair our ability to raise capital through the sale of additional equity securities. For a description of the shares of our common stock that are available for future sale, see "Shares Eligible for Future Sale."

We Have Substantial Discretion as to How to Spend the Proceeds From this Offering

Our management has broad discretion as to how to spend the proceeds from this offering and may spend these proceeds in ways with which our stockholders may not agree. We cannot predict that investment of the proceeds will yield a favorable or any return.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and elsewhere in this Prospectus constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from those expressed or implied by any forward-looking statements. Some of these factors are listed under "Risk Factors" and elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of those statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform them to actual results.

USE OF PROCEEDS

Our net proceeds from the sale of shares of common stock in this offering are estimated to be $, assuming an initial public offering price of $ per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses. The net proceeds of this offering are estimated to be $ if the underwriters' over-allotment option is exercised in full. The primary purposes of this offering are to obtain additional equity capital, create a public market for our common stock and facilitate future access to public markets. We expect to use the net proceeds for general corporate purposes, including working capital. A portion of the net proceeds may also be used for the acquisition of businesses that are complementary to ours. However, we have no current plans, agreements or commitments and are not currently engaged in any negotiations with respect to any acquisition transaction. Pending these uses, we will invest the net proceeds of this offering in investment grade, interest-bearing securities.

DIVIDEND POLICY

We have not paid any cash dividends since our inception and do not intend to pay any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999. The pro forma information reflects the filing of an amended and restated certificate of incorporation to provide for authorized capital stock of 100,000,000 shares of common stock and 10,000,000 shares of undesignated preferred stock and the conversion of all shares of preferred stock outstanding as of June 30, 1999 into 8,122,653 shares of common stock upon completion of this offering. The pro forma as adjusted information reflects the receipt of the estimated net proceeds from the sale by us of the shares of common stock in this offering at an assumed initial offering price of $ per share. The outstanding share information excludes 3,388,950 shares of common stock issuable on exercise of outstanding options as of June 30, 1999 with a weighted average exercise price of $3.92 per share and 281,930 shares of common stock reserved for issuance under our stock plan as of June 30, 1999. This table should be read in conjunction with "Management's Discussion and

Analysis of Financial Condition and Results of Operations" and the financial statements and accompanying notes.

<TABLE>
<CAPTION>

	As of June 30, 1999		
			Pro Forma
	Actual	Pro Forma	As Adjusted
	(in thousands, except share and per share data)		
<S>	<C>	<C>	<C>
Redeemable convertible preferred stock, 4,797,653 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	$12,610	$ --	$ --
Stockholders' equity:			
Convertible preferred stock, 3,325,000 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	18	--	--
Preferred stock, $.01 par value, no shares authorized, issued or outstanding, actual; 10,000,000 shares authorized, pro forma and pro forma as adjusted, no shares issued or outstanding, pro forma and pro forma as adjusted	--	--	--
Common stock, $.01 par value, 23,000,000 shares authorized, 5,901,120 shares issued, actual; 100,000,000 shares authorized, 14,023,773 shares issued, pro forma; 100,000,000 shares authorized, shares issued, pro forma as adjusted	59	140	
Additional paid-in capital	1,948	14,495	
Treasury stock--at cost, 12,000 shares	(14)	(14)	
Retained earnings	576	576	
Total stockholders' equity	2,587	15,197	
Total capitalization	$15,197	$15,197	$

</TABLE>

DILUTION

The pro forma net tangible book value of our common stock as of June 30, 1999, giving effect to the conversion of all shares of preferred stock outstanding as of June 30, 1999 into common stock on the closing of this offering, was $15,197,000, or approximately $1.08 per share. Pro forma net tangible book value per share represents the amount of our stockholders' equity, divided by 14,011,773 shares of common stock outstanding, after giving effect to the conversion of the preferred stock outstanding as of June 30, 1999 into shares of common stock.

Dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after completion of this offering. After giving effect to the sale by us of the shares of common stock in this offering at an assumed initial offering price of $ per share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds from this offering, our pro forma net tangible book value as of June 30, 1999, would have been $, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to purchasers of common stock in this offering. The following table illustrates the per share dilution:

<TABLE>
<S> <C> <C>
Assumed initial public offering price per share..... $
Pro forma net tangible book value per share as of June 30, 1999..... $
Increase per share attributable to new investors.....
Pro forma net tangible book value per share after this offering.....
Dilution per share to new investors..... $
</TABLE>

The following table sets forth on a pro forma basis as of June 30, 1999, after giving effect to the conversion of all outstanding shares of preferred stock into common stock upon completion of this offering, the difference between the number of shares of common stock purchased from MetaSolv, the total consideration paid to MetaSolv and the average price paid by existing stockholders and by new investors, before deduction of estimated discounts and commission and estimated offering expenses payable by us:

<TABLE>
<CAPTION>

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	14,011,773	%	$14,621,000	%	$1.04
New investors.....					
Total.....		100.0%	$	100.0%	

</TABLE>

As of June 30, 1999, there were options outstanding to purchase a total of 3,388,950 shares of common stock at a weighted average exercise price of $3.92 per share under our 1992 Stock Option Plan. To the extent these outstanding options are exercised, there will be further dilution to new investors.

If the underwriters' over-allotment option is exercised in full, the number of shares held by new investors will increase to shares, or % of the total number of shares of common stock outstanding after this offering.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The selected statement of operations data for the years ended December 31, 1996, 1997 and 1998 and the selected balance sheet data at December 31, 1997 and 1998, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this prospectus. The selected statement of operations data for the years ended December 31, 1994 and 1995, and the balance sheet data as of December 31, 1994, 1995 and 1996 are derived from our audited financial statements not included in this prospectus. The selected statement of operations data for each of the six-month periods ended June 30, 1998 and 1999, and the selected balance sheet data as of June 30, 1999 are derived from, and are qualified by reference to, our unaudited interim financial statements appearing elsewhere in this prospectus. The historical results are not necessarily indicative of results to be expected in any future period.

<TABLE>
<CAPTION>

	Year Ended December 31,					Six Months Ended June 30,	
	1994	1995	1996	1997	1998	1998	1999
	(in thousands, except per share data)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations							

Data:							
Revenues:							
License	$ 395	$ 1,582	$ 1,895	$ 5,262	$23,432	$ 6,548	$17,165
Service	653	637	3,170	6,283	19,144	6,775	14,971
Total revenues	1,048	2,219	5,065	11,545	42,576	13,323	32,136
Cost of revenues:							
License	74	85	69	223	1,298	423	900
Service	561	181	1,090	3,302	14,803	4,727	11,690
Total cost of revenues	635	266	1,159	3,525	16,101	5,150	12,590
Gross profit	413	1,953	3,906	8,020	26,475	8,173	19,546
Operating expenses:							
Research and development	--	931	1,666	3,670	10,170	4,510	7,341
Sales and marketing	315	505	1,006	2,996	11,634	3,732	6,000
General and administrative	287	536	653	1,289	5,179	1,510	5,135
Total operating expenses	602	1,972	3,325	7,955	26,983	9,752	18,476
Income (loss) from operations	(189)	(19)	581	65	(508)	(1,579)	1,070
Interest and other income, net	30	28	67	115	298	98	169
Income (loss) before taxes	(159)	9	648	180	(210)	(1,481)	1,239
Income tax expense (benefit)	--	--	--	60	(24)	(169)	523
Net income (loss)	$ (159)	$ 9	$ 648	$ 120	$ (186)	$(1,312)	$ 716
Earnings (loss) per share of common stock:							
Basic	$(0.03)	$ 0.00	$ 0.11	$ 0.02	$ (0.03)	$ (0.23)	$ 0.12
Diluted	$(0.03)	$ 0.00	$ 0.06	$ 0.01	$ (0.03)	$ (0.23)	$ 0.05
Weighted-average common shares outstanding	5,700	5,700	5,702	5,705	5,736	5,711	5,852
Weighted-average common and common equivalent shares outstanding	5,700	9,025	11,220	12,472	5,736	5,711	15,627

<CAPTION>

	As of December 31,					As of June 30,
	1994	1995	1996	1997	1998	1999
	(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:						
Cash and cash equivalents	$ 308	$ 334	$ 2,983	$ 3,639	$ 7,984	$11,222
Working capital	1,030	918	3,482	2,393	9,761	9,963
Total current liabilities	93	296	1,806	5,346	11,935	18,431
Redeemable convertible preferred stock	--	--	--	2,610	12,610	12,610
Total stockholders' equity	1,179	1,189	4,314	1,939	1,826	2,587

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Overview

We are a leading provider of order management and service provisioning, or O&P, solutions for next-generation telecommunications service providers. Our Telecom Business Solution, or TBS, software is a comprehensive O&P solution that encompasses all of the functions necessary to fulfill customer requests for telecommunications service. We license our TBS software to a number of different types of telecommunications providers, including competitive local exchange carriers, or CLECs, broadband backbone providers, incumbent service providers, long distance providers and new data CLECs.

Founded in 1992, we began development of an ordering and provisioning solution in early 1994. We have continually upgraded and expanded our TBS software product since that time, adding support for convergent voice and data services in early 1997 and support for networks based on Internet protocol, or IP, throughout 1998 and 1999. For the six months ended June 30, 1998, our total revenues were $13.3 million with a loss from operations of $1.6 million, compared to total revenues of $32.1 million and income from operations of $1.1 million for the comparable period in 1999. For the year ended December 31, 1998, we had an operating loss of $508,000 on total revenues of $42.6 million. Since inception, and particularly in recent periods, we have devoted significant resources to our research and development, sales and marketing and professional services organizations. We expect to continue to add resources to these areas and, as a result, will need to continue to increase quarterly revenues to maintain profitability.

To date, we have derived substantially all of our revenues from the license of our TBS software and the sale of related services, including training, consulting and software maintenance. Licensing and service terms are typically covered by a signed order that references our master agreement, with the customer. We generally recognize license revenues when our customer has signed a license agreement, we have shipped the software product, product acceptance is not subject to express conditions, the fees are fixed or determinable and we consider collection to be probable. We allocate the agreed fees for multiple products and services licensed or sold in a single transaction among the products and services based on estimates of fair value. On occasion we may enter into a license agreement with a customer requiring development of additional software functions or services necessary for the software's performance of specified functions. For those agreements, we recognize revenue on a percentage-of-completion basis. We generally recognize service revenues as the services are performed. We recognize revenues from maintenance agreements ratably over the maintenance period, usually one year.

We operate with virtually no backlog because we ship our TBS software and perform services shortly after we receive orders. As a result, our quarterly revenues are largely dependent on orders booked and delivered during that quarter. Our sales typically involve large financial commitments from a relatively small number of customers, and we often book a large portion of our sales in the last month or week of any given quarter. Accordingly, delays in the completion of sales near the end of a quarter could negatively impact revenues in that quarter.

We have structured the pricing of our TBS software to meet the needs of each of our target market segments, from start-up resellers to large, facility-based incumbent service providers. We charge a base price for the core TBS subsystems, coupled with additional license fees for add-on modules. In addition, we charge a per-user license fee, with customary volume discounts on purchases of large numbers of user licenses. We price annual maintenance and support contracts as a percentage of the license fee that is current for the product being maintained. For a new customer, our initial sale of licenses and associated services, including maintenance and support, will generally range from $750,000 to several millions of dollars.

Service revenues consist principally of software implementation consulting and customer training, as well as software maintenance agreements that include

both customer support and the right to product updates and releases. We use our own employees and subcontract with our alliance partners to provide consulting services to our customers to install and implement our software. We offer services on both an hourly and a fixed-price basis. We offer and expect to continue to offer the majority of our services on an hourly basis.

We anticipate that future revenues will be generated from five principal sources:

- License fees from new customers;
- License fees for additional products to existing customers;
- License fees for additional users in our existing customer base;
- Implementation service fees related to product license sales; and
- Maintenance fees from both existing and new customers.

Results of Operations

The following table sets forth our results of operations, expressed as a percentage of total revenues. The historical results are not necessarily indicative of results to be expected for any future period.

<TABLE>
<CAPTION>

	Year Ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Percentage of Total Revenues:					
Revenues:					
License	37%	46%	55%	49%	53%
Service	63	54	45	51	47
Total revenues	100	100	100	100	100
Cost of revenues:					
License	1	2	3	3	3
Service	22	29	35	36	36
Total cost of revenues	23	31	38	39	39
Gross profit	77	69	62	61	61
Operating expenses:					
Research and development	33	32	24	34	23
Sales and marketing	20	26	27	28	19
General and administrative	13	11	12	11	16
Total operating expenses	66	69	63	73	58
Income (loss) from operations	11	1	(1)	(12)	3
Interest and other income, net	2	1	1	1	1
Income (loss) before taxes	13	2	0	(11)	4
Income tax expense (benefit)	0	1	0	(1)	2
Net income (loss)	13%	1%	0%	(10)%	2%

</TABLE>

Six Months ended June 30, 1999 and 1998

Revenues

Total revenues increased by $18.8 million, or 141%, from $13.3 million for the six months ended June 30, 1998 to $32.1 million for the comparable period

in 1999 due to increases in both license and service revenues. License revenues increased by $10.7 million, or 162%, from $6.5 million for the six months ended June 30, 1998 to $17.2 million for the comparable period in 1999. The increase in license revenues was primarily due to an increase in market acceptance and demand for our TBS software which resulted in an increase in the number of customers. This market demand has allowed us to expand our sales and customer service organizations, which we believe drives additional license revenues. We also believe that changes in government regulation of the telecommunications industry have contributed to the growth in both the numbers of current and potential customers for our product. We cannot be certain, however, that this trend will continue, and industry consolidation may reduce the number of potential customers in the future.

Service revenues increased by $8.2 million, or 121%, from $6.8 million for the six months ended June 30, 1998 to $15.0 million for the comparable period in 1999. The increase in service revenues resulted from an increase in the number of license agreements that included related implementation services, and from an expanding base of customers subscribing to maintenance agreements. Service revenues as a percentage of total revenues were 51% for the six months ended June 30, 1998, compared to 47% for the comparable period in 1999. The decrease in the proportion of service revenues to total revenues was primarily due to a reduction in custom software services that resulted from the increased scope and usability of our standard software products. Service revenues may decrease as a percentage of total revenues in future periods as third parties become more capable of providing implementation-consulting services directly to our customers and as we improve our TBS software's ease of implementation.

Cost of Revenues

License Costs. License costs consist primarily of royalties, packaging materials and product documentation. Our royalty payments relate to additional features that we originally developed for specific customers. We now include those features in our TBS software and in some cases pay a royalty to the customers that originally funded their development. These costs increased by $477,000, or 113%, from $423,000 for the six months ended June 30, 1998 to $900,000 for the comparable period in 1999. License costs represented 6% of license revenues for the six months ended June 30, 1998 and 5% of license revenues for the comparable period in 1999. The increase in costs was primarily due to an increase in license revenues upon which royalties are paid. The decrease as a percentage of license revenues was due to an increase in the internally-funded development of our TBS software. As a result, the proportion of our TBS software that is subject to royalty payments has declined. We also intend to reduce our reliance on customer-funded development to introduce new software functionality. Most of our royalty agreements provide for payment caps or time limitations. Accordingly, we expect that royalty costs, as a percentage of revenues, will decrease compared to current levels.

Service Costs. Service costs consist primarily of compensation expense and professional fees related to consulting, training and customer support. These costs increased by $7.0 million, or 147%, from $4.7 million for the six months ended June 30, 1998 to $11.7 million for the comparable period in 1999. Service costs represented 70% of service revenues for the six months ended June 30, 1998 and 78% of service revenues for the comparable period in 1999. The increase in costs was due primarily to significant expansion of our professional services resources across all categories, including consulting, telephone support and training, as a result of the strong demand for our professional services. The increase in service costs as a percentage of service revenues for the first six months in 1999 resulted from an increase in consulting revenues from our third party subcontractors, which generally yield a lower gross margin than services provided by our employees. We anticipate that service costs will increase in future periods as demand for consulting services increases. We are seeking to reduce our service costs as a percentage of revenues while increasing the availability of our services in the marketplace. We

plan to achieve these goals by training more alliance partners to deliver services directly to our customers, by reducing our reliance on third-party subcontractors to provide services to our customers and by increasing our profit margins on services which we do subcontract.

Operating Expenses

Research and Development Expenses. Research and development expenses consist of costs related to our staff of software developers and the associated infrastructure costs required to support software product development initiatives. Research and development expenses increased by $2.8 million, or 63%, from $4.5 million for the six months ended June 30, 1998 to $7.3 million for the comparable period in 1999, representing 34% of total revenues for the six months ended June 30, 1998 and 23% of total revenues for the comparable period in 1999. The increase in expenses was due to a rapid increase in software development personnel required to develop the product functionality that our market demands. The decline in research and development expenses as a percentage of total revenues reflects the greater proportional increase in total revenues. We intend to continue to invest significant resources in new releases and product extensions and anticipate that software product development expenditures will increase significantly in future periods.

Generally accepted accounting principles require certain internal development costs to be capitalized under Statement of Financial Accounting Standards No. 86, Accounting for Costs of Computer Software to Be Sold, Leased or Otherwise Marketed ("SFAS No. 86"). Under SFAS No. 86, we are required to capitalize the costs associated with software development after technological feasibility has been established. Based upon our product development process, we generally establish technological feasibility upon completion of a working model. Accordingly, we have not capitalized any software development costs.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of salary, commission, travel, trade show and other related expenses required to sell our TBS software in our targeted markets. These expenses increased by $2.3 million, or 61%, from $3.7 million for the six months ended June 30, 1998 to $6.0 million for the comparable period in 1999, representing 28% of total revenues for the six month period ended June 30, 1998 and 19% of total revenues for the comparable period in 1999. The increase in sales and marketing expenses was primarily due to the expansion of our sales and marketing personnel in order to serve the growing demand for our products. In addition, higher revenues have increased our sales commission expenses, while additions to product management and planning staff increased our marketing costs. The decline in sales and marketing expenses as a percentage of revenues was due to an increased revenue base over which to spread the fixed cost of sales and marketing administration.

General and Administrative Expenses. General and administrative expenses consist of costs related to professional staff, finance and accounting, legal, human resources, facilities and information technologies, which have not been allocated to other departments. These expenses increased by $3.6 million, or 240%, from $1.5 million for the six months ended June 30, 1998 to $5.1 million for the comparable period in 1999, representing 11% of total revenues for the six months ended June 30, 1998 and 16% of total revenues for the comparable period in 1999. The increase resulted primarily from increases in executive, finance and administrative personnel to support the increased scale of our operations. In addition, during the six months ended June 30, 1999, we recorded higher levels of bad debt expense, higher legal costs and increased recruiting and relocation costs. We expect that general and administrative expenses will continue to increase due to the need to add additional staff to support growing operations, and from costs related to being a public company.

Interest and Other Income, Net

Interest and other income, consisting primarily of interest income, increased from $98,000 for the six months ended June 30, 1998 to $169,000 for the comparable period in 1999. This increase was primarily due to the interest earned on higher cash balances resulting from the completion of our sale of Class C preferred stock in June 1998.

Income Tax Expense (Benefit)

We recorded an income tax benefit of $169,000 for the six months ended June 30, 1998 compared to income tax expense of $523,000 for the comparable period in 1999. The variance in each period from the federal statutory income tax rate was due to state income taxes and expenses recorded for financial reporting purposes that are not deductible for federal income tax purposes.

Years Ended December 31, 1996, 1997 and 1998

Revenues

Total revenues increased by $6.4 million, or 128%, from $5.1 million in 1996 to $11.5 million in 1997 and increased by $31.1 million, or 269%, to $42.6 million in 1998. License revenues increased by $3.4 million, or 178%, from $1.9 million in 1996 to $5.3 million in 1997 and increased by $18.1 million, or 345%, to $23.4 million in 1998. The increase in license revenues during 1998 was due to the increase in the number of our customers driven by increased market awareness and acceptance of our software and by expansion of our sales organization.

Service revenues increased by $3.1 million, or 98%, from $3.2 million in 1996 to $6.3 million in 1997 and increased by $12.8 million, or 205%, to $19.1 million in 1998. The increase in service revenues resulted from an increase in the number of license agreements that included related implementation services, and from an expanding base of customers subscribing to maintenance agreements. Service revenues as a percentage of total revenues were 63%, 54% and 45% for the years ended December 31, 1996, 1997 and 1998, respectively.

The combination of increased license revenues, shortened implementation times and a reduction in customized software development helped improve our mix of total revenues from predominantly service revenues to predominantly license revenues.

Cost of Revenues

License Costs. License costs increased by $154,000, or 223%, from $69,000 in 1996 to $223,000 in 1997 and by $1.1 million, or 482%, to $1.3 million in 1998, representing 4%, 4% and 6% of license revenues in each year, respectively. These increases in license costs resulted primarily from increases in license revenue on which royalty calculations are based. The increase in license costs as a percentage of license revenues in 1998 was due to the completion of customer-funded development projects in 1997, which resulted in royalty payments on the new customer-funded software modules.

Service Costs. Service costs increased by $2.2 million, or 203%, from $1.1 million in 1996 to $3.3 million in 1997 and by $11.5 million, or 348%, to $14.8 million in 1998, representing 34%, 53% and 77% of service revenues in each year, respectively. These increases in service costs resulted primarily from the significant expansion of our professional services resources across all categories, including professional services, training and customer support, as a result of the strong demand for our implementation services. These increases in service costs as a percentage of service revenues were primarily due to the increased use of third-party subcontractors to provide consulting services to meet customer demand for software implementation.

Operating Expenses

Research and Development Expenses. Our research and development expenses increased by $2.0 million, or 120%, from $1.7 million in 1996, to $3.7 million in 1997 and by $6.5 million, or 177%, to $10.2 million in 1998, representing 33%, 32% and 24% of total revenues in each year, respectively. The increases in these expenses were due to a rapid increase in research and development personnel to meet customer and market demand for new features and functionality. The declines in research and development costs as a percentage of total revenues reflect our product's evolution to a more standard, modular solution that allowed us to spread our product development spending across more customers.

Sales and Marketing Expenses. Sales and marketing expenses increased by $2.0 million, or 198%, from $1.0 million in 1996 to $3.0 million in 1997 and by $8.6 million, or 288%, to $11.6 million in 1998, representing 20%, 26% and 27% of total revenues in each year, respectively. We attribute the increase in sales and marketing expenses primarily to the expansion of our sales and marketing staff in response to the increased demand for our product. Additionally, we incurred increased commission expenses associated with higher revenues and increased marketing costs due to an increase in personnel performing product management and planning functions. Sales and marketing

expenses increased as a percentage of revenue, as a result of the significant increase in the sales and marketing staff during 1997 and 1998.

General and Administrative Expenses. General and administrative expenses increased by $636,000, or 97%, from $653,000 in 1996 to $1.3 million in 1997 and by $3.9 million, or 302%, to $5.2 million in 1998, representing 13%, 11% and 12% of total revenues in each year, respectively. These increases in general and administrative expenses resulted primarily from increases in executive, finance and administrative personnel to support the increased scale of our operations. In addition, the increase in 1998 included approximately $565,000 in severance obligations to executives whose employment was terminated during 1998.

Interest and Other Income, Net

Interest and other income consisting primarily of interest income, was $67,000 in 1996, $115,000 in 1997 and $298,000 in 1998. These increases were primarily the result of interest earned on higher cash balances resulting from the sale of Class B and Class C preferred stock in 1996, 1997 and 1998.

Income Tax Expense (Benefit)

Our income tax expense was minimal in each of the three years ended December 31, 1998. During 1996 and 1997 our tax expense decreased due to the utilization of previously unrecognized net operating loss carryforwards. Other variances from the federal statutory income tax rate were due to expenses recorded for financial reporting purposes that were not deductible for federal income tax purposes.

Quarterly Results of Operations

The following table presents our quarterly operating results for each of the eight quarters in the period ended June 30, 1999. We prepared this information based on the audited financial statements contained elsewhere in this prospectus. We believe this unaudited financial information accurately reflects our operating results during these periods when read in conjunction with the audited financial statements and related footnotes. Historical results are not necessarily indicative of results in any future period.

<TABLE>
<CAPTION>

	Three Months Ended							
	Sept. 30 1997	Dec. 31 1997	Mar. 31 1998	June 30 1998	Sept. 30 1998	Dec. 31 1998	Mar. 31 1999	June 30 1999
	(in thousands, except percentages)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:								
Revenues:								
License	$ 1,702	$ 1,963	$ 2,406	$ 4,142	$ 6,677	$10,207	$ 7,274	$ 9,891
Service.....	1,558	1,493	2,250	4,525	5,872	6,497	7,496	7,475
Total revenues.....	3,260	3,456	4,656	8,667	12,549	16,704	14,770	17,366
Cost of revenues:								
License.....	112	102	161	262	419	456	503	397
Service.....	788	699	1,561	3,166	4,994	5,082	5,594	6,096
Total cost of revenues.....	900	801	1,722	3,428	5,413	5,538	6,097	6,493
Gross profit.....	2,360	2,655	2,934	5,239	7,136	11,166	8,673	10,873
Operating expenses:								
Research and development.....	1,139	1,710	2,001	2,509	2,761	2,899	3,482	3,859
Sales and marketing....	779	1,241	1,543	2,189	3,367	4,535	2,632	3,368
General and administrative.....	331	411	639	871	1,609	2,060	2,102	3,033

Total operating expenses	2,249	3,362	4,183	5,569	7,737	9,494	8,216	10,260
Income (loss) from operations	111	(707)	(1,249)	(330)	(601)	1,672	457	613
Interest and other income, net	18	12	45	53	137	63	82	87
Income (loss) before income taxes	129	(695)	(1,204)	(277)	(464)	1,735	539	700
Income tax expense (benefit)	42	(234)	(137)	(32)	(53)	198	184	339
Net income (loss)	$ 87	$ (461)	$(1,067)	$ (245)	$ (411)	$ 1,537	$ 355	$ 361
As a Percentage of Total Revenues:								
Revenues:								
License	52%	57%	52%	48%	53%	61%	49%	57%
Service	48	43	48	52	47	39	51	43
Total revenues	100	100	100	100	100	100	100	100
Cost of revenues:								
License	3	3	3	3	3	3	3	2
Service	25	20	34	37	40	30	38	35
Total cost of revenues	28	23	37	40	43	33	41	37
Gross profit	72	77	63	60	57	67	59	63
Operating expenses:								
Research and development	35	49	43	29	22	17	24	23
Sales and marketing	24	36	33	25	27	27	18	19
General and administrative	10	12	14	10	13	13	14	17
Total operating expenses	69	97	90	64	62	57	56	59
Income (loss) from operations	3	(20)	(27)	(4)	(5)	10	3	4
Other income (expense), net	1	--	1	1	1	--	1	--
Income (loss) before taxes	4	(20)	(26)	(3)	(4)	10	4	4
Income tax expense (benefit)	1	(7)	(3)	--	(1)	1	2	2
Net income (loss)	3%	(13)%	(23)%	(3)%	(3)%	9%	2%	2%

</TABLE>

Quarter-to-quarter revenue growth reflects the increasing acceptance of our TBS software. Revenues during the fourth quarter of 1998 were higher than normal due to two large sales totaling $3.5 million. We recognized these sales in conjunction with the release of version 3.2.2 of our software in the fourth quarter of 1998.

Service revenues is a result of the increased volume of software sales in preceding periods and our increased capacity to deliver consulting services. In addition, during the most recent two-year period, maintenance has become an increasingly significant component of service revenues.

Cost of revenues as a percentage of total revenues were higher in each quarter in 1998 and 1999 compared to the third and fourth quarters of 1997 due

primarily to an increased use of third-party subcontractors to provide implementation services for our customers. While the use of third-party subcontractors allowed us to meet higher demand for consulting services without adding significantly to our staff, we received a lower margin on the related service revenues than if we had internally staffed implementation services.

Research and development spending has increased in each quarter but has declined as a percentage of total revenues during the past two years. The increases reflect the rapid addition of professional staff to meet the demands of our customers and the general product requirements of the O&P market. The decrease as a percentage of total revenues reflects our product's evolution to a more standard, modular solution that allows us to leverage our product development spending across more customers.

Our quarterly operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. Because our operating results are volatile and difficult to predict, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is likely that in some future quarter our operating results may fall below the expectations of securities analysts and investors. In this event, the trading price of our common stock may fall significantly.

Liquidity and Capital Resources

Our operating activities used $2.1 million in cash during the six months ended June 30, 1998, compared to generating cash of $2.4 million for the comparable period in 1999. In 1998, cash used in operating activities was primarily due to our operating loss and increases in trade accounts receivable and deferred taxes, which were partially offset by increases in accounts payable and deferred revenues. Net trade accounts receivable increased from $1.7 million to $2.0 million and to $11.1 million as of December 31, 1996, 1997 and 1998, respectively, and to $14.0 million at June 30, 1999. These increases in net accounts receivable resulted from higher revenues, a significant portion of which were generated during the last month of each quarter. Deferred revenues increased from $1.2 million to $2.9 million and to $2.6 million as of December 31, 1996, 1997 and 1998, respectively, and to $5.7 million at June 30, 1999. Our expanded installed base of customers and emphasis on selling prepaid maintenance has resulted in a significant increase in deferred revenues related to ongoing maintenance. Increases in payables and other assets were due to general growth in our operations.

During 1996, 1997 and 1998, we supplemented our operating activities through the sale of preferred stock. We raised $2.5 million in 1996 and $110,000 in 1997 through the sale of Class B preferred stock, and raised $10.0 million in 1998 though the sale of Class C preferred stock.

In January 1999, we entered into a $6.0 million revolving bank line of credit agreement that expires in July 2002. The agreement also provides for an equipment term loan facility of up to $4.0 million for capital expansion. The facility is secured by substantially all of our tangible assets. Interest on borrowings accrues at the bank's prime rate of interest. We had borrowed $1.9 million on this line at June 30, 1999, primarily due to the purchase of capital equipment. In addition, at June 30, 1999 we had a standby letter of credit outstanding for $1.3 million in lieu of a security deposit for our facility expansion,which reduces the borrowing availability under the line of credit.

Historically, our principal use of cash for investing activities was the purchase of computer and networking equipment and furniture to accommodate growth in the number of employees. In 1998, we committed to an expansion of our leased facility in Plano, Texas. Completion of the facility is expected in the fourth quarter of 1999. The lease expires in 2010. We expect to spend approximately $3.0 million on leasehold improvements, furniture and fixtures and networking equipment in connection with this expansion. We have no other significant capital commitments.

As of June 30, 1999, we had $11.2 million in cash and cash equivalents and $10.0 million in working capital. We believe that the net proceeds from this offering, together with existing cash balances, available borrowing capacity

and cash flow from operations will be sufficient to meet our capital requirements for the next twelve months. Thereafter, we may require additional funds to support our working capital requirements or for other purposes, and we may seek to raise additional funds through public or private equity financing. There can be no assurance that additional financing will be available on commercially reasonable terms, or that such financing will be available at all.

Year 2000 Compliance

Many currently installed computer systems and software products have been designed to accommodate only two digit entries to represent the year in the date field. As a result, these systems may be unable to determine whether the designation "00" means the year 1900 or the year 2000. This may result in system failures or the creation of erroneous results and is commonly known as the Year 2000 problem.

We must assess the impact of the Year 2000 on software sold to customers, internal information systems, and significant vendors of our products and services. We have established a Year 2000 program management office to ensure that we have adequately addressed exposures related to the Year 2000 and are Year 2000 ready. "Year 2000 ready" means that the performance or functionality of both our TBS software and our internal systems will not be significantly affected by the dates prior to, during and after the Year 2000, to include leap year calculations and specific day-of-the-week calculations.

Our review of our TBS software for Year 2000 readiness is performed as part of our normal quality assurance function. As of the date of this prospectus, we have identified no material Year 2000 compliance issues with respect to any TBS software that our customers are currently operating. However, our TBS software operates in complex network environments and must interact with many different hardware and software systems. We have not performed extensive tests on all hardware and software that may operate in conjunction with our TBS software. Accordingly, some customers may experience Year 2000 problems, which may require our assistance to correct.

Through a risk analysis completed by our Year 2000 program management office, we have identified the critical systems within our internal operations that may be affected by Year 2000 issues. We believe we have identified substantially all major computers, software applications and related equipment used within our internal operations that must be upgraded or replaced to minimize the possibility of a disruption to our business. The version of accounting software we currently use is not Year 2000 ready. Rather than upgrade to a new version of software, we have elected to replace this system with a new management reporting system that will be much more flexible as we grow. We expect this conversion to be complete during the fourth quarter of 1999. However, if we are not ready to convert, we believe that it would be possible to upgrade to a Year 2000-ready version of our existing software, or to process data manually until the new system is ready for conversion.

In addition to our accounting system, our business is also dependent upon software to operate our e-mail system, software development and testing tools and office software applications. We are unaware of any material costs or operational issues associated with preparing these internal systems for the year 2000.

Our business is also dependent upon computer controlled systems of third parties such as vendors, customers and public service providers. The operation of our office and facilities equipment, such as elevators, fax machines, photocopiers, security systems and telephone switches may all be affected by the Year 2000 problem. We have contacted each of our vendors to obtain assurance that these systems are Year 2000 ready, however, not all vendors have responded. In addition, we have not independently tested the claims of our vendors who have responded. We believe that, absent a critical failure of electrical, telephone or other public services beyond our control, Year 2000 problems experienced by third parties will not have a material impact on our operations.

We are currently developing contingency plans to be implemented in the event that we fail to identify all of the Year 2000 problems affecting our internal systems. These plans could include accelerated replacement of equipment and

software, short-term use of back-up systems, manipulation of system dates or manual workarounds until any problems are corrected.

Despite our efforts, there is no assurance that we will be able to identify and correct all Year 2000 problems. Any failure to achieve Year 2000 readiness could result in a decrease in revenues, an increase in resources required to address the Year 2000 problems of our customers, or an increase in litigation costs relating to losses suffered by our customers as a result of the Year 2000 problem. The costs associated with remediating any Year 2000 problems have not been material to date. Although we do not anticipate that these costs will be material in the future, we cannot assure you that these future costs will not be material.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes methods for derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. Because we do not currently hold any derivative instruments and do not engage in hedging activities, we do not believe the adoption of SFAS No. 133 will have a material impact on our financial position or results of operations.

In December 1998, the AICPA issued SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions. SOP 98-9 amends SOP 98-4 to extend the deferral of the application of certain requirements of SOP 97-2 provided by SOP 98-4 through fiscal years beginning on or before March 15, 1999. All other provisions of SOP 98-9 are effective for transactions entered into in fiscal years beginning after March 15, 1999. We have not yet determined the effect of the final adoption of SOP 98-9 on our future revenues and results of operations.

Quantitative and Qualitative Disclosures about Market Risk

Our financial instruments consist of cash that is invested in short-term, risk free investments. At June 30, 1999 the carrying value of our financial instruments approximated their fair values based on current market prices and rates. We do not use derivative financial instruments in our operations or investments and do not have significant operations subject to fluctuations in commodity prices or foreign currency exchange rates.

BUSINESS

This prospectus contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

MetaSolv Software, Inc.

We are a leading provider of order management and service provisioning, or O&P, solutions for next-generation telecommunications service providers. Our Telecom Business Solution, or TBS, software is a comprehensive O&P solution that encompasses all of the functions necessary to fulfill customer requests for telecommunications service. Currently, we have over 50 customers including market-leading competitive local exchange carriers, or CLECs, such as Allegiance Telecom and GST Telecommunications; broadband backbone providers, such as Qwest Communications and Williams Communications; incumbent service providers, such as GTE and ALLTEL; long distance providers, such as BellSouth and Ameritech; and new data CLECs such as HarvardNET and GTE Global Networks Infrastructure.

We developed our TBS software to address the complex O&P needs of next-generation service providers using an open architecture, which facilitates customization and integration with existing software applications by our customers, partners, and third parties. Next-generation service providers offer a bundled set of telecommunications services, including local exchange, private line, domestic and international long distance, enhanced voice, data and a full suite of Internet services. Based on recent industry reports, we estimate the worldwide spending on third party O&P solutions by these next-

generation service providers will grow by over 40% per year to $1.2 billion in 2001.

Founded in 1992, we have leveraged our expertise in building and deploying mission-critical, enterprise-wide applications to build a software company focused on providing commercial, off-the-shelf software to the telecommunications industry. We began development of an ordering and provisioning solution in early 1994 in conjunction with ALLTEL, an incumbent service provider upgrading its legacy operations support system infrastructure. This initial product release was focused on the long distance access and private line business of incumbent service providers and competitive access providers. In response to the needs of the CLEC market created by the Telecommunications Act of 1996, we expanded our product line to support the resale and wholesale of local exchange and long distance services. In early 1997, we expanded our TBS software to support convergent voice and data services. Throughout 1998 and 1999, we enhanced our TBS software to provide support for the ordering and provisioning of Internet protocol, or IP, based networks and services.

Industry Background

The Telecommunications Industry

Today's telecommunications service providers face an increasingly competitive and complex market environment. A number of powerful trends are transforming the global telecommunications industry, including continued deregulation and privatization, proliferation of new service providers, increasing demand for high-speed data services and unprecedented growth in the Internet as a communications medium.

The break up of AT&T in the early 1980's fostered competition in the U.S. long distance markets. However, the Regional Bell Operating Companies, or RBOCs, created as a result of the AT&T breakup, operated as regional monopolies with little competition in their local exchange markets. The Telecommunications Act of 1996 forced the RBOCs and other incumbent local exchange carriers, such as GTE, to provide access to local networks. As a result, new entrants, including CLECs, were able to access local lines and to provide local services. In response to increased competition in the local markets, both incumbent and competitive local exchange carriers have sought to offer other services such as long distance and high-speed data services. Globally, privatization of government-owned carriers and the opening of previously closed markets have led to an increase in the build-out of network infrastructures and the creation of new competitive service providers.

The number of new service providers has increased dramatically not only as a result of regulatory changes, but also due to the emergence of new enabling technologies. Innovations such as digital and broadband wireless, digital subscriber lines and multi-service access devices have allowed new service providers alternate means of reaching homes and businesses. These technologies enable new service providers both to bypass the incumbent local exchange carrier for providing local services and to provide high-speed data services.

Demand for high-speed data services has increased principally as a result of the dramatic growth in bandwidth-intensive data traffic. According to the Yankee Group, data traffic is growing five times as fast as voice traffic and the total volume of data traffic is expected to exceed voice traffic by 2003. The key driver behind the increase in data traffic has been the unprecedented growth of the Internet as a communications medium. International Data Corporation estimates that there were 142 million Internet users worldwide at the end of 1998 and anticipates that the number will increase to approximately 502 million users by the end of 2003.

The Internet is changing the way businesses and individuals use the telecommunications network, resulting in new business opportunities for both emerging and existing service providers. The emergence of Internet-based electronic commerce has expanded the role of the telecommunications network into a medium for conducting business transactions. To provide access to the Internet and these new types of applications, Internet backbone providers, Internet service providers, online businesses, Internet telephony providers, Internet-based businesses of traditional providers and application service providers have all entered the telecommunications market.

The demand for and use of the Internet as a new communications medium is driving changes to the architecture of the public telecommunications network. Service providers deliver Internet access over a combination of traditional public circuit-switched telephone networks and new high-speed, packet-switched data networks utilizing IP. This combination of traditional and new networks is resulting in the emergence of more complex, converged IP-based networks that provide both voice and data services, as well as more advanced services, such as electronic business applications. Next-generation service providers are focused on providing bundled voice and data services over these converged networks, as shown in the diagram below.

[Diagram showing two circles, labeled "Public Switched Network" and "Public Data Network," respectively. Arrows from each circle converge and point to a larger circle labeled "Converged Network." Inside the circle labeled "Public Switched Network" appear the phrases "Circuit-Switched Networks," "Primarily Voice Services" and "Low-Speed Network Access." Inside the circle labeled "Public Data Network" appear the phrases "Packet-Switched Network," "Data Services" and "High-Speed Internet Access." Inside the circle labeled "Converged Network" appear the phrases, "Packet-Switched Core," "Data and Voice Services" and "Advanced Services." To the left of the circles, the phrases "Traditional Service Providers" appears on the same level as the smaller circles. An arrow points down to the phrase "Next-Generation Service Providers," which appears on the same level as the larger circle.]

Because of the increasingly competitive and complex market environment, next-generation service providers are continually looking for ways to introduce and connect customers more rapidly and efficiently to new advanced services. This emphasis on providing prompt, cost-effective service fulfillment is increasing the importance of order management and service provisioning solutions as a means of competitive differentiation.

The Order Management and Service Provisioning Market

Order management and service provisioning systems broadly encompass all of the functions necessary to fulfill a customer's request for telecommunications service, including order processing, inventory management, equipment and circuit assignment, service activation and troubleshooting. These mission-critical systems reside at the center of a service provider's operations and provide the necessary information to determine how and when a customer's request can be met. The diagram below shows the functions of order management and service provisioning systems and the other systems that make up a complete operations support system.

[Diagram showing a rectangle separated into five smaller rectangles. The rectangle in the top and center is raised above the rest and bears the heading, "Order Management & Service Provisioning." Below the heading appears the phrases, "Order processing and management," "Product/service planning," "Network planning, design and optimization," "Network inventory management," "Provisioning/circuit assignment" and "Trouble handling and resolution coordination." To the upper left appears a rectangle bearing the heading "Customer Care" and the phrases "Customer service," "Marketing support" and "Fraud protection." To the lower left appears a rectangle bearing the heading "Interconnection" and the phrases "Service/Address validation," "Number Portability" and "Electronic information exchange." To the lower right appears a rectangle bearing the heading "Network Management" and the phrases "Service activation," "Fault & performance monitoring" and "Network element configuration." To the upper right appears a rectangle bearing the heading "Billing" and the phrases "Transaction rating," "Switch mediation" and "Invoice generation."]

Traditional telecommunications service providers obtain their O&P infrastructure from communications equipment manufacturers, legacy systems providers, such as Telcordia Technologies (formerly Bellcore) and Bell Sygma, or systems integrators. These O&P systems are typically proprietary and are oriented toward supporting a limited set of services, primarily voice.

In contrast, next-generation service providers need O&P systems that enable them to respond to customer demands by offering a bundled set of telecommunications services including, local exchange, private line, domestic and international long distance, enhanced voice, data and a full suite of

Internet services over more complex, converged networks. O&P systems supplied to traditional service providers do not meet the requirements of next-generation service providers for several reasons:

- Lack of integration results in disparate systems for the ordering and fulfillment of each type of service offered by the carrier.
- Legacy, mainframe-based architectures are cumbersome and do not have the flexibility to easily add new services.
- The proprietary nature of legacy systems makes them difficult to interface with other systems.
- Existing systems are often designed with many manual processes rather than more cost-effective automation of key tasks.

Consequently, next-generation service providers need a flexible, adaptable O&P solution that supports the service requirements of converged networks. These next-generation service providers are turning to commercial, off-the-shelf software solutions to launch their business operations and provide a single, integrated system for the order management and provisioning of bundled service offerings. We estimate, based on recent industry reports, that worldwide spending by third parties on O&P solutions by these next-generation service providers will grow by over 40% per year, from $0.6 billion in 1999 to $1.2 billion in 2001.

The MetaSolv Software Solution

We develop, market and support O&P software specifically designed to meet the complex, mission-critical business needs of next-generation telecommunications service providers. Our Telecom Business Solution, or TBS, software is a comprehensive O&P solution that integrates information across the telecommunications enterprise including customer information, product and service information, network inventory, and workflow information. We believe that our TBS software is a leading O&P solution that uniquely integrates these capabilities while also providing a flexible and open platform for the convergence of existing services with the rapid development and deployment of new services.

We believe our solution provides the following benefits to our customers:

Integration Drives Opportunities for Increased Revenues. We believe our software's primary advantage is in the ability to integrate information across the enterprise including customer information, product and service information, network inventory and workflow information. Our TBS software is designed to enable service providers to offer a variety of services more quickly and to optimally bundle and price their service offerings by integrating a service provider's market offerings with available capacity and existing network capabilities. Our integrated workflow technology automatically guides a customer's request for service through the fulfillment process, including the communication of the requested service information, via open APIs, for automatic activation and billing. This integration and automated flow-through of information between systems reduces the time between a customer's order and the commencement of service, enabling service providers to bill for services more accurately and quickly.

Automation Increases Productivity and Streamlines Operations. We designed our TBS software to eliminate manual processes and to automate otherwise labor-intensive tasks, resulting in operating efficiencies and reduced costs. Examples of these automated and streamlined operations include:

- Process automation tools, or "wizards," are embedded in the software to guide the user through complex or time-consuming tasks, such as the entry of complex order information or the design of an optical network.
- Information required for complex orders is automatically transmitted between service providers, which reduces costly errors.
- The common data repository reduces the costs associated with maintaining information in multiple systems and the need for manual duplication of

data entry.

- Network capacity requirements can be planned before committing to equipment purchases or network configurations, which allows service providers to better plan capital outlays for network facilities.

Openness and Interoperability Enable Best-of-Breed OSS Solutions. We have built our TBS software using an open architecture with fully documented APIs, which facilitate customization and integration with existing software applications by our customers, partners and third parties. Through our API architecture and alliance program, we provide our customers with superior software solutions utilizing best-of-breed applications coupled with the efficiency and cost-effectiveness of commercial, off-the-shelf interfaces. Our software application partners provide solutions for the operations support systems, or OSS, functions not performed by our TBS software, including customer care and billing, network management and carrier-to-carrier electronic exchange of information. In addition, we have alliance relationships with enterprise application integration vendors who provide commercial interfaces between our TBS software and other third-party software products and legacy

systems. Our customers can also use the API architecture to build Web front ends to the application that reflect their personalized branding and service offering capabilities.

Scalability Supports Organizational Growth. We designed our software using both object-oriented programming and relational database techniques to optimize performance for on-line transaction processing and made it scalable so it can be used by customers ranging from small start-up carriers to large global telecommunications providers. This capability enables a service provider to leverage its investment in TBS software by growing with the service provider's operational infrastructure without the need for re-architecting or large-scale system replacements. Our software runs on a wide range of hardware and software platforms, from a laptop computer running Windows NT and Personal Oracle, to a large cluster of UNIX-based servers.

The MetaSolv Software Strategy

Our strategy is to solidify our position as a leader in the O&P market by establishing our TBS software as the platform of choice for providers of next-generation communications services. Key elements of this strategy are:

Continue to Enhance Our Software-Driven Business Model. Our business model is based on what we believe is a significant market demand by next-generation service providers for comprehensive O&P functionality from a packaged software solution rather than from a customized solution built internally or by some of our competitors. This packaged software model enables us to grow our revenues more quickly by shortening sales cycles, reducing implementation timeframes and leveraging our partners' capabilities. By building and supporting packaged software, we are able to leverage our research and development, implementation and product support resources over a larger customer base, thereby reducing our product costs. This packaged software model combined with our strategic partnerships allows us to achieve and maintain a high-margin, software-driven business model.

Target Leading Next-Generation Telecommunications Service Providers Worldwide. The unique capabilities of the TBS software product line enable us to address the convergent telecommunications marketplace. Many of our current customers are market leaders in their respective segments and are expanding globally. We believe our products enable our customers to design, deploy and fulfill services based on new technologies, which in turn can increase use of our products and services by next-generation service providers and generate additional growth opportunities. Our targeted market segments and representative existing customers include:

- market-leading, facility-based CLECs, both wireline and wireless, such as Allegiance Telecom, Electric Lightwave, GST Telecommunications, Teligent and Winstar Wireless;

- broadband backbone providers, such as Qwest Communications and Williams Communications;

- new business ventures of incumbent service providers, such as GTE Global Networks Infrastructure, BellSouth and Ameritech; and

- emerging data-CLECs, such as HarvardNET and DSLnet.

Leverage Domain Knowledge and Software Development Expertise. Our product and service offerings are the result of our seven-year history as a leading provider of commercial, mission-critical O&P software to telecommunications service providers. Our professionals have extensive experience in developing, marketing and supporting large-scale enterprise software applications. In addition, they have significant telecommunications industry experience. By combining our software expertise and telecommunications industry experience, we have successfully developed O&P solutions for telecommunications services providers. Our relationships with leading telecommunications service providers give us the opportunity to gain insights into our customers' future product and service requirements. We intend to continue to leverage our telecommunications experience and technology expertise to drive the creation of additional software products for our customers.

Expand Strategic Partnerships. We have established a series of partnerships and alliances that will provide a global extension of our organization. These relationships extend our sales organization by serving as a significant source of leads and referrals; extend our professional services organization by increasing our TBS software implementation capacity; and, extend our software capabilities beyond O&P by providing support for other OSS applications.

Our partnership strategy is unique in its approach and breadth and, we believe, provides us with a competitive advantage. Our partnerships and alliances include system integrators, such as Ernst & Young, ADC, American Management Systems, DMR Consulting Group, Andersen Consulting, Arthur Andersen, and Cap Gemini; complementary software application vendors such as ADC/Saville Systems, Portal, Daleen, Syndesis, Harris, and DSET; and hardware/software platform vendors such as Microsoft and Oracle. Leveraging this network of partners enables us to focus on developing and maintaining O&P software while offering a complete solution to the customer. In addition, our system integration partners are certified in TBS software implementations and the use of our open APIs to integrate TBS software with legacy systems or extend its functionality through custom applications.

Introduce New e.Business Applications. We are currently developing electronic business-to-business, or e.Business, solutions for using TBS software over the Internet. These e.Business Internet application components are being designed to enable a service provider to use the TBS software business functions, such as service inquiries and adjustments, via Web browsers. Our goal is to enable service providers to use the TBS Internet application components "out of the box," or use them as a basis for creating new components that reflect their personalized branding and service offering capabilities. These e.Business Internet application components are designed to be deployed by service providers over the Internet to customers and partners, via extranets to their suppliers and agents and via intranets to remote offices and telecommuting employees. TBS Internet applications may include the ability to place orders for service including residential and business voice services, Internet services, web hosting; establish email accounts; change existing service parameters; check the status of pending orders, inquire about service availability and capabilities, enter a repair request or to check the status of a reported problem.

Expand Into New Geographic Markets and Industry Segments. Our current customers are located primarily in North America, including a customer in Mexico utilizing a Spanish version of our product. We intend to target and penetrate new geographic markets within the next two years, particularly Europe and South America, as these markets continue to experience market trends similar to those that have driven growth in North America. We intend to launch our international product rollout in 2000 with selected modules of the TBS software product that are suited to international business practices. Our strategy is to leverage the international practices of our system integrator partners as part of the initial launch and to augment their efforts with local professional service personnel as business opportunities arise. Further, we intend to penetrate additional market segments, such as cable television,

direct satellite broadcast and the emerging application service providers through the development and release of modules targeted specifically at those market segments.

Products and Services

We are a leader in providing an integrated and comprehensive O&P solution for next generation service providers. Our software is designed to allow our customers to quickly and efficiently respond to market demand, optimize service fulfillment and build stronger relationships with their customers. In addition to providing maintenance and technical support for our TBS software, we provide implementation planning and management as well as training through our professional services organization.

Telecom Business Solution

Our TBS software addresses service providers' needs and requirements with a flexible, scalable application architecture. Our TBS software consists of a set of integrated subsystems coordinated by a common workflow

engine and data repository. Each subsystem supports a critical aspect of a service provider's business from order management and customer care, to service provisioning, network inventory and design and trouble management, as shown in the diagram below:

[Diagram labeled "Telecom Business Solution" consisting of a center sphere labeled "Work Management" and "Data Management" which is surrounded by triangles labeled, "Customer Care," "Trouble Management," "Order Management," "Service Provisioning" and "Network Design." A large box labeled "API & Gateway Management" appears below all of the figures.]

Telecom Business Solution

Each subsystem can be extended with add-on modules to tailor the subsystem to support unique products and services, such as resale or wholesale products providing voice, data, or Internet services, as well as network technology, such as broadband wireless, optical networks or digital subscriber lines.

Our TBS software architecture provides a critical information management function, making the service provider's information a more accessible and useful resource for managing its business, providing services and delivering superior customer care. The work management architecture brings all the subsystems together, enabling work to flow electronically across the service provider's organization, providing access to performance and resource utilization information. Our integrated approach provides comprehensive support for current and emerging services, network technologies and evolving business processes.

Order Management

TBS software's order management subsystem enables the service provider to manage the end-to-end service delivery process that can often involve more than one type of order or transaction across a service provider's own organization, as well as between service or network providers. Our order management subsystem provides support for resale, retail, or wholesale orders for local or long distance voice, data and Internet services. Our TBS software reduces the complexity of dealing with a variety of disjointed or interfaced systems.

Service Provisioning

The service provisioning subsystem helps the service provider design, configure and assign even the most complex services, and includes automated circuit design capabilities to ensure that services are completed to the service provider's specifications. The service provisioning subsystem enables the service provider to deliver the broad spectrum of services required by today's sophisticated customer--from traditional voice and data to broadband

and IP technologies.

Service provisioning enables the provisioning engineer to design how a service is to be delivered, whether through owned, leased or future facilities. Specifying off-network or future facilities may result in the creation of additional service requests, such as a service request to order the long haul portion of a circuit from another carrier or a request to order a new piece of equipment or build additional facilities. Service provisioning links these service requests with the original customer order and manages the service requests through the work management process. Support of the end-to-end service design enables the customer service representative to handle reports of trouble from customers by identifying whether the affected portion of the service is part of the service provider's network or another provider's network.

Network Inventory and Design

The network inventory and design subsystem provides the ability to manage large telecom networks and the flexibility to manage traditional as well as emerging technologies. This subsystem brings the geographical, electrical, physical and logical dimensions of the network into a single, cohesive view supported by a set of administration and design modules.

Together, the modules within the network inventory and design subsystem provide an integrated way to build and manage today's complex networks. A core design principle implemented in each of these modules is the support for the logical view of the network. In today's environment, the network components used to deliver services to the end customer may come from a variety of sources, including components the service provider owns, leases, or resells. With traditional network management applications, the service provider is often limited to planning and managing service delivery based on only those elements they own and are installed or, those elements that can be physically detected by the network management software. TBS software's network inventory and design subsystem supports the design of networks and fulfillment of services across multiple providers and technologies.

Customer Care

One of the key architectural features of our approach is a high degree of integration of customer information. This architecture supports the ability to view the customer in many ways that are important to managing and growing the customer relationship. For instance, billing is more accurate because the information passed to billing is tightly integrated with order activity and the services as they are provisioned and activated in the network. Because the full scope of customer information is available in a single architecture, the people who interact with the customer, such as the customer service representative, sales person, or repair technician, are able to see the "big picture" from the customer's point of view.

Trouble Management

The issue of trouble management has taken on new dimensions. It is not sufficient to open and track trouble tickets. Effective, proactive trouble management requires integration with information about the service provider's network, subscribers and the services that the network provides. By integrating TBS software's trouble management subsystem with order management, service provisioning and network design, our software enables one comprehensive, consistent view of the service provider's subscribers, the services that are being provided to them and how those services are provided. For example, when dealing with trouble incidents, the customer service representative is able to see immediately past and current services a subscriber has received from the service provider, services in the process of being installed, the technical design details and trouble history.

Work Management

The work management subsystem brings all the TBS software subsystems together, enabling work to flow electronically across the service provider's organization, permitting them to analyze their business process performance and resource utilization. At the heart of workflow management is the capability to design customized service fulfillment plans detailing the tasks

required to fulfill the customer's request for service. These fulfillment plans, or provisioning plans, organize and manage the flow of tasks, both electronic and manual, according to the service provider's business processes. The work management subsystem coordinates the completion of tasks across provisioning plans for related service requests and, by providing a comprehensive look at where the customer's request for service is in the process, enables service representatives to deliver exceptional customer care.

Data Management

The data management subsystem makes the service provider's information a more accessible and useful resource for managing its business across the enterprise. The data management subsystem maintains essential industry, corporate and other reference data required to ensure quality and integrity throughout the business processes, in a central repository. Central data management ensures information is entered correctly the first time, is entered only once, and is accessible from all appropriate areas of the TBS software application, including gateways and APIs to third-party systems.

API and Gateway Management

The TBS software is built on an open architecture that supports the electronic exchange of information with a wide array of systems, such as the customer's network, other enterprise systems and external trading or service partners and their operations support systems. Our open API architecture facilitates customization and integration with existing software applications by our customers, partners and third parties.

In addition to open APIs, we also offer application and vendor-specific gateways. These interfaces provide end-to-end solutions for specific functions. Application-specific gateways address generic business functions, such as switch provisioning and transport provisioning, while vendor-specific gateways are designed to work with vendor-specific products such as "best-of-breed" billing applications.

Professional Services and Support

We believe that our ability to provide a high level of customer service and support is critical to achieving long-term customer satisfaction. We have developed a broad array of service offerings to assist our diverse customer base:

Professional Services

Our professional services organization provides a range of system implementation and education services to assist customers in the program management, project planning, installation and implementation of our TBS software solution. As of June 30, 1999, our professional services organization consisted of 63 people located in several cities in the United States and in London.

Our professional services organization primarily provides expertise to deploy the TBS software application. We supplement our TBS software implementation capability with systems integration partners who provide expertise, jointly or separately, in large scale, multi-system implementation and integration projects, including overall program management and development of custom interfaces. Together with our system integration partners, we currently have over 250 trained consultants in TBS software implementation.

Our professional services organization and systems integration partners assess the size and complexity of a service provider's specific implementation needs with a custom implementation profile. This profile takes into account the characteristics of the service provider's business and the objectives to be satisfied by a TBS software

implementation. It addresses both business-focused activities, such as business processes and data migration and technology-focused activities, such as software, gateways and platforms. Based on the information provided in the profile, a program summary is produced, providing the starting point for TBS software implementation.

Examples of specific service offerings utilized in the TBS software implementation are:

Framework for Success is a scalable, flexible, repeatable set of tools and methodologies designed to help ensure a successful implementation of TBS software, targeted specifically to meet a customer's needs. The Framework for Success implementation methodology incorporates industry best practices, MetaSolv-specific techniques and guidance that can be tailored, on an ongoing basis, as a customer's requirements change. We believe the Framework for Success can shorten our customer's learning curve and streamline the TBS implementation cycle, helping organizations save time and money.

QuickStart is a program designed to simplify the initial implementation and allow the rapid deployment of TBS software. The QuickStart program consists of a pre-populated TBS software database and workflow engine along with a defined training curriculum for the end user. The QuickStart program enables implementations in under 90 days. By taking advantage of the knowledge gained through successful TBS software implementations, the TBS QuickStart program increases the effectiveness of a customer's resources and reduces the service delivery intervals. At the culmination of this program, knowledge of critical business processes is transitioned to our customer's team.

Rapid Results is a workshop designed to optimize the customer implementation team's performance and streamline the TBS software implementation by improving business methods and processes. The Rapid Results experience provides in-depth exposure to implementation requirements and TBS software concepts. The workshop shows the implementation team how and where information is loaded in the TBS software database and demonstrates best practices for setting up and maintaining TBS software.

Educational Offerings

We provide a comprehensive series of classes to our customers, employees and partners to provide the knowledge and skills necessary to deploy, use and maintain our software solutions. These courses focus on the technical aspects of our products as well as real-world business issues and processes. All of our classes include lecture, demonstration, discussion and hands-on use of our solutions. Classes are held regularly in our training centers located at our headquarters in Plano, Texas as well as in Englewood, Colorado and McLean, Virginia. We also offer Train-the-Trainer programs to enable our customers to conduct their own internal end-user training.

Maintenance and Technical Support

Our maintenance and technical support services include help desk support, problem resolution, software maintenance and scheduled software upgrades. We provide dependable and timely resolution of customer technical inquiries via the Web, telephone, or electronic mail. We use an automated customer service system to track each customer's inquiry until it is resolved. We provide customer technical support for our products from our Plano, Texas location. We plan to establish additional customer support sites domestically and internationally, in response to customers' needs. Complete documentation including system administration guides, API integration guides and online help is provided with the TBS software. Our typical software maintenance agreement has a 12-month renewable term.

Alliance Partnerships

To ensure delivery of a comprehensive end-to-end solution for our customers, we have established strategic relationships with organizations in three general categories: systems integrators, complementary software application vendors and hardware/software platform vendors.

Systems Integrators. We use systems integration partners to provide jointly or separately a range of services to our customers. We have systems integrator relationships with Ernst & Young, ADC

Telecommunications, American Management Systems, DMR Consulting Group, Andersen Consulting, Arthur Andersen and Cap Gemini. These systems integrators implement our product at the customer location and often assist us with sales lead generation. Utilizing our Framework for Success implementation

methodology, we have certified and trained over 200 consultants in these organizations for the implementation and operation of our TBS software.

Complementary Software Application Vendors. We have joint marketing relationships with a variety of complementary software application vendors whose products and services complement our TBS software solution. Together with these software application partners, we provide our customers with superior software solutions utilizing best-of-breed applications coupled with the efficiency and cost-effectiveness of commercial, off-the-shelf interfaces. Our software application partners provide solutions for the operations support system functions not performed by our TBS software, including customer care and billing, network management and electronic exchange of information between carriers. In addition, we have alliance relationships with enterprise application integration vendors who provide commercial interfaces between our TBS software and other third-party software products and legacy systems. We have alliance relationships with the following leading partners:

- Customer Care and Billing: Saville Systems, Daleen, Portal Software and Siebel Systems;
- Network Management: Harris, Nortel Networks and Syndesis;
- Interconnection Gateways: DSET and Quintessent Technologies; and
- Enterprise Application Integration: Vitria Technology and Crossworlds Software.

Hardware/Software Platform Vendors. Our technology strategy is to focus exclusively on our mission-critical, order management and provisioning solution, TBS software. To support this focus, we have formed partnerships and alliances with leading hardware and software platform providers including Microsoft, Oracle, Iona, Merant and ESRI. We intend to pursue future alliances to support new platforms and functionality.

Customers

Our typical customers are providers of telecommunication services ranging from traditional local and long distance services to Internet-based services, who benefit from a scaleable, integrated O&P solution. As of August 30, 1999, we had licensed TBS to approximately 50 customers worldwide, including:

Allegiance Telecom	HarvardNET
ALLTEL	MaxCom
Ameritech	Net2000 Communications
Bell Atlantic	NorthwesTel
BellSouth	Telergy
Birch Telecom	Teligent
Cox Communications	Time Warner Telecom
GTE	Qwest Communications International
GTE Global Networks Infrastructure	US Xchange
Electric Lightwave	Williams Communications
GST Communications	Winstar Wireless

Technology

We have developed the TBS software on a multi-tier client/server platform designed to be scalable, reliable and extensible. The three tiers of our TBS software architecture are the user interface, application and data tiers, which are depicted below:

[Diagram labeled "Telecom Business Solution Technology Architecture" consisting of three shaded areas. The first shaded area, labeled "User Interface Tier," consists of three computer screens labeled "Windows Desktop," "Intranet" and "Internet" with connections from the computers to the second shaded area. The second shaded area, labeled "Application Server Tier," consists of three connected depictions of servers labeled "API Server," "Web Server" and "Transaction Server" and is connected by a single line to the third shaded area. The third shaded area, labeled "Data Tier," consists of a

cylinder labeled "Database."]

Telecom Business Solution Technology Architecture

- User Interface Tier: includes the client-based graphical user interface presentation services running on a browser or Windows, Windows NT, or Windows 95/98. Some client-side application logic also resides on this tier.

- Application Server Tier: includes the business logic in components running on Microsoft Transaction Server. These business logic and database access objects enable us to build different graphical user interfaces and utilize the same business logic code. Additionally, access to these components is provided as APIs to our customers and alliances. Access to open and fully documented APIs facilitate customization and integration with existing software applications by our customers, partners and third parties. We plan to introduce the Web Server, which will allow our customers to offer self-service application interfaces via the Internet, in the fourth quarter of 1999.

- Data Tier: includes an Oracle relational database management system where all TBS data is stored. We leverage the Oracle database features and support operations on any platform supported by Oracle.

This three-tier technology architecture provides the following key benefits to our customers:

- Flexibility: The flexibility of multiple graphical user interfaces enables our customers to select the presentation platform of their choice as well as manage the internal distribution and upgrade of the software.

- Scalability: The TBS software scales easily to handle from tens to thousands of users while maintaining high levels of performance. Our customers can add multiple servers as needed to any level of the system, generally without incurring down time.

- Data Integrity: We designed the database architecture to preserve data integrity while maintaining fast and efficient transaction-oriented data retrieval methods. The database architecture has remained constant during the life and evolution of other components of the application, demonstrating the resiliency of the underlying data architecture and providing reusability in the business logic layer as new, updated graphical user interfaces are developed.

- Open Architecture: Our fully documented open APIs give our customers and alliance partners the ability to integrate our TBS software with legacy and external software systems.

Sales and Marketing

Sales

We market and sell our software through our direct sales force and indirectly through our alliance partners. To date, we have targeted our sales efforts at three tiers of service providers, ranging from small resellers to large facilities-based telecommunications providers offering both voice and data services, including Internet-based services.

Our direct sales force consists of 16 employees. We have organized our direct sales force into account teams consisting of an account executive and a sales analyst. Account managers are assigned post-sale to provide ongoing support and identify additional sales opportunities. We generate leads from contacts made through trade shows, seminars, conferences, market research, our Web site, customers, alliance partners and our ongoing public relations program. We qualify the lead and assign an account team to prospective customers. The account team initiates the sales process, which generally involves multiple presentations and software demonstrations to information technology and business users within the prospective customer's organization. We have also implemented an effective corporate visit program whereby the

prospective customer meets with our executive management, product managers and software architects at our corporate headquarters for a comprehensive sales effort that includes in-depth software and business discussions.

We complement our direct sales force with alliances with systems integrators, complementary software application vendors and hardware/software platform vendors including Microsoft and Oracle. These alliance partners provide a global extension of our direct sales force and are a significant source of leads and referrals. We also believe these relationships lend credibility to our technology and facilitate market acceptance of our software and services.

For our typical customer, the period of time between initial contact and execution of a license agreement ranges from four to nine months. Telecommunications service providers typically conduct extensive bidding processes before purchasing software applications such as ours.

Substantially all of our sales have been to North American customers. We believe, however, that significant demand exists for new O&P products and services outside of North America due to increased privatization and resulting competition. We intend to expand our sales and marketing efforts outside of North America through a combination of direct sales in selected markets, continued partnerships with third-party systems integrators and software suppliers and the extension of our relationships with existing customers as they expand into international markets.

Marketing

We focus our marketing efforts on developing market strategies and product plans, creating awareness for our O&P solutions, and generating new sales opportunities. Our product management organization provides direction on target markets and the O&P requirements of those markets. Our product strategy is based on an analysis of market requirements, competitive offerings, and projected return on investment. Additionally, our product managers are active members in numerous technology and industry forums. Through these domestic and international forums, we participate in various projects that demonstrate our capability to support world-class, commercial, off-the-shelf O&P implementations.

In addition, we engage in a variety of marketing activities to create awareness for our TBS software solution and to generate sales opportunities. Through our product marketing and marketing communication functions, we manage and maintain our web site, publish product-related communications and educational white papers, and conduct seminars and user group conferences. We also have an aggressive public relations program and maintain relationships with recognized industry analysts in an ongoing effort to create awareness for O&P solutions and our TBS software in particular. We are an active sponsor of technology-related conferences and demonstrate our product at trade shows targeted at providers of telecommunications services. Additionally, we focus on a range of joint marketing strategies and programs with our alliance partners in order to leverage their market relationships and resources.

Competition

Competition in our markets is intense and involves rapidly changing technologies, evolving industry standards, frequent new product introductions and rapid changes in customer requirements. We believe we compete favorably on the basis of the breadth and depth of our solution, product quality and performance, customer service, core technology, product features, ability to implement and integrate solutions, the value of our solution and the references of our customers.

Competitors vary in size and in scope of the products and services offered. We encounter competition from a variety of vendors including Telcordia Technology (formerly Bellcore), Lucent Technologies, Architel Systems, and Eftia OSS Solutions. We also compete with systems integrators and with informational technology departments of large telecommunications service providers. We are aware of numerous other telecommunications carriers, software developers, and smaller entrepreneurial companies that are focusing significant resources on developing and marketing products and services that will compete with our TBS software. We anticipate continued growth in the

telecommunications industry and the entrance of new competitors in the O&P software market and that the market for our products and services will remain intensely competitive.

Research and Development

Our research and development effort is performed by teams of development engineers, software architects and product managers. The organization uses a software development process that includes planning and documenting deliverables in advance, rigorously adhering to coding standards and performing significant performance and functional tests. This software development process involves all functional groups at various levels within MetaSolv and is designed to provide a framework for defining and managing the processes required to bring product concepts and development projects to market cost-effectively and successfully. In addition, we have recruited key development engineers, architects and product managers with experience in O&P solutions, enterprise software and database software and have hired senior management with experience in software used by telecommunication service providers.

We develop enhancements to our software in partnership with our service provider customers leveraging their telecommunications experience with our commercial software development expertise. We seek to provide upgrades and enhancements to the TBS software on a regular basis, with strong emphasis on response to customer feedback. Our customer User Group maintains an active enhancement ranking process whereby improvements to the software are continually evaluated and prioritized by the participating users.

Our research and development expenditures totaled approximately $7.3 million for the six months ended June 30, 1999, $10.2 million for the fiscal year ended December 31, 1998, $3.7 million for the fiscal year ended December 31, 1997 and $1.7 million for the fiscal year ended December 31, 1996. As of June 30, 1999, 167 employees were engaged in research and development activities.

Intellectual Property

We rely upon a combination of patent, copyright, trade secret and trademark law, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual property. MetaSolv Software, the

MetaSolv logo, Telecom Business Solution, TBS, TBS QuickStart, PowerFrame and Rapid Results are trademarks, and MetaSolv is a registered trademark of MetaSolv Software, Inc. To maximize protection of our technology, we have implemented a patent protection program. We have filed for patent protection on certain aspects of our software, and we will continue to file patent applications to establish exclusive rights to certain technology we have developed. While we rely on patent, copyright, trade secret and trademark law to protect our technology, we believe that factors such as the technical and creative skills of our employees, frequent product enhancements and improved product quality are essential to maintaining a technology leadership position. We cannot be certain that others will not develop technologies that are similar or superior to our technology.

We generally enter into confidentiality and license agreements with our employees, alliance partners and customers, and generally control access to and distribution of our software, documentation and other proprietary information. We license rather than sell our TBS software and require our customers to enter into license agreements which impose restrictions on their ability to utilize the software.

Despite our efforts to protect proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology to develop products with the same or similar functionality as our products. Policing unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect proprietary rights as fully as they do in the United States. In addition, certain of our license agreements require us to place the source code for TBS in escrow. Such agreements generally provide that these parties will have a limited, non-exclusive right to use this code if:

- there is a bankruptcy proceeding by or against us;
- we cease to do business without a successor; or
- we discontinue providing maintenance and support.

For information concerning risks associated with intellectual property rights, see "Risk Factors." If we cannot protect or enforce our intellectual property rights, which currently consist primarily of TBS software and Framework for Success technologies, our competitors may be able to introduce competing products that are similar to ours, which would impair our competitive position. In addition, we may become involved in costly and time-consuming litigation.

Employees

We believe that our growth and success is attributable in large part to high-caliber employees and an experienced management team, many with years of industry experience in building, implementing, marketing and selling mission-critical applications. We focus on maintaining a strong corporate culture. Each employee attends an extensive 80-hour orientation program and continuing education to learn our technology, the industry we serve and our company values. We intend to continue teaching and promoting our culture and believe this will provide us with a sustainable competitive advantage. We offer a work environment that enables employees to make meaningful contributions, as well as incentive programs to continue to motivate and reward our employees.

As of June 30, 1999, we had 337 full-time employees of whom:

- 63 were in professional services;
- 54 were in sales and marketing;
- 167 were in research and development; and
- 53 were in finance, administration and operations.

Our future performance depends significantly upon the continued service of our key technical, sales and senior management personnel, none of whom are bound by an employment agreement requiring service for any

defined period of time. The loss of the services of one or more of our key employees could harm our business. Our future success also depends on our continuing ability to attract, train and retain highly qualified technical, sales and managerial personnel. Competition for personnel is intense, particularly in the Dallas area where we are headquartered, due to the limited number of people available with the necessary technical skills and understanding of the telecommunications industry and Internet services business, and we cannot be certain that we can retain or attract key personnel in the future. None of our employees are represented by a labor union. We have not experienced any work stoppages and consider our relations with our employees to be good.

Facilities

We lease an approximately 60,000 square foot building in an office park and an additional 12,900 square feet of temporary office space in Plano, Texas. We occupy our current building and will occupy an additional 100,000 square foot building currently under construction on an adjacent lot, planned for occupancy in November 1999, under a lease expiring in 2010. In addition to our principal office space in Plano, Texas, we also lease facilities and offices in Englewood, Colorado, Chicago, Illinois, McLean, Virginia, San Francisco, California, Atlanta, Georgia and London, England. These leases are for terms expiring from September 1999 to July 2006. We believe that the facilities we currently lease are sufficient to meet our needs through at least the next twelve months. However, we believe that we may require additional square footage of office space after that time, and we are currently evaluating expansion alternatives.

Legal Proceedings

We are not a party to any material legal proceedings.

MANAGEMENT

Officers and Directors

The executive officers and directors of MetaSolv and their ages as of June 30, 1999, are as follows:

Name	Age	Position
James P. Janicki.....	44	President and Chief Executive Officer
Sidney V. Sack.....	53	Chief Operating Officer
Glenn A. Etherington....	44	Chief Financial Officer
Jonathan K. Hustis.....	43	Vice President -- Business Services, General Counsel and Corporate Secretary
Joseph W. Pollard.....	42	Vice President -- Sales
Dana R. Brown.....	34	Vice President -- Marketing
Eleanor M. Luce.....	56	Vice President -- Services
Glenda J. Akers.....	45	Vice President -- Engineering
John W. White.....	60	Chairman of the Board of Directors
David R. Semmel.....	42	Director
William N. Sick(1).....	64	Director
Adam Solomon.....	46	Director
John D. Thornton(1)(2)..	34	Director
Barry F. Eggers(2).....	36	Director

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(1) Member of Compensation Committee

(2) Member of Audit Committee

James P. Janicki co-founded MetaSolv in July 1992 and since such time has served in various capacities. Mr. Janicki was appointed Chief Executive Officer in May 1999. He has served as President and a director of MetaSolv since April 1994. From June 1982 to July 1992, Mr. Janicki was at Texas Instruments where he served in many capacities, including as the manager of the Texas Instruments' CASE consulting practice from July 1987 to August 1990 and as the manager of the Template software business from August 1990 until July 1992. Texas Instruments develops and manufactures semiconductors and other products in the electrical and electronics industry. Prior to June 1982, Mr. Janicki was a co-founder and Vice President of VEDA Systems, a manufacturer of telemetry and data acquisition technology. Mr. Janicki is the husband of Ms. Brown, our Vice President--Marketing.

Sidney V. Sack has served as Chief Operating Officer of MetaSolv since March 1999. Mr. Sack also acted as MetaSolv's interim chief financial officer from March 1999 until May 1999. From November 1998 until March 1999, Mr. Sack provided financial and operational consulting services to MetaSolv. From September 1990 to July 1997, Mr. Sack was the Chief Financial Officer of XcelleNet, a developer of remote and mobile communications management software. In addition, from September 1996 until July 1997, Mr. Sack was the Executive Vice President and Chief Operating Officer of XcelleNet.

Glenn A. Etherington has served as Chief Financial Officer of MetaSolv since May 1999. Mr. Etherington held various senior management positions at Brite Voice Systems, a leading provider of enhanced telecommunications products and interactive information systems, from August 1988 to May 1999. He was Chief Financial Officer from August 1988 to May 1999, Treasurer from August 1988 to May 1993 and Secretary from May 1993 to May 1999. From March 1984 to August 1988, Mr. Etherington held various accounting and financial positions, including Chief Financial Officer, with American City Business Journals a publisher of weekly business newspapers.

Jonathan K. Hustis has served as General Counsel and Corporate Secretary of MetaSolv since April 1997. He was appointed Vice President--Business Services of MetaSolv in August 1998. Mr. Hustis was at Texas Instruments where he

worked in its Corporate Finance Group from November 1995 until April 1997 and as Manager--Business Services in its Information Technology Group (Advanced Information Management and Enterprise Solutions divisions) during September 1989 to November 1995. Mr. Hustis was with FoxMeyer Corporation as associate general counsel from August 1987 until September 1989. He was in private law practice in Dallas, Texas from November 1980 until August 1987.

Joseph W. Pollard has served as Vice President-Sales of MetaSolv since February 1997. From July 1992 to February 1997, Mr. Pollard was the Director of Sales, South-Central Region and Director of Sales, International for Tivoli Systems, a provider of systems management software and Manager, International Sales and National Accounts, for Visual Information Technologies, a commercial Internet service provider.

Dana R. Brown joined MetaSolv at its founding in July 1992 and since such time has served in various capacities. She has served as Vice President-Marketing of MetaSolv since August 1997. Ms. Brown was the business unit manager of MetaSolv's object-oriented component software group from August 1992 to March 1996 and the Director of Marketing from April 1996 to August 1997. From April 1989 to July 1992, Ms. Brown held various consulting positions with Texas Instruments, Advanced Information Management software division. From May 1987 to April 1989, Ms. Brown was a Management Information Systems Consultant with Arthur Andersen, a public accounting firm. Ms. Brown is the wife of Mr. Janicki, our President and Chief Executive Officer.

Eleanor M. Luce has served as Vice President-Services of MetaSolv since February 1999. From February 1996 to February 1999, Ms. Luce was a Vice President of Professional Services at Sybase, a database software company. From June 1990 to February 1996, Ms. Luce was a Vice President at MCI Network Systems, a developer of network management systems.

Glenda J. Akers has served as Vice President-Engineering of MetaSolv since March 1999. From September 1998 to March 1999, Ms. Akers was the Vice President of Engineering for WarpSpeed Communications, a developer of high-speed networking products. From March 1996 to March 1998, she was the Vice President of Server Engineering for Sybase, Inc., where she managed the engineering development for Sybase's core product, SQL Server. From February 1990 to March 1996, Ms. Akers was Director-Engineering for Network and Provisioning Systems at MCI Network Systems.

John W. White been a member of MetaSolv's Board of Directors since December, 1998 and Chairman of the Board of Directors since August 1999. Mr. White was Vice President and Chief Information Officer for Compaq Computer, a developer and marketer of computer hardware and software, from February 1994 to October 1998, where he served as a member of the executive management team for Compaq, overseeing their worldwide information systems activities. Prior to February 1994, Mr. White was President of the Information Technology Group and Chief Information Officer for Texas Instruments. Mr. White serves as a director of Citrix, a provider of server-based computing solutions.

David R. Semmel has been a member of MetaSolv's Board of Directors since January 1994. Mr. Semmel has been a member of the general partner of Kettle Partners, LP, a venture capital fund focusing on Internet and telecommunications investments since its inception in 1997. Mr. Semmel has been a principal of the general partner of Pangaea, LP, an equity hedge fund, since its inception in 1993. He has been the general partner of Pangaea Partners, LP, an investment partnership, since 1988.

William N. Sick, Jr. co-founded MeteSolv and has been a member of MetaSolv's Board of Directors since July 1992. Mr. Sick is co-manager of the manager of Signature Capital, a venture capital firm, and Chairman, President and Chief Executive Officer of Business Resources International, Inc., a business services firm. He has held these positions since April 1997 and September 1989, respectively. He formerly was Chairman of Aware, Chief Executive Officer of American National Can Company and President of Texas Instruments Semiconductor Group.

Adam Solomon has been a member of MetaSolv's Board of Directors since January 1994. Mr. Solomon has been Chairman of Shaker Investments, an investment management company, since October 1994. Mr. Solomon is also Chairman of Signature International, a specialized real estate investment

fund. He is a former president and current board member of the New York Venture Capital Forum. Mr. Solomon is also a member of the Board of Directors of Global TeleSystems, a telecommunications company.

John D. Thornton has been a member of MetaSolv's Board of Directors since June 1996. Mr. Thornton is a General Partner of Austin Ventures, a venture capital firm, where he has been employed since 1991. Mr. Thornton

serves as a director of Vignette, a developer of Internet relationship management software, and Mission Critical Software, a developer of enterprise-scale Windows NT systems administration and management software products.

Barry F. Eggers has been a member of MetaSolv's Board of Directors since June 1998. Mr. Eggers has been a general partner of Weiss, Peck & Greer Venture Partners since February 1997. Prior to joining Weiss, Peck & Greer Venture Partners, a venture capital firm, he served in several capacities at Cisco Systems, a worldwide leader in networking for the Internet, including Director of Business Development and Director of Field Operations for the company's ATM Business Unit.

Board of Directors

We currently have authorized seven directors. Upon the completion of the offering, the terms of the office of the Board of Directors will be divided into three classes: Class I, whose term will expire at the annual meeting of the stockholders to be held in 2000; Class II, whose term will expire at the annual meeting of stockholders to be held in 2001; and Class III, whose term will expire at the annual meeting of stockholders to be held in 2002. The Class I directors are Mr. Solomon and Mr. Semmel, the Class II directors are Mr. Sick and Mr. Eggers and the Class III directors are Mr. White, Mr. Janicki and Mr. Thornton. At each annual meeting of stockholders after the initial classification, the successors to directors whose term will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. This classification of the Board of Directors may have the effect of delaying or preventing changes in control or management of MetaSolv. The officers serve at the discretion of the Board. Except for Ms. Brown and Mr. Janicki, there are no family relationships among the directors and officers of MetaSolv.

Board Committees. The Compensation Committee consists of Messrs. Sick and Thornton. The Compensation Committee administers our stock plans and makes decisions concerning salaries and incentive compensation for our employees. The Audit Committee consists of Messrs. Thornton and Eggers. The Audit Committee makes recommendations to the Board of Directors regarding the selection of independent accountants, reviews the results and scope of audit and other services provided by our independent accountants and reviews and evaluates our audit and control functions.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is currently or has been, at any time since the formation of MetaSolv, an officer or employee of MetaSolv. No member of our Compensation Committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or Compensation Committee.

Director Compensation

Non-employee directors receive $1,500 per meeting attended in person, and $200 per meeting attended in tele-conference. All directors are reimbursed for reasonable expenses incurred by them in attending board and committee meetings. In recognition for his services, we granted John W. White during 1998 an option to purchase 50,000 shares of our common stock at fair market value as of the date of the grant.

Each non-employee director (other than venture capital investors and founders who hold our stock) who is or becomes a member of the board on or after the date of this offering will be granted an option to purchase up to 30,000 shares of our common stock (up to 10,000 shares for each year of his or her term) under the Long-Term Incentive Plan on the first annual meeting after

this offering or, if later, on the date he or she is elected to the board. Each option will have an exercise price equal to the fair market value of our common stock on the date of grant and will have a term to be determined by the Compensation Committee and will generally terminate within a specified time, as defined in the Long-Term Incentive Plan, following the date the optionholder ceases to be a director. Each continuing non-employee director will receive an additional award of a formula option of up to 30,000 shares, upon each subsequent election to the board. Each option award will vest in equal annual installments over the term of the director.

Indemnification

In June 1998, the board of directors authorized MetaSolv to enter into indemnification agreements with each of our directors and executive officers. The form of indemnity agreement provides that we will indemnify against any and all expenses of the director or executive officer who incurred such expenses because of his or her status as a director or executive officer, to the fullest extent permitted by Delaware law, our certificate of incorporation and our bylaws.

Our certificate of incorporation and bylaws contain certain provisions relating to the limitation of liability and indemnification of directors and officers. The certificate of incorporation provides that our directors shall not be personally liable to MetaSolv or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability

- for any breach of the director's duty of loyalty to MetaSolv or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of certain unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives any improper personal benefit.

The certificate of incorporation also provides that if the Delaware General Corporation Law is amended after the approval by our stockholders of the certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law. The foregoing provisions of the certificate of incorporation are not intended to limit the liability of directors or officers for any violation of applicable federal securities laws. In addition, as permitted by Section 145 of the Delaware General Corporation Law, our bylaws provide that

- we are required to indemnify our directors and executive officers to the fullest extent permitted by the Delaware General Corporation Law;
- we may, in our discretion, indemnify other officers, employees and agents as provided by the Delaware General Corporation Law;
- to the fullest extent permitted by the Delaware General Corporation Law, we are required to advance all expenses incurred by our directors and executive officers in connection with a legal proceeding (subject to certain exceptions);
- the rights conferred in the bylaws are not exclusive;
- we are authorized to enter into indemnification agreements with our directors, officers, employees and agents; and
- we may not retroactively amend the bylaws provisions relating to indemnity.

Executive Compensation

The following table sets forth information with respect to compensation earned during 1998 by our current and former Chief Executive Officers and our three other highest-paid executive officers, collectively referred to as the Named Executive Officers:

Summary Compensation Table

<TABLE>
<CAPTION>

	Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	Salary	Bonus	Number of Securities Underlying Options	All Other Compensation (1)(2)
<S>	<C>	<C>	<C>	<C>
James P. Janicki..... President and Chief Executive Officer	$ 139,375	$ 86,610	100,000	$9,390
Michael J. Watters..... Former Chief Executive Officer	116,041	--	--	380,633
Jonathan K. Hustis..... Vice President -- Business Services, General Counsel and Corporate Secretary	121,125	17,914	50,000	5,086
Dana R. Brown..... Vice President -- Marketing	118,185	20,703	50,000	4,797
Joseph W. Pollard..... Vice President -- Sales	110,000	82,516	--	7,484

</TABLE>

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(1) Represents contributions made by us to all of our Named Executive Officers (except for Michael J. Watters) under our 401(k)/profit sharing plan.

(2) Michael J. Watters resigned on November 2, 1998. All other compensation includes $160,000 in two lump sum severance payments and $10,633 in accrued vacation. In addition, under a severance agreement, we are paying Mr. Watters a continued salary of up to $210,000 for an 18-month period beginning November 1998, in monthly installments of $11,666.67. The full amount of these installment payments is included in this column.

The following table sets forth each grant of stock options in 1998 to each of the Named Executive Officers. No stock appreciation rights were granted during such period.

<TABLE>
<CAPTION>

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (4)	
Name	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in 1998(2)	Exercise Price (per share)(3)	Expiration Date	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
James P. Janicki.....	100,000	11.8%	$1.20	3/20/08	$ 75,467	$ 191,249
Michael J. Watters.....	--	--	--	--	--	--
Jonathan K. Hustis.....	50,000	5.9	1.20	3/20/08	37,734	95,625
Dana R. Brown.....	50,000	5.9	1.20	3/20/08	37,734	95,625
Joseph W. Pollard.....	--	--	--	--	--	--

</TABLE>

Option Grants in Last Fiscal Year

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(1) Generally, most of the shares under the options listed in the table are immediately exercisable, but are subject to repurchase by us at the original exercise price paid per share upon the optionee's cessation of service prior to vesting in such shares. Typically, the repurchase right lapses and the optionee vests in 20% of the option shares upon completion of 12 months of service from the vesting start date, and in the balance in a series of equal annual installments over the next four years of service. Any option shares that are not immediately exercisable will vest and become exercisable 20% upon completion of 12 months of service from the vesting start date, with the balance vesting in a series of equal annual installments over the next four years of service. The option shares will vest upon the dissolution or liquidation of MetaSolv, or on certain reorganizations where there is no plan to convert or exchange the options into option shares of the surviving entity, unless our repurchase right with respect to the unvested option shares is transferred to the acquiring entity. Each of the options has a ten-year term, subject to earlier termination in the event of the optionee's cessation of service with us.

(2) Based upon options to purchase an aggregate of 849,150 shares of common stock granted to employees of MetaSolv in 1998 under the 1992 Stock Option Plan.

(3) The exercise price was equal to the fair market value of our common stock as valued by the board of directors on the date of grant. The fair market value of our common stock was estimated by the board of directors on the basis of the purchase price paid by investors for shares of our preferred stock (taking into account the liquidation preferences and other rights, privileges and preferences associated with the preferred stock) and an evaluation by the board of our revenues, operating history and prospects.

(4) The potential realizable value is calculated based on the term of the option at the time of grant (ten years). Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The potential realizable values at 5% and 10% appreciation are calculated by assuming that the estimated fair market value on the date of grant appreciates at the indicated rate for the entire term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. (See footnote (3) for information on how the fair market value of our common stock was estimated.)

The following table sets forth for each of the Named Executive Officers options exercised during 1998 and the number and value of securities underlying unexercised options that are held by the Named Executive Officers as of December 31, 1998.

Aggregated Option Exercises in 1998 and Year-End 1998 Option Values

<TABLE>
<CAPTION>

			Number of Securities Underlying Unexercised Options at December 31, 1998(2)		Value of Unexercised In-the-Money Options at December 31, 1998(3)	
Name	Shares Acquired on Exercise	Value Realized(1)	Vested	Unvested	Vested	Unvested
<S>	<C>	<C>	<C>	<C>	<C>	<C>
James P. Janicki.....	50,000	$326,500	351,000	399,000	$2,265,230	$2,492,270
Michael J. Watters.....	--	--	--	--	--	--
Jonathan K. Hustis.....	--	--	10,000	90,000	63,300	543,200
Dana R. Brown.....	--	--	32,000	68,000	205,610	405,740
Joseph W. Pollard.....	--	--	28,000	112,000	177,240	708,960

</TABLE>

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(1) Equal to the fair market value of the purchased shares on the option exercise date, less the exercise price paid for such shares.

(2) Some of the options are immediately exercisable, but any shares purchased under those options will be subject to repurchase by us, at the original exercise price paid per share, upon the optionee's cessation of service with us, before vesting in such shares. For those immediately exercisable options, the heading "Vested" refers to shares no longer subject to repurchase; the heading "Unvested" refers to shares subject to repurchase as of December 31, 1998. Those option shares that are not immediately exercisable will vest and become exercisable 20% upon completion of 12 months of service from the vesting start date, with the balance vesting in a series of equal annual installments over the next four years of service.

(3) Based on the fair market value of our common stock at the end of 1998 as determined by our board of directors, $7.00, less the exercise price payable for such shares. The fair market value of our common stock at the end of 1998 was estimated by the board of directors on the basis of the purchase price paid by investors for shares of our preferred stock (taking into account the liquidation preferences and other rights, privileges and preferences associated with the preferred stock) and an evaluation by the board of our revenues, operating history and prospects. The initial public offering price is higher than the estimated fair market value on December 31, 1998, and the value of unexercised options would be higher than the numbers shown in the table if the value were calculated by subtracting the exercise price from the initial public offering price.

Termination and Change of Control Arrangements

On November 2, 1998, Michael J. Watters resigned from his employment with us. Under the terms of a severance agreement, we agreed to pay Mr. Watters two lump-sum payments in the aggregate amount of $160,000, plus $10,633 in accrued vacation. We also agreed to continue his salary for up to 18 months at the rate of $11,666.67 per month ($210,000 in total). Under certain circumstances the salary continuation period may end prior to the completion of 18 months. In addition to the foregoing payments, we agreed to continue and

pay for Mr. Watters' health insurance coverage for the duration of the salary continuation period. In exchange for the payments to Mr. Watters, he released us from any claims he may have had against us and agreed that, for a period of 18 months, he would not become employed by any entity which competes against us, nor would he solicit any of our customers or employees.

James P. Janicki, Jonathan K. Hustis and Dana R. Brown received options in 1998 to purchase shares of our common stock. Under the terms of their respective option agreements, they will be entitled to certain accelerated vesting if their employment is terminated, other than for cause, after a change of control. In the event their employment terminates after a change of control occurs, they will become immediately vested in all shares that otherwise would have vested following the date their employment terminates.

Employee Stock Plans

Long-Term Incentive Plan

On August 24, 1999, our board of directors adopted the Long-Term Incentive Plan, which is designed to enhance long-term profitability and stockholder value by offering common stock, common stock-based and other performance incentives to those employees, directors and consultants who are key to our growth and success. We also view the Long-Term Incentive Plan as a vehicle to attract and retain experienced employees and to align our employees' economic incentives with those of our stockholders. On August 24, 1999, our board also approved the merger of our 1992 Stock Option Plan into the Long-Term Incentive Plan, so that we now have one comprehensive stock-based incentive plan. Our stockholders also approved the Long-Term Incentive Plan.

The Long-Term Incentive Plan is administered by the compensation committee of our board, which, except for the formula program noted below for non-employee directors, has exclusive authority to grant awards under the Long-Term Incentive Plan and to make all interpretations and determinations affecting the Long-Term Incentive Plan. The compensation committee has the

discretion to determine the individuals to whom awards are granted, the amount of each award, any applicable vesting schedule and other terms of any award. In no event, however, may an individual receive option grants under the Long-Term Incentive Plan for more than 500,000 shares of common stock in any calendar year.

Participation in the Long-Term Incentive Plan is limited to our employees, consultants, advisors, independent contractors and directors. In addition, non-employee directors (other than venture capital investors and founders who hold our stock) automatically participate in the formula program. Awards under the Long-Term Incentive Plan may be in the form of stock options (including both incentive stock options that meet the requirements of Section 422 of the Internal Revenue Code and nonqualified stock options), stock awards, restricted stock grants, stock appreciation rights and performance awards (collectively, "Awards"). Awards in the form of stock options will be for an exercise price of not less than fair market value on the date of the option's grant. Any Award issued under the Long-Term Incentive Plan that is forfeited, expired, cancelled or terminated prior to exercise will again become available for grant under the Long-Term Incentive Plan.

The Long-Term Incentive Plan also includes a directors' formula program. The formula program provides for the automatic grant of options to purchase shares of common stock to our non-employee directors (other than venture capital investors and founders who hold our stock). Pursuant to the terms of the formula program, each of these non-employee directors who is or becomes a member of the board on or after the date of this offering will be granted an option to purchase up to 30,000 shares of our common stock (up to 10,000 shares for each year of his or her term) under the Long-Term Incentive Plan on the first annual meeting after this offering or, if later, on the date he or she is elected to the board. Each option will have an exercise price equal to the fair market value of our common stock on the date of grant and will have a ten-year term, but will generally terminate within a specified time, as defined in the Long-Term Incentive Plan, following the date the optionholder ceases to be a director. Each continuing non-employee director will receive an additional award of a formula option of up to 30,000 shares, upon each subsequent election to the board. Each option award will vest in equal annual installments over the term of the director.

The maximum number of shares of common stock which may be issued and awarded under the Long-Term Incentive Plan is 4,660,000 shares. That number will be increased as of each January 1 by 5% of our outstanding common stock. In the event of any stock dividend, stock split, recapitalization, merger, other change in our capitalization, or similar corporate transaction or event affecting the common stock, the compensation committee may make appropriate adjustments to the Awards. We also may accelerate the timing of the exercise of any Awards or cancel any Award and provide instead for the payment to the participant in cash of the economic value of the award at the time of cancellation. Our board may amend or terminate the Long-Term Incentive Plan at any time. If our board amends the Plan, it does not need to ask for stockholder approval unless applicable law requires it.

As of September 8, 1999, there are options outstanding under the Long-Term Incentive Plan to purchase 3,370,600 shares of common stock at a weighted average price of $4.22 per share, of which 2,083,353 are currently exercisable.

Employee Stock Purchase Plan

Our Board of Directors adopted the Employee Stock Purchase Plan on August 24, 1999. Our stockholders also approved this plan. The Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code of 1986. We have reserved 300,000 shares of our common stock for issuance under the plan. That number will increase as of each January 1 by 1% of our outstanding common stock. The Employee Stock Purchase Plan will be administered by the compensation committee of our Board of Directors.

All of our employees are eligible to participate in the Employee Stock Purchase Plan, if they are employed by us for more than 20 hours per week. Eligible employees may begin participating in the Employee Stock Purchase Plan at the start of any calendar year quarter.

Our Employee Stock Purchase Plan permits each eligible employee to purchase common stock through payroll deductions. Each employee's payroll deductions may not exceed 15% of his or her cash compensation. Purchases of our common stock will occur on the last day of each calendar year quarter, based upon the amount deducted by the employee during that calendar year quarter. The value of the shares purchased in any calendar year by any one employee may not exceed $25,000.

The price of each share of common stock purchased under our Employee Stock Purchase Plan will be equal to 85% of the lower of:

- The fair market value per share of common stock on the first day of the applicable calendar year quarter, or
- The fair market value per share of common stock on the purchase date (that is, on the last day of the calendar year quarter).

Employees may end their participation in our Employee Stock Purchase Plan at any time. Participation ends automatically upon termination of employment with us. Our board may amend or terminate the Employee Stock Purchase Plan at any time. If our Board increases the number of shares of common stock reserved for issuance under the plan, it must seek shareholder approval.

CERTAIN TRANSACTIONS

Transactions with Directors and Officers

In June 1998, we raised additional capital to finance our operations through the sale of 1,375,422 shares of Class C Preferred Stock to the following principal and affiliate stockholders for approximately $7.00 per share:

<TABLE>
<CAPTION>

	Shares of Class C Preferred Stock	Aggregate Consideration
<S>	<C>	<C>
Adam Solomon	69,808	$ 488,656
Austin Ventures IV-A, L.P.	92,226	645,582
Austin Ventures IV-B, L.P.	193,489	1,354,423
CKS Family Trust	34,904	244,328
Joseph W. Pollard	10,000	70,000
Kettle Partners, L.P.	71,429	500,003
Pangaea Partners, L.P.	46,422	324,954
WPG Enterprise Fund III, L.P.	367,532	2,572,724
WPG Information Sciences Entrepreneur Fund, L.P.	16,232	113,624
Weiss, Peck & Greer Venture Associates IV Cayman, L.P.	53,092	371,644
Weiss, Peck & Greer Venture Associates IV, L.P.	420,288	2,942,016
Total	1,375,422	$9,627,954

</TABLE>

In connection with this financing, Mr. Eggers became a member of our Board of Directors. Mr. Eggers is a general partner of Weiss, Peck & Greer Venture Partners, an affiliate of WPG Enterprise Fund III, L.P., Weiss, Peck & Greer Venture Associates IV, L.P., Weiss, Peck & Greer Venture Associates IV Cayman, L.P. and WPG Information Sciences Entrepreneur Fund, L.P.

In December 1998, John W. White, a director of MetaSolv, was granted options to purchase 50,000 shares of MetaSolv Common Stock at an exercise price of $7.00 per share in connection with his appointment to the Board.

In December 1998, we granted John Dirvin, an employee of Austin Ventures, options to purchase 15,000 shares of MetaSolv Common Stock at an exercise price of $7.00 per share in connection with his provision of consulting services.

In addition, we have granted options to our directors and executive officers. See "Management -- Option Grants in the Last Fiscal Year" and "Principal Stockholders."

In addition, we have entered into Employment Agreements with certain Executive Officers. See "Management -- Termination and Change of Control Arrangements."

Indemnification and Limitation of Director and Officer Liability

We have entered into an Indemnification Agreement with each of our executive officers and directors. See "Management -- Indemnification."

We believe that all of the transactions set forth above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All future transactions, including loans between us and our officers, directors, principal stockholders and their affiliates will be approved by a majority of the board of directors, including a majority of the independent and disinterested outside directors on the board of directors, and will continue to be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to shares beneficially owned by (1) each person who is known by us to be the beneficial owner of more than five percent of our outstanding shares of common stock, (2) the Chief Executive Officer and each of our other executive officers named on the Summary Compensation Table; (3) each of our directors; and (4) all current directors and executive officers as a group. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within sixty (60) days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date. The percentage of beneficial ownership for the following table is based on 14,138,143 shares of common stock outstanding as of September 8, 1999 and shares of common stock outstanding after the completion of this offering. Unless otherwise indicated, the address for each listed stockholder is: c/o MetaSolv Software, Inc., 5560 Tennyson Parkway, Plano, Texas 75024. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to the shares of common stock indicated.

<TABLE>
<CAPTION>

5% Stockholders, Named Officers, Directors, and Directors and Executive Officers as a Group	Shares Beneficially Owned	Percent Beneficially Owned	
		Before Offering	After Offering
	Number		
<S>	<C>	<C>	<C>
John D. Thornton.....	4,531,977	32.05%	
Entities affiliated with Austin Ventures (1)			
Michael J. Watters (2).....	2,290,000	16.20	
William N. Sick, Jr.	3,028,793	21.42	
Business Resources International, Inc. (3)			
Barry F. Eggers.....	961,631	6.80	
Entities affiliated with Weiss, Peck			

& Greer (4)			
James P. Janicki (5).....	711,707	4.83	
Dana R. Brown (5).....	711,707	4.83	
David R. Semmel (6).....	638,297	4.51	
Adam Solomon (7).....	567,673	4.02	
John W. White (8).....	50,000	*	*
Joseph W. Pollard (9).....	213,456	1.50	
Jonathan K. Hustis (10).....	100,000	*	*
All directors and executive officers as a group (14 persons) (11).....	11,403,704	73.67%	

</TABLE>

---

*Less than 1%

(1) Includes 1,304,046 shares held by Austin Ventures IV-A, L.P., 2,735,499 shares held by Austin Ventures IV-B, L.P. and 492,432 shares held by Austin Ventures VI, L.P. Mr. Thornton, one of our directors, is a partner of AV Partners IV, L.P., which is the general partner of Austin Ventures IV-A, L.P. and Austin Ventures IV-B, L.P., and a general partner of AV Partners VI, L.P., which is the general partner of Austin Ventures VI, L.P. Mr. Thornton disclaims beneficial ownership of the shares held by Austin Ventures IV-A, L.P., Austin Ventures IV-B, L.P. and Austin Ventures VI, L.P., except to the extent of his pecuniary interest therein arising from his partnership interest in AV Partners IV, L.P. and AV Partners VI, L.P., as the case may be.

(2) Includes 229,000 shares held by The Watter's Children Trust, 390,000 shares held by Mike and Carole Watters Charitable Remainder Trust and 1,671,000 shares held by MCDA International Partnership, Ltd.

(3) Includes 1,672,000 shares held by Business Resources International, Inc., 152,000 shares held by Jill Melanie Sick 1991 Trust, 152,000 shares held by David Louis Sick 1991 Trust, 76,000 shares held by Louis Pitchlyn Williams 1992 Trust and 11,207 shares held by Jill M. Sick.

(4) Includes 412,336 shares held by WPG Enterprise Fund III, L.L.C., 471,518 shares held by Weiss, Peck & Greer Venture Associates IV, L.L.C., 59,560 shares held by Weiss, Peck & Greer Venture Associates IV Cayman, L.P. and 18,217 shares held by WPG Information Sciences Entrepreneur Fund, L.P. Mr. Eggers, one of our directors, is a Managing Member of WPG VC Fund Adviser, L.L.C., which is the Fund Investment Advisory Member of WPG Enterprise Fund III, L.L.C. and Weiss, Peck & Greer Venture Associates IV, L.L.C., is the general partner of WPG Information Sciences Entrepreneur Fund, L.P. and is a general partner of Weiss, Peck & Greer Venture Associates IV Cayman, L.P. Mr. Eggers disclaims any beneficial ownership of the shares held by these funds, except to the extent of his pecuniary interests therein.

(5) Represents (i) 110,635 shares held of record by Mr. Janicki and Ms. Brown, joint tenants, (ii) 530,072 shares subject to stock options held by Mr. Janicki that are exercisable within 60 days of September 8, 1999 and (iii) 71,000 shares subject to stock options held by Ms. Brown that are exercisable within 60 days of September 8, 1999.

(6) Includes 121,429 shares held by Kettle Partners, L.P. and 165,558 shares held by Pangaea Partners, L.P. Mr. Semmel, one of our directors, is a member of Moraine, L.L.C., the general partner of Kettle Partners, L.P., and is the sole general partner of Pangaea Partners, L.P. Mr. Semmel disclaims beneficial ownership of all shares held by Kettle Partners, L.P., except to the extent of his pecuniary interest, and all shares held by Pangaea Partners, L.P.

(7) Includes 235,544 shares held by CKS Family Trust and 61,681 shares held by Anthony M. Solomon-1990 Trust.

(8) Consists of 50,000 shares subject to stock options held by Mr. White that are exercisable within 60 days of September 8, 1999.

(9) Includes 58,616 shares subject to stock options held by Mr. Pollard that are exercisable within 60 days of September 8, 1999.

(10) Includes 50,000 shares subject to stock options held by Mr. Hustis that are exercisable within 60 days of September 8, 1999.

(11) Includes 1,342,143 shares subject to stock options that are exercisable within 60 days of September 8, 1999.

DESCRIPTION OF CAPITAL STOCK

On the closing of this offering, our authorized capital stock will consist of 100,000,000 shares of common stock, $0.01 par value, and 10,000,000 shares of preferred stock, $0.01 par value.

Common Stock

As of June 30, 1999, there were 5,889,120 shares of common stock outstanding that were held of record by approximately 54 stockholders. As of June 30, 1999 there were 3,388,950 shares of common stock subject to outstanding options, of which options to purchase 878,815 shares are currently exercisable. There will be shares of common stock outstanding (assuming no exercise of the underwriters' over-allotment option and assuming no exercise after , 1999, of outstanding options or warrants) after giving effect to the sale of the shares of common stock to the public in this offering and the automatic conversion of our preferred stock into common stock on a one-for-one basis. The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for the payment of dividends. In the event of the liquidation, dissolution, or winding up of MetaSolv, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued on completion of this offering will be fully paid and nonassessable.

Preferred Stock

On the closing of this offering, 10,000,000 shares of preferred stock will be authorized and no shares will be outstanding. The board of directors has the authority to issue the preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of MetaSolv without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. At present, we have no plans to issue any of the preferred stock.

Anti-takeover Effects of Provisions of the Certificate of Incorporation, Bylaws and Delaware Law

Certificate of Incorporation and Bylaws. Our amended and restated certificate of incorporation to be effective on the closing of this offering provides that the board of directors will be divided into three classes of directors, with each class serving a staggered three-year term. The classification system of electing directors may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of MetaSolv and may maintain the incumbency of the board of directors, as the classification of the board of directors generally increases the difficulty of replacing a majority of the directors. The amended and restated certificate of incorporation also provides that, effective on the closing of this offering, all stockholder actions must be effected at a duly called meeting and not by a consent in writing. Further, provisions of the bylaws and the amended and

restated certificate of incorporation provide that the stockholders may amend the bylaws or certain provisions of the amended and restated certificate of incorporation only with the affirmative vote of 75% of our capital stock. These provisions of the amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of MetaSolv. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the

policies formulated by the Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control of MetaSolv. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management. See "Risk Factors--We Have Various Mechanisms in Place to Discourage Takeover Attempts."

Delaware Takeover Statute. We are subject to Section 203 of the Delaware General Corporation Law, or DGCL Section 203, which regulates corporate acquisitions. DGCL Section 203 prevents certain Delaware corporations, including those whose securities are listed on the Nasdaq National Market, from engaging, under certain circumstances in a "business combination" with any "interested stockholder" for three years following the date that such stockholder became an interested stockholder. For purposes of DGCL Section 203, a "business combination" includes, among other things, a merger or consolidation involving MetaSolv and the interested stockholder and the sale of 10% or more of our assets. In general, DGCL Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person. A Delaware corporation may "opt out" of DGCL Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the corporation's outstanding voting shares. We have not "opted out" of the provisions of DGCL Section 203.

Registration Rights

After this offering, the holders of approximately 10,218,653 shares of common stock or rights to acquire such shares will be entitled to rights with respect to the registration of such shares under the Securities Act. Under the terms of the agreement between us and the holders of such registrable securities, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of such registration and are entitled to include shares of such common stock in the registration. Additionally, such holders are also entitled to demand registration rights, pursuant to which they may require us on up to two occasions to file a registration statement under the Securities Act at our expense with respect to their shares of common stock, and we are required to use all reasonable efforts to effect such registration. Further, holders may require us to file an unlimited number of additional registration statements on Form S-3 at our expense. All of these registration rights terminate after four (4) years following the consummation of our initial public offering are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such registration and our right not to effect a requested registration within 180 days following an offering of our securities, including the offering made by this prospectus.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is ChaseMellon Shareholder Services, L.L.C. and its telephone number is (214) 965-2235.

SHARES ELIGIBLE FOR FUTURE SALE

On completion of this offering, we will have shares of common stock outstanding. Of the shares which will be sold to the public in this offering, shares will be available for immediate sale in the public market as of the date of this prospectus, and shares will be subject to a 180-day lockup period. Approximately additional shares will be available for sale in the public market 90 days after the offering, subject to compliance with the volume and other limitations of Rule 144. Approximately additional shares will be available for sale in the public market following the expiration of 180-day lockup agreements with representatives of the underwriters, subject in some cases to compliance with the volume and other limitations of Rule 144. The table below sets forth the approximate number of shares eligible for future sale after giving effect to the lock-up and the holding requirements under Rule 144.

<TABLE>
<CAPTION>

Days after Date of this Prospectus	Approximate Shares Eligible for Future Sale	Comment
<S>	<C>	<C>
On Effectiveness.....		Freely tradable shares sold in offering
90 Days.....		Shares salable under Rule 144
180 Days.....		Lock-up released; shares salable under Rule 144, 144(k) or 701
Thereafter.....		Restricted securities held for one year or less

</TABLE>

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned shares for at least one year is entitled to sell within any three-month period commencing 90 days after the date of this prospectus a number of shares that does not exceed the greater of (a) 1% of the then outstanding shares of common stock which will be approximately shares immediately after the offering, or (b) the average weekly trading volume during the four calendar weeks preceding such sale, subject to manner of sale requirements, and depending on the amount sold, the filing of a Form 144 with respect to such sale. A person or persons whose shares are aggregated who is not deemed to have been an affiliate of MetaSolv at any time during the 90 days immediately preceding the sale who has beneficially owned his or her shares for at least two years is entitled to sell such shares pursuant to Rule 144(k) without regard to the limitations described above. Persons deemed to be affiliates must always sell pursuant to Rule 144, even after the applicable holding periods have been satisfied.

We are unable to estimate the number of shares that will be sold under Rule144, since this will depend on the market price for our common stock, the personal circumstances of the sellers and other factors. Prior to this offering, there has been no public market for the common stock, and there can be no assurance that a significant public market for the common stock will develop or be sustained after the offering. Any future sale of substantial amounts of the common stock in the open market may adversely affect the market price of the common stock in this offering.

We, our directors, executive officers and other stockholders, holding an aggregate of approximately common shares or rights to acquire the shares, have agreed pursuant to the Underwriting Agreement and other agreements that we and they will not sell any common stock without the prior consent of Morgan Stanley & Co. Incorporated for a period of 180 days from the date of this prospectus, except that we may, without such consent, grant options and sell shares pursuant to our stock plans.

Any of our employees or consultants who purchased shares pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permits nonaffiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the date of this prospectus. As of the date of this prospectus, the holders of options exercisable into approximately shares of common stock will be eligible to sell their shares on the expiration of the 180-day lockup period, or subject in certain cases to vesting of such options.

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of common stock issued or reserved for issuance under our stock plans within 180 days after the date of this prospectus, thus permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act. We intend to register these shares on Form S-8, along with options that have not been issued under our stock plans as of the date of this prospectus.

In addition, after this offering, the holders of approximately 10,218,653 shares of common stock will be entitled to certain rights with respect to registration of such shares under the Securities Act. Registration of such shares under the Securities Act would result in such shares, except for shares purchased by affiliates of MetaSolv, becoming freely tradable without restriction under the Securities Act immediately on the effectiveness of such registration. See "Description of Capital Stock--Registration Rights."

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement dated the date hereof, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, BancBoston Robertson Stephens Inc. and Jefferies & Company, Inc. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them an aggregate of shares of common stock. The number of shares of common stock that each underwriter has agreed to purchase is set forth opposite its name below:

<TABLE>
<CAPTION>

Name	Number of Shares
<S>	<C>
Morgan Stanley & Co. Incorporated.....	
BancBoston Robertson Stephens Inc.....	
Jefferies & Company, Inc.....	
Total.....	

</TABLE>

The underwriters are offering the shares subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock in this offering are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock in this offering, other than those covered by the over-allotment option described below, if any such shares are taken.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $. a share under the public offering price. Any underwriters may allow, and such dealers may reallow, a concession not in excess of $. a share to other underwriters or to certain other dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

Pursuant to the underwriting agreement, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with

this offering. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares of common stock set forth next to the names of all underwriters in the preceding table. If the underwriter's over-allotment option is exercised in full, the total price to public would be $, the total underwriters' discounts and commissions would be $ and the total proceeds to us would be $ before deducting estimated offering expenses of $.

At our request, the underwriters have reserved up to shares of common stock to be sold in this offering, at the public offering price, to our directors, officers, employees, business associates and related persons.

The number of shares of common stock available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares.

We, the directors, officers and certain other of our stockholders have each agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, during the period ending 180 days after the date of this prospectus, we will not, directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock (whether such shares or any such securities are then owned by such person or are thereafter acquired directly from us); or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of common stock,

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the previous paragraph do not apply to:

- the sale to the underwriters of the shares of common stock under the underwriting agreement;

- the issuance by MetaSolv of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus which is described in the prospectus;

- transactions by any person other than MetaSolv relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares of common stock; or

- issuances of shares of common stock or options to purchase shares of common stock pursuant to our employee benefit plans as in existence on the date of the prospectus and consistent with past practices.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

We have submitted an application to have our common stock approved for quotation on the Nasdaq National Market under the symbol "MSLV."

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate

may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering if the syndicate repurchases previously distributed shares of common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Pricing of the Offering

Prior to this offering, there has been no public market for the shares of common stock. Consequently, the public offering price for the shares of common stock will be determined by negotiations between MetaSolv and

the representatives of the underwriters. Among the factors considered in determining the public offering price were our record of operations, our current financial position and future prospects, the experience of our management, our sales, earnings and other financial and operating information in recent periods, the price-earnings ratios, price-sales ratios, market prices of securities and financial and operating information of companies engaged in activities similar to ours.

LEGAL MATTERS

The validity of the issuance of the common stock issued in this offering will be passed upon for us by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Austin, Texas and for the underwriters by Davis Polk & Wardwell, New York, New York.

CHANGE IN ACCOUNTANTS

Arthur Andersen LLP was previously the principal accountants for MetaSolv Software, Inc. On October 17, 1997, that firm's appointment as principal accountants was terminated and KPMG LLP was engaged as principal accountants. The decision to change accountants was approved by the board of directors.

During 1997, through October 17, 1997, there were no disagreements with Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement. A letter from Arthur Andersen LLP is filed as an exhibit hereto.

EXPERTS

The financial statements and schedule of MetaSolv Software, Inc. as of December 31, 1997 and December 31, 1998, and for each of the years in the three-year period ended December 31, 1998, have been included in this prospectus in reliance upon the reports of KPMG LLP, independent certified public accountants, appearing elsewhere in this prospectus, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock to be issued in this offering. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to us and the common stock issued in this offering, reference is made to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document referred to are not necessarily complete. Each statement in this prospectus relating to a contract or document filed as an exhibit to the registration statement is qualified in all respects by the contents of the exhibit. The registration statement, including exhibits and schedules thereto, may be inspected without charge at the Commission's principal office in

Washington, D.C., and copies of all or any part thereof may be obtained from such office after payment of fees prescribed by the Commission. The Securities and Exchange Commission maintains a Web site that contains report, proxy and information statement and other information regarding registrants who, like us, file electronically with it.

We intend to provide our stockholders with annual reports containing consolidated financial statements audited by an independent public accounting firm and quarterly reports containing unaudited consolidated financial data for the first three quarters of each year.

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Independent Auditors' Report

The Board of Directors
MetaSolv Software, Inc.:

We have audited the accompanying balance sheets of MetaSolv Software, Inc. as of December 31, 1997 and 1998, and the related statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP

Dallas, Texas
February 26, 1999

Balance Sheets
(in thousands, except share and per share data)

<TABLE>
<CAPTION>

	December 31,		June 30, 1999 (unaudited)	
	1997	1998	Actual	Pro Forma
<S>	<C>	<C>	<C>	<C>
Assets				(note 1(n))
Current assets:				
Cash and cash equivalents	$ 3,639	$ 7,984	$11,222	$11,222
Restricted cash	689	--	--	--
Trade accounts receivable, less allowance for doubtful accounts of $90 in 1997, $600 in 1998 and $1,450 in 1999	2,028	11,078	14,030	14,030
Unbilled receivables	897	957	1,779	1,779
Prepaid expenses	167	859	502	502
Other current assets	319	818	861	861
Total current assets	7,739	21,696	28,394	28,394
Equipment, furniture and fixtures, net	2,205	4,738	5,125	5,125
Other assets	18	93	120	120
Total assets	$ 9,962	$26,527	$33,639	$ 33,639
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 381	$ 2,216	$ 3,109	$ 3,109
Accrued expenses	1,990	7,071	7,726	7,726
Deferred revenue	2,882	2,648	5,730	5,730
Note payable	93	--	1,866	1,866
Total current liabilities	5,346	11,935	18,431	18,431
Deferred income taxes	67	156	11	11
Class B redeemable convertible preferred stock, $.005 par value; 3,369,080 shares authorized, issued and outstanding at December 31, 1997 and 1998 and June 30, 1999; no shares authorized, issued or outstanding, pro forma	2,610	2,610	2,610	--
Class C redeemable convertible preferred stock, $1.00 par value; 1,428,573 shares authorized, issued and outstanding at December 31, 1998 and June 30, 1999; no shares authorized, issued or outstanding, pro forma	--	10,000	10,000	--
Stockholders' equity:				
Class A convertible preferred stock, $.005 par value; 3,325,000 shares authorized, issued and outstanding at December 31, 1997 and 1998, and June 30, 1999 (liquidation value $1,750); no shares authorized, issued or outstanding, pro forma	18	18	18	--
Preferred stock, $.01 par value, no shares authorized, issued or outstanding, actual; 10,000,000 shares authorized pro forma, no shares issued or outstanding, pro forma	--	--	--	--
Common stock, $.01 par value, 23,000,000 shares authorized, 5,704,680 and 5,823,290 shares issued and outstanding at December 31, 1997 and 1998, respectively and 5,901,120 shares issued at June 30, 1999; 100,000,000 shares authorized, 14,023,773 shares issued, pro forma	57	58	59	140

Additional paid-in capital.....	1,818	1,890	1,948	14,495
Treasury stock--at cost, 12,000 shares at June 30, 1999.....	--	--	(14)	(14)
Retained earnings (deficit).....	46	(140)	576	576
Total stockholders' equity.....	1,939	1,826	2,587	15,197
Commitments and contingencies				
Total liabilities and stockholders' equity.....	$ 9,962	$26,527	$33,639	$ 33,639

</TABLE>

See accompanying notes to financial statements.

METASOLV SOFTWARE, INC.

Statements of Operations
(in thousands, except share data)

<TABLE>
<CAPTION>

	Year ended December 31,			Six months ended June 30, (unaudited)	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
License.....	$ 1,895	$ 5,262	$23,432	$ 6,548	$ 17,165
Service.....	3,170	6,283	19,144	6,775	14,971
Total revenues.....	5,065	11,545	42,576	13,323	32,136
Cost of revenues:					
License.....	69	223	1,298	423	900
Service.....	1,090	3,302	14,803	4,727	11,690
Total cost of revenues.....	1,159	3,525	16,101	5,150	12,590
Gross profit.....	3,906	8,020	26,475	8,173	19,546
Operating expenses:					
Research and development.....	1,666	3,670	10,170	4,510	7,341
Sales and marketing.....	1,006	2,996	11,634	3,732	6,000
General and administrative.....	653	1,289	5,179	1,510	5,135
Total operating expenses.....	3,325	7,955	26,983	9,752	18,476
Income (loss) from operations.....	581	65	(508)	(1,579)	1,070
Interest and other income, net.....	67	115	298	98	169
Income (loss) before taxes.....	648	180	(210)	(1,481)	1,239
Income tax expense (benefit).....	--	60	(24)	(169)	523
Net income (loss).....	$ 648	$ 120	$ (186)	$ (1,312)	$ 716
Earnings (loss) per share of common stock:					
Basic.....	$ 0.11	$ 0.02	$ (0.03)	$ (0.23)	$ 0.12
Diluted.....	$ 0.06	$ 0.01	$ (0.03)	$ (0.23)	$ 0.05

</TABLE>

See accompanying notes to financial statements.

METASOLV SOFTWARE, INC.

Statements of Stockholders' Equity
(in thousands, except share data)

<TABLE>
<CAPTION>

	Class A convertible		Common stock		Treasury stock		Additional paid-in capital	Retained earnings (deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	3,325,000	$ 18	5,700,100	$ 57	--	$ --	$ 1,816	$(722)	$ 1,169
Exercise of stock options	--	--	4,500	--	--	--	2	--	2
Net income	--	--	--	--	--	--	--	648	648
Balance, December 31, 1996	3,325,000	18	5,704,600	57	--	--	1,818	(74)	1,819
Exercise of stock options	--	--	80	--	--	--	--	--	--
Net income	--	--	--	--	--	--	--	120	120
Balance, December 31, 1997	3,325,000	18	5,704,680	57	--	--	1,818	46	1,939
Exercise of stock options	--	--	118,610	1	--	--	72	--	73
Net loss	--	--	--	--	--	--	--	(186)	(186)
Balance, December 31, 1998	3,325,000	18	5,823,290	58	--	--	1,890	(140)	1,826
Exercise of stock options, unaudited	--	--	77,830	1	--	--	58	--	59
Purchase of stock (unaudited)					12,000	(14)			(14)
Net income (unaudited)	--	--	--	--	--	--	--	716	716
Balance, June 30, 1999 (unaudited)	3,325,000	18	5,901,120	59	12,000	(14)	1,948	$ 576	2,587
Pro forma conversion of Class A, B, and C preferred stock (unaudited)	(3,325,000)	(18)	8,122,653	81	--	--	12,547	--	12,610
Pro forma balance June 30, 1999 (unaudited)	--	$ --	14,023,773	$140	12,000	$ (14)	$14,495	$ 576	$15,197

</TABLE>

See accompanying notes to financial statements.

METASOLV SOFTWARE, INC.

Statements of Cash Flows
(in thousands)

<TABLE>
<CAPTION>

	Year ended December 31,			Six months ended June 30, (unaudited)	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net income (loss).....	$ 648	$ 120	$ (186)	$ (1,312)	$ 716
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization.....	113	293	763	288	698
Deferred tax expense (benefit).....	--	35	(498)	(262)	(305)
Changes in operating assets and liabilities:					
Restricted cash...	(335)	(353)	689	(6)	--
Trade accounts receivable, net..	(1,108)	(363)	(9,050)	(1,241)	(2,952)
Unbilled receivables.....	--	(897)	(60)	(521)	(822)
Other assets.....	16	(408)	(679)	(592)	447
Accounts payable and accrued expenses.....	404	1,740	6,916	1,942	1,548
Deferred revenue..	1,105	1,708	(234)	(371)	3,082
Net cash provided by (used in) operating activities.....	843	1,875	(2,339)	(2,075)	2,412
Cash flows from investing activities:					
Purchases of equipment, furniture and fixtures.....	(665)	(1,682)	(3,296)	(1,842)	(1,085)
Purchase of marketable securities.....	(771)	--	--	--	--
Sale of marketable securities.....	764	260	--	--	--
Net cash used in investing activities.....	(672)	(1,422)	(3,296)	(1,842)	(1,085)
Cash flows from financing activities:					
Proceeds from sale of redeemable preferred stock.....	2,475	110	10,000	9,300	--
Borrowings from bank..	--	93	1,000	1,000	1,866
Payments on bank borrowings.....	--	--	(1,093)	(1)	--
Proceeds from issuance of common stock.....	2	--	73	5	59
Purchase of treasury stock.....	--	--	--	--	(14)
Net cash provided by financing activities.....	2,477	203	9,980	10,304	1,911
Increase in cash and cash equivalents.....	2,648	656	4,345	6,387	3,238
Cash and cash equivalents, beginning					

of year.....	335	2,983	3,639	3,639	7,984
Cash and cash equivalents, end of year.....	$ 2,983	$ 3,639	$ 7,984	$ 10,026	$ 11,222
Supplemental disclosures of cash flow information--Cash paid during the year for:					
Interest.....	$ --	$ 7	$ 26	$ 17	$ 64
Income taxes.....	$ --	$ 7	$ 33	$ 5	$ 868

</TABLE>

See accompanying notes to financial statements.

METASOLV SOFTWARE, INC.

Notes to Financial Statements

Years ended December 31, 1996, 1997 and 1998, and the six months ended June 30, 1999
(Information as of June 30, 1999 and for the six months ended June 30, 1998 and 1999 are unaudited)

1) Organization and Summary of Significant Accounting Policies

MetaSolv Software, Inc. (the "Company"), a Delaware corporation headquartered in Plano, Texas, develops, delivers and supports order management and service provisioning solutions, or O&P solutions, for next-generation telecommunications service providers. The Company's Telecom Business Solution, or TBS, software is a comprehensive O&P solution that encompasses all of the functions necessary to fulfill customer requests for telecommunications services. The Company's TBS software is licensed to different types of telecommunications service providers including competitive local exchange carriers, or CLECs, broadband backbone providers, incumbent local exchange providers, long distance providers and new data CLECs.

a) Revenue Recognition

The Company's software products are licensed to customers through the Company's direct sales force. Software license revenue is generally recognized when the following criteria have been met: (a) a written contract for the license of software has been executed, (b) the Company has delivered the product to the customer, (c) the license fee is fixed or determinable, and (d) collectibility of the resulting receivable is deemed probable. Revenue on maintenance contracts is recognized ratably over the contract period. Revenue for implementation training and other services is generally recognized as the service is performed.

The Company is frequently engaged to provide consulting and implementation services in connection with the licensing of its software. In situations where such services include significant modification or customization of the software or are otherwise essential to the functionality of the software, revenue relating to the software license and services are aggregated and the combined revenues are recognized using the percentage-of-completion method. Revenue earned on the percentage-of-completion method is based on management's estimate of progress towards completion. Changes to estimates of progress towards completion, if any, are accounted for as a change in estimate in the period of the change. Of total deferred revenues, $1,584,515 as of December 31, 1997 represent billings in excess of costs and related profits on certain contracts accounted for under the percentage-of-completion method. Of total unbilled receivables, $897,091, $335,000 and $335,000 as of December 31, 1997, 1998 and June 30, 1999, respectively, represent costs and related profits in excess of billings on contracts accounted for under the percentage-of-completion method.

Accounts receivable include amounts due from customers for which revenue has been recognized. Deferred revenue includes amounts received from customers for which revenue has not been recognized.

In October 1997, the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition." Effective January 1, 1998, the Company adopted SOP 97-2. SOP 97-2 generally requires revenue recognized from software arrangements to be allocated to each element of the arrangement based on the relative

fair values of the elements, such as software products, consulting, education services, installation or post-contract customer support. Fair values are based upon vendor specific objective evidence ("VSOE"). If evidence of fair value for each element of the arrangement does not exist, all revenue from the arrangement is deferred until such time that evidence of fair value does exist, or until all elements of the arrangement are delivered.

In February 1998, AcSEC issued SOP 98-4, "Deferral of the Effective Date of SOP 97-2." The SOP defers the effective date for applying the provisions regarding VSOE of fair value until the AcSEC can reconsider what constitutes such VSOE. There was no material change to the Company's accounting for revenues as a result of the adoption of SOP 98-4.

In December 1998, AcSEC issued SOP 98-9, "Software Revenue Recognition, with Respect to Certain Arrangements," which requires recognition of revenue using the "residual method" in a multiple element arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and subsequently recognized in accordance with SOP 97-2. There was no material change to the Company's accounting for revenues as a result of the adoption of SOP 98-9.

b) Cash and Cash Equivalents

Cash equivalents consist of investments in an interest-bearing money market account with an average maturity of three months or less. For purposes of the statements of cash flows, the Company considers all highly liquid investments with remaining maturity of three months or less at the date of purchase to be cash equivalents.

c) Restricted Cash

Restricted cash consisted of cash deposited and held in escrow related to a license agreement. The restrictions were lifted during 1998 upon the customer's acceptance of the software.

d) Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to twelve years.

e) Fair Value of Financial Instruments

The carrying values of cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The note payable bears interest at a floating market rate and, therefore, its carrying value approximates fair value.

f) Research and Development Costs

Research and development costs incurred prior to the establishment of technological feasibility of the product are expensed as incurred. After technological feasibility is established, any additional software development

costs would be capitalized in accordance with SFAS No. 86. Through June 30, 1999, the Company believes its process for developing software was essentially completed concurrently with the establishment of technological feasibility and, accordingly, no software development costs have been capitalized to date.

g) Accounting for Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairments to be recognized are measured by the

amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell.

h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is reflected in income tax expense in the period that includes the enactment date.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j) Stock Option Plan

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded only if the fair value of the underlying stock exceeded its exercise price on the date of grant.

k) Comprehensive Income

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. The statement requires additional disclosures in the financial statements, but does not affect the Company's financial position or results of operations. Net income (loss) as reported in the statements of operations is the Company's only component of comprehensive income during all periods presented.

l) Earnings (Loss) Per Share

Earnings (loss) per share of common stock is presented in accordance with the provisions of SFAS No. 128, Earnings Per Share. Under SFAS No. 128, basic earnings (loss) per share excludes dilution for potentially dilutive securities and is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Potentially dilutive securities are excluded from the computation of diluted earnings/loss per share when their inclusion would be antidilutive.

m) Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements as of June 30, 1999, and for the six months ended June 30, 1998 and 1999, have been prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation have been included.

n) Unaudited Pro Forma Consolidated Balance Sheet

If the offering contemplated by this prospectus is consummated, all of the redeemable and convertible preferred stock outstanding will automatically be converted into common stock. The unaudited pro forma consolidated balance sheet as of June 30, 1999, has been adjusted for the assumed conversion of the outstanding shares of convertible preferred stock as of June 30, 1999.

o) Reclassifications

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform to the current presentation.

2) Equipment, Furniture and Fixtures

Equipment, furniture, and fixtures consist of the following (in thousands):

<TABLE>
<CAPTION>

	December 31,		
	1997	1998	June 30, 1999
<S>	<C>	<C>	<C>
Computer equipment and software	$1,461	$ 3,707	$ 4,480
Furniture and fixtures	889	1,357	1,604
Leasehold improvements	303	885	928
	2,653	5,949	7,012
Less accumulated depreciation	(448)	(1,211)	(1,887)
Equipment, furniture and fixtures, net	$2,205	$ 4,738	$ 5,125

3) Income Taxes

During 1996, the Company utilized operating loss carryforwards for which no benefit had been recognized; therefore, a provision for income taxes was not recorded. Income tax expense (benefit) for the years ended December 31, 1997 and 1998, and the six months ended June 30, 1999, consists of (in thousands):

<CAPTION>

	Year ended December 31,		Six months ended June 30,
	1997	1998	1999
<S>	<C>	<C>	<C>
Current income tax expense:			
Federal	$ 17	$ 434	$ 713
State	8	66	115
	25	500	828
Deferred income tax expense (benefit):			
Federal	35	(462)	(263)
State	--	(62)	(42)
	35	(524)	(305)
Total expense (benefit)	$ 60	$ (24)	$ 523

</TABLE>

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent to pretax income in the years ended December 31, 1996, 1997 and 1998, and the six months ended June 30, 1999 as follows (in thousands):

<TABLE>
<CAPTION>

	Year ended December 31,			Six months ended June 30,
	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>
Computed "expected" tax expense (benefit)	$ 220	$ 61	$ (71)	$421
Utilization of net operating loss carry-forwards for which no benefit had been recognized	(224)	(40)	--	--
Expenses not deductible for tax purposes	4	14	42	30
Effect of state and local taxes, net of federal benefit	--	8	2	48
Other	--	17	3	24
Provision for income taxes	$ --	$ 60	$ (24)	$523

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

<TABLE>
<CAPTION>

	December 31,		June 30,
	1997	1998	1999
<S>	<C>	<C>	<C>
Deferred tax assets:			

Accrued expenses	$ 19	$ 489	$ 341
Allowance for doubtful accounts	13	156	464
Total gross deferred tax assets	32	645	805
Deferred tax liability--equipment, furniture and fixtures, due to differences in depreciation	(67)	(156)	(11)
Net deferred tax asset (liability)	$ (35)	$ 489	$ 794

4) Accrued Expenses

Accrued expenses consist of the following (in thousands):

<CAPTION>

	December 31,		June 30,
	1997	1998	1999
<S>	<C>	<C>	<C>
Employee compensation	$ 983	$3,929	$3,559
Sales tax payable	409	496	953
Royalties, income taxes and other expenses	598	2,646	3,214
	$1,990	$7,071	$7,726

</TABLE>

5) Note Payable

The Company has a committed revolving line of credit agreement with a bank, expiring in July 2002, in the amount of $6,000,000 and an equipment term loan facility that provides for borrowings up to $4,000,000. Interest on outstanding borrowings accrues at the bank's prime rate of interest (8.5% as of December 31, 1997 and 1998, and 8.0% as of June 30, 1999). The facility is secured by substantially all of the Company's tangible assets. As

of December 31, 1997 there was $92,913 of outstanding borrowings under a previous line of credit, which were due and paid in 1998. As of June 30, 1999 there was $1,866,000 of outstanding borrowings under the revolving line of credit. The Company also had a standby letter of credit (in lieu of a security deposit) totaling $900,000 as of December 31, 1997, and $1,300,000 as of December 31, 1998 and June 30, 1999, which reduce the borrowing availability under the revolving line of credit.

6) Preferred Stock and Redeemable Preferred Stock

In 1996, the Company issued 3,229,240 shares of Class B redeemable preferred stock for net cash proceeds of $2,475,400. In 1997, the Company issued 139,840 additional shares of Class B redeemable preferred stock for cash proceeds of $110,400. In 1998, the Company issued 1,428,573 shares of Class C redeemable preferred stock for cash proceeds of $10,000,011.

Class A preferred stock is not redeemable. Class B and C redeemable preferred shareholders are entitled to request mandatory redemption of their stock beginning in April 2005 at a price equal to the liquidation value of such stock. The holders of the Class A, Class B and Class C preferred stock are entitled to certain additional rights as described below.

Dividend Preference--The preferred shareholders are entitled to receive dividends before any distributions are made to holders of common stock. No dividends have been declared on any preferred stock.

Liquidation Preference--Upon voluntary or involuntary liquidation, dissolution or other winding up of the Company, preferred shareholders in each class are entitled to a liquidation preference per share on a pro rata basis of the original issue price per share for such class ($.5263 for Class A, $.75 for Class B, and $7.00 for Class C), plus declared but unpaid dividends for such class, before any distributions are made to holders of common stock.

Conversion Rights--Each share of preferred stock is convertible at the option of the holder, at any time after issuance, into a number of shares of common stock to be determined by dividing the original issue price by the Conversion Price, as defined. The Conversion Price per share is the same as the original issue price per share, except that for Class B and Class C stock the Conversion Price is subject to adjustment for certain dilutive issuances, and that the Conversion Price for each share of preferred stock is subject to adjustment for stock splits, stock dividends or other recapitalizations or combinations. The Company may require the conversion of all of the outstanding preferred stock upon the closing of a firm commitment for an underwritten public offering of shares of the Company's common stock in which the net proceeds received by the Company and the price per share of common stock meet certain minimums. There is also a special mandatory conversion requirement for Class B and Class C preferred stock in the event of certain dilutive financing events where a holder of such preferred stock does not exercise his or her rights of first offer to participate in the dilutive financing.

Voting Rights--Each share of preferred stock votes on an as-converted basis on all matters submitted to the Company's shareholders.

During 1998, the Company issued 190 shares of Class A and Class B preferred stock in exchange for each outstanding share of Class A and Class B preferred stock, respectively. The Company has treated the exchange like a stock split and has adjusted the historical share amounts on a retroactive basis.

7) Stock Option Plan

In 1992, the Company adopted a stock option plan pursuant to which the Board of Directors may grant stock options to officers and employees. The stock option plan authorizes grants of options to purchase up to 3,860,000 shares of authorized but unissued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. All options have ten-year terms and generally become exercisable in five equal cumulative installments beginning on the first anniversary of the grant date.

At June 30, 1999, there were 281,930 additional shares available for grant under the plan. The per share weighted-average fair value of stock options granted for the years ended December 31, 1996, 1997, and 1998 and the six months ended June 30, 1999 was $.17, $.15, $.83 and $1.83, respectively, as estimated using the minimum value option-pricing model with the following assumptions: expected dividend yield of 0%, risk-free interest rate of 6%, and an expected life of five years.

The Company applies APB Opinion No. 25 in accounting for its stock option plan and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation, the Company's net income would have been reduced to the pro forma amounts indicated below (in thousands):

<TABLE>
<CAPTION>

	Year ended December 31,			Six Months Ended June 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Net income (loss):					
As reported	$648	$120	$(186)	$(1,312)	$ 716
Pro forma	642	88	(278)	(1,343)	637

Stock option activity during the periods indicated is as follows:

Pro forma net loss reflects only stock options granted after December 31, 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net loss amounts presented above because compensation cost is reflected over the options' vesting periods of four years and compensation expense pertaining to stock options granted in prior periods is not considered.

<TABLE>
<CAPTION>

	Number of shares	Weighted-average exercise price
<S>	<C>	<C>
Balance as of December 31, 1995	514,900	$ .48
Granted	392,000	.67
Exercised	(4,500)	.47
Forfeited	(70,020)	.60
Balance as of December 31, 1996	832,380	.56
Granted	1,030,300	.67
Exercised	(80)	.67
Forfeited	(173,320)	.67
Balance as of December 31, 1997	1,689,280	.61
Granted	849,150	3.57
Exercised	(118,610)	.62
Forfeited	(202,300)	2.72
Balance as of December 31, 1998	2,217,520	1.55
Granted	1,415,300	7.23
Exercised	(77,830)	.76
Forfeited	(166,040)	1.89
Balance as of June 30, 1999	3,388,950	3.92

</TABLE>

At December 31, 1998, the range of exercise prices and weighted-average remaining contractual life of outstanding options was $.47 to $7.00 and 7.76 years, respectively. The following table presents information about outstanding stock options as of December 31, 1998:

<TABLE>
<CAPTION>

	Weighted average			Options vested and exercisable	
Range of Exercise	Number of	Exercise	Contractual	Number of	Weighted average

	Prices	options	price	life	options	price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	$.47- .67	1,522,970	$0.62	7.42 years	611,040	$0.58
	.90-1.20	383,400	1.20	9.12	5,000	0.90
	3.50	36,400	3.50	9.40	--	
	7.00	274,750	7.00	9.76	--	
	Totals	2,217,520			616,040	

</TABLE>

At December 31, 1996, 1997 and 1998, and June 30, 1999, 156,690, 322,430, 616,040 and 878,815 options were vested and exercisable at a weighted-average exercise price of $.49, $.52, $.59 and $.79, respectively.

8) 401(k) Plan and Trust Agreement

The Company has a 401(k) Plan and Trust Agreement under which employees are entitled to deduct and contribute up to 15% of their salary, subject to certain regulatory limitations, to a defined contribution plan. In 1996, 1997 and 1998 the Company made discretionary profit sharing contributions of $24,000, $123,444 and $337,084, respectively, to the plan. For the six months ended June 30, 1999 the Company accrued discretionary profit sharing contributions of $215,770.

9) Commitments and Contingencies

Leases

The Company leases its offices under operating leases, which expire through 2010. Future minimum annual rent payments for leases having initial or remaining noncancelable lease terms in excess of one year are as follows (in thousands):

<TABLE>
<CAPTION>

Years ending December 31,	Total minimum lease payments
<S>	<C>
1999	$ 1,227
2000	2,177
2001	2,598
2002	2,652
2003	2,707
Thereafter	17,558
	$28,919

</TABLE>

Included above are $19,125,000 of minimum lease payments related to office space currently under construction that the Company expects to occupy in the fourth quarter of 1999. Rent expense for the years ended December 31, 1996, 1997 and 1998, and the six months ended June 30, 1999, amounted to $91,727, $558,778, $1,175,047 and $674,834, respectively.

Legal Proceedings

The Company is involved in various claims and legal actions arising in the

ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

10) Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

<TABLE>
<CAPTION>

	Year ended December 31,			Six months ended June 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Numerator:					
Net income (loss)	$ 648	$ 120	$ (186)	$ (1,312)	$ 716
Denominator:					
Denominator for basic earnings (loss) per share-- weighted-average common shares outstanding	5,702	5,705	5,736	5,711	5,852
Effect of dilutive securities:					
Preferred stock	5,382	6,624	--	--	8,123
Employee stock options	136	143	--	--	1,652
Denominator for diluted earnings (loss) per share-- weighted-average common and common equivalent shares outstanding	11,220	12,472	5,736	5,711	15,627
Earnings (loss) per common share:					
Basic earnings (loss) per common share	$ 0.11	0.02	(0.03)	(0.23)	0.12
Diluted earnings (loss) per common share	$ 0.06	0.01	(0.03)	(0.23)	0.05

</TABLE>

There are no potentially dilutive shares that are excluded from the earnings per share calculations for the six months ended June 30, 1999.

11) Segment Information and Concentration of Credit Risk

The Company has adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. The method for determining what information to report is based on the way management organizes the operating segments within the Company for making operating decisions and assessing financial performance.

The Company's chief operating decision-maker is considered to be the Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues by product and service line for purposes of making operating decisions and assessing financial performance. The financial information reviewed by the CEO is identical to the information presented in the accompanying statements of operations. Therefore, the Company operates in a single operating segment: telecommunications software and related services.

Revenue information regarding operations for different products and services is as follows (in thousands):

<TABLE>
<CAPTION>

	Year ended December 31,			Six months ended June 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Software	$ 1,895	$ 5,262	$23,433	$ 6,548	$17,165
Professional services	2,720	5,386	14,471	5,064	10,759
Post-contract customer support	450	897	4,672	1,711	4,212
Total revenues	$ 5,065	$11,545	$42,576	$13,323	$32,136

</TABLE>

The Company has derived substantially all of its revenues from the United States and Canada. Accordingly, the Company does not produce reports that measure performance of segments by geographic region.

The Company evaluates the performance of its operating segments based on revenues only. The Company does not assess the performance of its segments on other measures of income or expense, such as depreciation and amortization, operating income or net income. In addition, the Company's assets are not allocated to any specific segment, and the Company does not produce reports that measure segment performance based on any asset-based metrics. Therefore, segment information is presented only for revenues.

The Company licenses its telecommunications software products to incumbent local exchange telephone carriers, competitive local exchange carriers, and competitive access providers. The Company performs ongoing credit evaluations of its customers' financial condition but does not require collateral or other security to support its trade accounts receivable. The table below presents the portion of the Company's revenues derived from its major customers for the periods presented and the portion of accounts receivable as of December 31, 1998 and June 30, 1999 related to such customers:

<TABLE>
<CAPTION>

	Accounts receivable		Revenues			
Customers			Year ended December 31,			Six months ended June 30,
	Dec. 31, 1998	June 30, 1999	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
A	22%	5%	--	12%	22%	14%
B	4%	3%	2%	2%	11%	1%
C	20%	17%	--	--	8%	8%
D	1%	4%	16%	26%	5%	5%
E	5%	2%	36%	21%	3%	3%
F	--	--	--	10%	4%	1%
G	--	--	10%	1%	--	--

</TABLE>

[LOGO OF METASOLV SOFTWARE APPEARS HERE]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fees.

<TABLE>

<S>	<C>
SEC Registration fee	$
NASD fee	
Nasdaq National Market initial listing fee	
Printing and engraving	
Legal fees and expenses of the Company	
Accounting fees and expenses	
Directors and Officers Liability Insurance	
Blue sky fees and expenses	
Transfer agent fees	
Miscellaneous	
Total	

</TABLE>

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's board of directors to grant indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933 (the "Act"). Article VII of the Registrant's By-Laws provides for mandatory indemnification of its directors and officers and permissible indemnification of employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. The Registrant's amended and restated certificate of incorporation provides that, pursuant to Delaware law, its directors shall not be liable for monetary damages for breach of the directors' fiduciary duty as directors to the Registrant and its stockholders. This provision in the amended and restated certificate of incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Registrant for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. The Registrant has entered into Indemnification Agreements with its officers and directors, a form of which is attached as Exhibit 10.1 hereto and incorporated herein by reference. The Indemnification Agreements provide the Registrant's officers and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. The Registrant maintains liability insurance for its directors and officers. Reference is also made to Section of the underwriting agreement contained in Exhibit 1.1 hereto, indemnifying officers and directors of the Registrant against certain liabilities, and Section 1.9 of the Investors' Rights Agreement contained in Exhibit 4.1 hereto, indemnifying certain of the Company's stockholders, including controlling stockholders, against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

(a) From July 1, 1996 through June 30, 1999, the Registrant has issued and sold the following securities:

1. The Registrant granted stock options to purchase 3,674,550 shares of Common Stock at exercise prices ranging from $0.67 to $7.30 per share to

employees, consultants and directors pursuant to its 1992 Stock Option Plan.

2. From July 1, 1996 through June 30, 1999, the Registrant issued and sold an aggregate of 198,770 shares of its Common Stock to employees, consultants and directors for aggregate consideration of approximately $137,142 pursuant to exercises of options granted under its 1992 Stock Option Plan.

3. In June 1998, the Registrant issued and sold 1,428,573 shares of its Class C Preferred Stock for an aggregate purchase price of approximately $10,000,011.

The issuances described in Items 15(a)(1) and (2) were deemed exempt from registration under the Securities Act in reliance on Rule 701 promulgated under the Securities Act or Section 4(2) of the Securities Act. The issuance of the securities described in Item 15(a)(3) was deemed exempt from registration under the Act in reliance on section 4(2) of such Act as transactions by an issuer not involving any public offering. In addition, the recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

<TABLE>
<CAPTION>

Exhibit No.	Description
<C>	<S>
1.1	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2	Form of Amended and Restated Certificate of Incorporation of the Registrant to be filed after the closing of the offering made pursuant to this Registration Statement.
3.3	Amended and Restated Bylaws of the Registrant, dated May 26, 1998.
3.4	Form of Amended and Restated Bylaws of the Registrant to be effective upon the closing of the offering made pursuant to their Registration Statement.
4.1	Investors' Rights Agreement, dated June 2, 1998, among the Registrant and the shareholders named therein, as amended.
4.2*	Specimen Certificate of the Registrant's common stock.
5.1*	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel to the Registrant.
10.1	Form of Indemnification Agreement entered into between the Registrant and its directors and executive officers.
10.2	1992 Stock Option Plan.
10.3	Long-Term Incentive Plan.
10.4	Employee Stock Purchase Plan.
10.5*	Mutual Release between the Registrant and Michael J. Watters, dated .
10.6*	Commercial Lease Agreement between the Registrant and CrownInvest I, L.P., dated April 1, 1997, as amended to date.
10.7*	Commercial Lease Agreement between the Registrant and William R. Cooper and Craig A. Cooper, dated August 21, 1998 , as amended to date.
23.1	Consent of KPMG LLP, independent accountants.
23.2*	Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel to the Registrant. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. Reference is made to page II-4.
27.1	Financial Data Schedule.

</TABLE>

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* To be supplied by amendment.

**Confidential treatment requested as to certain portions of these exhibits.

(b) Financial Statement Schedule

Auditors' Report on Schedule

Schedule II--Valuations and Qualifying accounts.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the Delaware General Corporation Law, the Amended and Restated Certificate of Incorporation or the By-Laws of the Registrant, Indemnification Agreements entered into between the Registrant and its officers and directors, the underwriting agreement, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plano, State of Texas, on this 10th day of September, 1999.

MetaSolv Software, Inc.

/s/ JAMES P. JANICKI

By: _____

James P. Janicki
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints James P. Janicki, Sid Sack and Glenn Etherington, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by this Registration Statement that is to be effective on filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ JAMES P. JANICKI James P. Janicki	President, Chief Executive Officer and Director (Principal Executive Officer)	September 10, 1999
/s/ GLENN A. ETHERINGTON Glenn A. Etherington	Chief Financial Officer (Principal Financial and Accounting Officer)	September 10, 1999
/s/ DAVID R. SEMMEL David R. Semmel	Director	September 10, 1999
/s/ WILLIAM N. SICK, JR. William N. Sick, Jr.	Director	September 10, 1999
/s/ ADAM SOLOMON Adam Solomon	Director	September 10, 1999
/s/ JOHN D. THORNTON John D. Thornton	Director	September 10, 1999
/s/ BARRY F. EGGERS Barry F. Eggers	Director	September 10, 1999
/s/ JOHN W. WHITE John W. White	Director	September 10, 1999

</TABLE>

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

The Board of Directors
MetaSolv Software, Inc.

Under date of February 26, 1999 we reported on the balance sheets of MetaSolv Software, Inc. as of December 31, 1997 and 1998 and the related statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998, which are included in the prospectus. In connection with our audits of the aforementioned financial statements, we also audited the related financial statement schedule included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

KPMG LLP

Dallas, Texas
February 26, 1999

METASOLV SOFTWARE, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<TABLE>
<CAPTION>

Description	Balance at beginning of period	Additions charged to costs and expenses	Additions charged to other accounts	Deductions	Balance at end of period
<S>	<C>	<C>	<C>	<C>	<C>
FOR THE YEAR ENDED DECEMBER 31, 1998					
Allowances Deducted from Assets:					
Accounts receivable...	$90	$510	--	--	$600
FOR THE YEAR ENDED DECEMBER 31, 1997					
Allowances Deducted from Assets:					
Accounts receivable...	$35	$186	--	131	$ 90
FOR THE YEAR ENDED DECEMBER 31, 1996					
Allowances Deducted from Assets:					
Accounts receivable...	$--	$ 35	--	--	$ 35

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit No.	Exhibit	Sequentially Numbered Page
<C>	<S>	<C>
1.1	Form of Underwriting Agreement.	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	
3.2	Form of Amended and Restated Certificate of Incorporation of the Registrant to be filed after the closing of the offering made pursuant to this Registration Statement.	
3.3	Amended and Restated Bylaws of the Registrant, dated May 26, 1998.	

3.4	Form of Amended and Restated Bylaws of the Registrant to be effective upon the closing of the offering made pursuant to this Registration Statement.
4.1	Investors' Rights Agreement, dated June 2, 1998, among the Registrant and the shareholders named therein, as amended.
4.2*	Specimen Certificate of the Registrant's common stock.
5.1*	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel to the Registrant.
10.1	Form of Indemnification Agreement entered into between the Registrant and its directors and executive officers.
10.2	1992 Stock Option Plan.
10.3	Long-Term Incentive Plan.
10.4	Employee Stock Purchase Plan.
10.5*	Mutual Release between the Registrant and Michael J. Watters, dated .
10.6*	Commercial Lease Agreement between the Registrant and CrownInvest I, L.P., dated April 1, 1997, as amended to date.
10.7*	Commercial Lease Agreement between the Registrant and William R. Cooper and Craig A. Cooper, dated August 21, 1998, as amended to date.
23.1	Consent of KPMG LLP, independent accountants.
23.2*	Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel to the Registrant. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. Reference is made to page II-4.
27.1	Financial Data Schedule.

</TABLE>

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* To be supplied by amendment.

**Confidential treatment requested as to certain portions of these exhibits.

EXHIBIT 1.1

_____ Shares

METASOLV SOFTWARE, INC.

Common Stock, $0.01 par value

UNDERWRITING AGREEMENT

November ___, 1999

November ___, 1999

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens Inc.
Jefferies & Company, Inc.
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

MetaSolve Software, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters") _____ shares of common stock, par value $0.01 per share, of the Company (the "Firm Shares"). Morgan Stanley & Co. Incorporated ("Morgan Stanley"), BancBoston Robertson Stephens Inc. and Jefferies & Company, Inc. shall act as representatives (the "Representatives") of the several Underwriters.

The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ shares of its common stock, par value $0.01 per share (the "Additional Shares"), if and to the extent that the Representatives shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares." The shares of common stock, $0.01 par value per share, of the Company to be outstanding after giving

effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock."

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended or supplemented at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"), is hereinafter referred to as the "Registration Statement"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "Prospectus." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the

"Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

Morgan Stanley has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to the Company's directors, officers, employees and business associates and other parties related to the Company (collectively, "Participants"), as set forth in the Prospectus under the heading "Underwriters" (the "Directed Share Program"). The Shares to be sold by Morgan Stanley and its affiliates pursuant to the Directed Share Program are hereinafter referred to as the "Directed Shares." Any Directed Shares not orally confirmed for purchase by any Participants by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

1. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct

its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) The Company's subsidiary has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiary, taken as a whole; all of the issued shares of capital stock of the subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company will conform as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock outstanding prior to the issuance of the Shares (including the shares issued pursuant to the two-for-one stock split effected by the Company on October __, 1999) have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The shares of Common Stock of the Company to be issued upon conversion of the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock (collectively, the "Convertible Preferred Stock") have been duly authorized and, and when issued and delivered pursuant to the terms of the applicable certificates of designation, will be validly

issued, fully paid and non-assessable.

(i) The Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or its subsidiary that is material to the Company and its subsidiary, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or its subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiary, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(l) There are no legal or governmental proceedings pending or, to the best of the Company's knowledge, threatened to which the Company or its subsidiary is a party or to which any of the properties of the Company or its subsidiary is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(m) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as

amended.

(o) The Company and its subsidiary (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiary, taken as a whole.

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiary, taken as a whole.

(q) Except as described in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(r) The Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(s) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) the Company and its subsidiary have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction, in each case, not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends and certain net

purchases of options issued under the Company's stock option plans upon termination of employment of the optionee in accordance with the terms of such stock option plans and related agreements; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its consolidated subsidiary.

(t) The Company and its subsidiary have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiary, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiary; and any real property and buildings held under lease by the Company and its subsidiary are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiary, in each case except as described in the Prospectus.

(u) The Company and its subsidiary own or possess adequate licenses or other rights to use, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiary has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiary, taken as a whole.

(v) No material labor dispute with the employees of the Company or its subsidiary exists, except as described in the Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that would have a material adverse effect on the Company and its subsidiary, taken as a whole.

(w) The Company and its subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which they are

engaged; neither the Company nor its subsidiary has been refused any insurance coverage sought or applied for; and neither the Company nor the

subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiary, taken as a whole, except as described in the Prospectus.

(x) The Company and its subsidiary possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except to the extent that the failure to obtain such certificates, authorizations and permits would not have a material adverse effect on the Company and its subsidiary, taken as a whole, and neither the Company nor its subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiary, taken as a whole, except as described in the Prospectus.

(y) The Company and its subsidiary, taken as a whole, maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(z) The Registration Statement, the Prospectus and any preliminary prospectus comply in all material respects, and any amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of any jurisdiction in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, is distributed in connection with the Directed Share Program.

(aa) The Registration Statement, the prospectus and any preliminary prospectus comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the prospectus or any preliminary prospectus are distributed in connection with the Directed Share Program;

no consent, approval, authorization, order of, or qualification with any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any foreign

jurisdiction where the Directed Shares are being offered.

(bb) The Company has not offered, or caused Morgan Stanley or its affiliates to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(cc) The Company has reviewed its operations and that of its subsidiary to evaluate the extent to which the business or operations of the Company or its subsidiary will be affected by the Year 2000 Problem (that is, any significant risk that computer hardware or software applications used by the Company and its subsidiary will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000); as a result of such review, (i) the Company has no reason to believe, and does not believe, that (A) there are any issues related to the Company's preparedness to address the Year 2000 Problem that are of a character required to be described or referred to in the Registration Statement or Prospectus which have not been accurately described in the Registration Statement or Prospectus and (B) the Year 2000 Problem will have a material adverse effect on the condition, financial or otherwise, or on the earnings, business or operations of the Company and its subsidiary, taken as a whole; and (ii) the Company reasonably believes, after due inquiry, that the suppliers, vendors, customers or other third parties used or served by the Company and its subsidiary are addressing or will address the Year 2000 Problem in a timely manner, except to the extent that a failure to address the Year 2000 Problem by any supplier, vendor, customer or material third party would not have a material adverse effect on the condition, financial or otherwise, or on the earnings, business or operations of the Company and its subsidiary, taken as a whole.

2. Agreements to Sell and Purchase. The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective number of Firm Shares set forth in Schedule I hereto opposite its name at a purchase price of $_____ a share (the "Purchase Price").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price. If the Representatives, on behalf of the Underwriters, elect to exercise such option, the Representatives shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be

purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security described in the Prospectus, (C) transactions by any person other than the Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares or (D) issuances of shares of Common Stock or options to purchase shares of Common Stock pursuant to the Company's employee benefit plans as in existence on the date hereof and consistent with past practices.

3. Terms of Public Offering. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the

Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "Public Offering Price") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $____ a share, to any Underwriter or to certain other dealers.

4. Payment and Delivery. Payment for the Firm Shares to be sold by the

Company shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____, 1999, or at such other time on the same or such other date, not later than _____, 1999, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 2 or at such other time on the same or on such other date, in any event not later than _____, 1999, as shall be designated in writing by the Representatives. The time and date of such payment are hereinafter referred to as the "Option Closing Date."

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. Conditions to the Underwriters' Obligations. The obligation of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:00 pm (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiary, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the

Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigan, LLP, outside counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiary, taken as a whole;

(ii) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus;

(iii) the shares of Common Stock outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable;

(iv) the Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or, to such counsel's knowledge, similar rights;

(v) this Agreement has been duly authorized, executed and delivered by the Company;

(vi) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable federal or Delaware corporate law or the certificate of incorporation or by-laws of the Company or, to such counsel's knowledge, any agreement or other instrument binding upon the Company or its subsidiary that is material to the Company and its subsidiary, taken as a whole, or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or its subsidiary, and no consent, approval,

authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(vii) the statements (A) in the Prospectus under the captions "Certain Transactions", "Description of Capital Stock" and, to the extent of the description of this Agreement, "Underwriters" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(viii) such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or its subsidiary is a party or to which any of the properties of the Company or its subsidiary is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(ix) the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended; and

(x) such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) that the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) that the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date an opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 5(c)(iv), 5(c)(v), 5(c)(vii) (but only as to the statements in the Prospectus under "Underwriters") and 5(c)(x) above.

With respect to Section 5(c)(x) above, Gunderson Dettmer Stough Villeneuve Franklin & Hachigan, LLP and Davis Polk & Wardwell may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigan, LLP described in Section 5(c) shall be rendered to the Underwriters at the request of the Company.

(e) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from KMPG Peat Marwick LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(f) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(g) The Nasdaq National Market shall have approved the Common Stock for listing, subject only to official notice of issuance.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

6. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, four signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement

(without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending December 31, 2000 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) To place stop transfer orders on any Directed Shares that have been sold to Participants subject to the three month restriction on sale, transfer, assignment, pledge or hypothecation imposed by NASD Regulation, Inc. under its Interpretative Material 2110-1 on free-riding and withholding to the extent necessary to ensure compliance with the three month restrictions.

(g) To comply with all applicable securities and other laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

7. Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the NASD Regulation, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such

consultants, and the cost of any aircraft chartered in connection with the road

show, (ix) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program, and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 8 entitled "Indemnity and Contribution," and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

8. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter, or any person controlling such Underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability unless such failure is the result on non-compliance by the Company with Sections 6(a) or 6(c) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors of the Company, the officers of the

Company who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or

other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a), 8(b) or 8(c), such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section. In the case of any such separate firm for the Underwriters and such control persons of any Underwriters, such firm shall be designated in writing by Morgan Stanley. In the case of any such separate firm

for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason

of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 8(a), 8(b) or 8(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 8(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(c)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one

hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d). The amount paid or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

9. Directed Share Program Indemnification. (a) The Company agrees to indemnify and hold harmless Morgan Stanley, its affiliates and each person, if any, who controls Morgan Stanley or its affiliates within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act ("Morgan Stanley Entities"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably

incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto)

that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 9(a), the Morgan Stanley Entity seeking indemnity, shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such separate firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in

accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 9(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the

amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 9(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate Public Offering Price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed

to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 9 shall remain operative and in full force and effect regardless of (i) any

termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

10. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 10(a)(i) through 10(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth

opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall

terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

METASOLV SOFTWARE, INC.

By:

Name:

Title:

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens Inc.
Jefferies & Company, Inc.

Acting severally on behalf of themselves
and the several Underwriters named in
Schedule I hereto.

By: Morgan Stanley & Co. Incorporated

By:

Name: Joseph P. Coleman
Title: Principal

SCHEDULE I

Underwriter	Number of Firm Shares To Be Purchased
Morgan Stanley & Co. Incorporated.....	
BancBoston Robertson Stephens Inc.....	
Jefferies & Company, Inc.....	

EXHIBIT A

[FORM OF LOCK-UP LETTER]

, 1999

Morgan Stanley & Co. Incorporated
BancBoston Robertson Stephens, Inc.
Jefferies & Co., Inc.
  c/o Morgan Stanley & Co. Incorporated
  1585 Broadway
  New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("Morgan Stanley") proposes to enter into an Underwriting Agreement (the "Underwriting Agreement") with MetaSolve Software, Inc., a Delaware corporation (the "Company"), providing for the public offering (the "Public Offering") by the several Underwriters, including Morgan Stanley (the "Underwriters"), of shares (the "Shares") of the Common Stock (par value $0.01 per share) of the Company (the "Common Stock").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending on the earlier of (a) the date that the Chief Executive Officer of the Company sends written notice to the Underwriters notifying them that the Public Offering shall not take place or (b) 180 days after the date of the final prospectus relating to the Public Offering (the "Prospectus"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by

delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to transactions relating to shares of Common Stock or other securities acquired in the Public Offering or in open market transactions after the completion of the Public Offering. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, the undersigned will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

The undersigned understands that whether or not the Public Offering actually occurs depends on a number of factors, including market conditions, and that any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

METASOLV SOFTWARE, INC.

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

MetaSolv Software, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is MetaSolv Software, Inc. and that this corporation was originally incorporated pursuant to the General Corporation Law on July 6, 1992 under the name Omnicase, Inc.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended and restated in its entirety as follows:

ARTICLE I

The name of this corporation is MetaSolv Software, Inc.

ARTICLE II

The address of the registered office of this corporation in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Services Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

A. Classes of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that this corporation is authorized to issue is thirty-eight million (38,000,000) shares. Twenty-three million (23,000,000) shares shall be Common Stock, par value $0.01 per share, and fifteen million (15,000,000) shares shall be Preferred Stock, par value $1.00 per share.

B. Rights, Preferences and Restrictions of the Preferred Stock. The Preferred Stock authorized by this Amended and Restated Certificate of Incorporation may be issued from time to time in one or more classes or series. The rights, preferences, privileges, and restrictions granted to and imposed on the Class A Preferred Stock, which class shall consist of 3,325,000 shares (the "Class A Preferred Stock"), the Class B Preferred Stock, which class shall consist of 3,369,080 shares (the "Class B Preferred Stock"), the Class B-1 Preferred Stock, which class shall consist of 3,369,080 shares (the "Class B-1 Preferred Stock"), the Class C Preferred Stock, which class shall consist of 1,428,573 shares (the "Class C Preferred Stock"), and the Class C-1 Preferred Stock, which class shall consist of 1,428,573 shares (the "Class C-1 Preferred Stock"), are as set forth below in this Article IV(B). The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon additional classes of Preferred Stock, and the number of shares constituting any such class and the designation thereof, or of any of them. Subject to compliance with applicable protective voting rights that have been or may be granted to the Preferred Stock or class thereof in Certificates of Designation or this corporation's Certificate of Incorporation ("Protective Provisions"), but notwithstanding any other rights of the Preferred Stock or any class thereof, the rights, privileges, preferences and restrictions of any such additional classes may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote or written consent), or senior to any of those of any present or future class or series of Preferred or Common Stock. Subject to compliance with applicable Protective Provisions, the Board of Directors is also authorized to increase or decrease the number of shares of any class (other than the Class A Preferred Stock, the Class B Preferred Stock, the Class B-1 Preferred Stock, the Class C Preferred Stock and the Class C-1 Preferred Stock), prior or subsequent to the issue of that class, but not below the number of shares of such class then outstanding. In case the number of shares of any class shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such class.

Immediately upon the filing of this Amended and Restated Certificate of Incorporation each one (1) outstanding share of the corporation's Class A

Preferred Stock and Class B Preferred Stock, $1.00 par value per share, will be exchanged and combined, automatically, without further action, into one hundred ninety (190) shares of Class A Preferred Stock and Class B Preferred Stock, respectively.

1. Dividend Provisions. Subject to the rights of any classes of
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Preferred Stock that may from time to time come into existence, the holders of shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and

Class C-1 Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior, in preference and at least equal on a per share, as converted basis to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, payable when, as, and if declared by the Board of Directors. Such dividends shall not be cumulative.

2. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of this corporation, either voluntary or involuntary, subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, the holders of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to $0.5263 for each outstanding share of Class A Preferred Stock (the "Original Class A Issue Price"), $0.75 for each outstanding share of Class B and Class B-1 Preferred Stock (the "Original Class B Issue Price" and the "Original Class B-1 Issue Price," respectively), and $7.00 for each outstanding share of Class C and Class C-1 Preferred Stock (the "Original Class C Issue Price" and the "Original Class C-1 Issue Price," respectively), plus declared but unpaid dividends on each such share (subject to adjustment of such fixed dollar amounts for any stock splits, stock dividends, combinations, recapitalizations or the like). The Class A, Class B, Class B-1, Class C and Class C-1 Preferred Stock shall rank on a parity as to the receipt of the respective preferential amounts for each such series on the occurrence of such event. If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Class A Preferred Stock, Class B and Class B-1 Preferred Stock and Class C and Class C-1 Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, the entire assets and funds of this corporation legally available for distribution shall be

distributed ratably among the holders of the Class A Preferred Stock, Class B and Class B-1 Preferred Stock and Class C and Class C-1 Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive under this subsection (a).

(b) Upon the completion of the distribution required by subsection (a) of this Section 2 and any other distribution that may be required with respect to classes of Preferred Stock that may from time to time come into existence, if assets remain in this corporation, the holders of the Common Stock of this corporation shall receive all of the remaining assets of this corporation pro rata based on the number of shares of Common Stock held by each.

(c)

(i) For purposes of this Section 2, a liquidation, dissolution or winding up of this corporation shall be deemed to be occasioned by, or to include, (A) the acquisition of this corporation by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation) that results in the

transfer of fifty percent (50%) or more of the outstanding voting power of this corporation; or (B) a sale of all or substantially all of the assets of this corporation.

(ii) In any of such events, if the consideration received by this corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

(1) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three (3) days prior to the closing;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate

or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(iii) In the event the requirements of this subsection 2(c) are not complied with, this corporation shall forthwith either:

(A) cause such closing to be postponed until such time as the requirements of this Section 2 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 2(c)(iv) hereof.

(iv) This corporation shall give each holder of record of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock written notice of such impending transaction not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in

writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Preferred Stock that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

3. Redemption.

(a) Subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, at any time after June 2, 2005, but within ninety (90) days after the receipt by this corporation of a written request (the "Redemption Request") from the holders of not less than a majority of the then outstanding Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock that all, but not less than all, of such holders' shares of Class B Preferred Stock, Class B-1 Preferred

Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, be redeemed, and concurrently with surrender by such holders of the certificates representing such shares, this corporation shall, to the extent it may lawfully do so, redeem in twelve (12) equal quarterly installments (each payment date (i) shall be on the last day of each calendar quarter commencing with the first calendar quarter ending at least 30 days following this corporation's receipt of the Redemption Request and (ii) shall be referred to herein as a "Redemption Date") the shares specified in the Redemption Request by paying in cash therefor a sum per share equal to the Original Class B Issue Price for the Class B Preferred Stock, the Original Class B-1 Issue Price for the Class B-1 Preferred Stock, the Original Class C Issue Price for the Class C Preferred Stock and the Original Class C-1 Issue Price for the Class C-1 Preferred Stock (as adjusted for any stock splits, stock dividends, recapitalizations or the like), as the case may be, plus all declared but unpaid dividends on such share. The number of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, that this corporation shall be required to redeem on any one Redemption Date shall be equal to the amount determined by dividing (i) the aggregate number of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock outstanding immediately prior to such Redemption Date that have been requested to be redeemed pursuant to this Section 3(a) by (ii) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies). Any redemption of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, effected pursuant to this subsection 3(a) shall be made on a pro rata and parity basis among the holders of the Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, in proportion to the number of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock proposed to be redeemed by such holders. Within five (5) days after receipt of the Redemption Request from the requisite holders of the Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, this corporation shall

notify all holders of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, that such redemption right has been exercised.

(b) Subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, at least fifteen (15) but no more than thirty (30) days prior to each Redemption Date, written notice shall be mailed, first class postage prepaid, to each holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, to be redeemed, at the address last shown on the records of this corporation for such holder, notifying such holder of the redemption to be effected on the applicable Redemption Date, specifying the number of shares to be redeemed from such holder, the Redemption

Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to this corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed (the "Redemption Notice"). Except as provided in subsection (3)(c), on or after each Redemption Date, each holder of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, to be redeemed on such Redemption Date shall surrender to this corporation the certificate or certificates representing such shares, in the manner and at the place designated in the Redemption Notice, and thereupon the applicable Original Issue Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(c) From and after each Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, designated for redemption on such Redemption Date in the Redemption Notice as holders of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock (except the right to receive the applicable Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of this corporation or be deemed to be outstanding for any purpose whatsoever. Subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, if the funds of this corporation legally available for redemption of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, on a Redemption Date are insufficient to redeem the total number of shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock to be redeemed on such date, those funds that are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed such that each holder of a share of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, receives the same percentage of the applicable Original Class B Issue Price, Original Class B-1 Issue Price, Original Class C Issue Price or Original Class C-1 Issue Price, as the case may be. The shares of Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, not redeemed shall remain outstanding and entitled to all the

rights and preferences provided herein. Subject to the rights of classes or series of Preferred Stock that may from time to time come into existence, at any time thereafter when additional funds of this corporation are legally available for the redemption of shares of Class B Preferred Stock, Class B-1 Preferred

Stock, Class C Preferred Stock or Class C-1 Preferred Stock, such funds will immediately be used to redeem the balance of the shares that this corporation has become obliged to redeem on any Redemption Date but that it has not redeemed.

4. Conversion. The holders of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Class A Issue Price, Original Class B Issue Price, Original Class B-1 Issue Price, Original Class C Issue Price and Original Class C-1 Issue Price, as the case may be, by the Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be the Original Class A Issue Price, Original Class B Issue Price, Original Class B-1 Issue Price, Original Class C Issue Price and Original Class C-1 Issue Price, respectively; provided, however, that the Conversion Price for the Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be subject to adjustment as set forth in subsection 4(d).

(b) Automatic Conversion. Each share of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Price at the time in effect for such Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock immediately upon the earlier of (i) this corporation's sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, as amended, the public offering price of which, prior to December 31, 1999 is not less than $8.75 per share, and subsequent thereto the public offering price of which is not less than $10.50 per share (each as adjusted for any stock splits, stock dividends, recapitalizations or the like), and $20,000,000 in aggregate gross proceeds to the Company and any selling stockholders or (ii) for each class of Preferred Stock, the date specified by written consent or agreement of the holders of a majority of the then outstanding shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock, as the case may be, each voting separately as a class.

(c) Mechanics of Conversion. Before any holder of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock shall be entitled to convert the same into shares of Common Stock, he or she

shall surrender the certificate or certificates therefor, duly endorsed, at the office of this corporation or of any transfer agent for the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, and shall give written notice to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Stock upon conversion of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be, shall not be deemed to have converted such Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock until immediately prior to the closing of such sale of securities.

(d) Conversion Price Adjustments of Preferred Stock for Certain Dilutive Issuances, Splits and Combinations. The Respective Conversion Prices of the Class B Preferred Stock and Class C Preferred Stock, and the Respective Conversion Prices of the Class A Preferred Stock, Class B-1 Preferred Stock and Class C-1 Preferred Stock for purposes of paragraphs (d)(iii) and (iv) below only, shall be subject to adjustment from time to time as follows:

(i) (A) If this corporation shall issue, after the date upon

which any shares of Class C Preferred Stock were first issued (the "Purchase Date"), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price for Class B Preferred Stock or the Class C Preferred Stock, as the case may be, in effect immediately prior to the issuance of such Additional Stock, immediately after the closing of such issuance the Conversion Price for the Class B Preferred Stock and the Conversion Price for the Class C Preferred Stock, as the case may be, in effect immediately prior to the closing of each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price determined by multiplying each such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance (including shares of Common Stock deemed to be issued pursuant to subsection 4(d)(i)(E)(1) or (2)) plus the number of shares of Common Stock that the aggregate

consideration received by this corporation for such issuance would purchase at such Conversion Price; and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance (including shares of Common Stock deemed to be issued pursuant to subsection 4(d)(i)(E)(1) or (2)) plus the number of shares of such Additional Stock.

(B) No adjustment of the Conversion Price for the Class B Preferred Stock or the Conversion Price of the Class C Preferred Stock shall be made in an amount less than one cent per share, provided that any adjustments that are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made prior to three (3) years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three (3) years from the date of the event giving rise to the adjustment being carried forward. Except to the limited extent provided for in subsections (E)(3) and (E)(4), no adjustment of such Conversion Price pursuant to this subsection 4(d)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(C) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of the Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(E) In the case of the issuance (whether before, on or after the applicable Purchase Date) of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or

exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for all purposes of this subsection 4(d)(i) and subsection 4(d)(ii):

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)), if any, received by this corporation upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights (without taking into account potential antidilution adjustments) for the Common Stock covered thereby.

(2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for, any such convertible or

exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by this corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by this corporation (without taking into account potential antidilution adjustments) upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)).

(3) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to this corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the antidilution provisions thereof (unless such options or rights or convertible or exchangeable securities were merely deemed to be included in the numerator and denominator for purposes of determining the number of shares of Common Stock outstanding for purposes of subsection 4(d)(i)(A)), the Conversion Price of the Class B Preferred Stock and the Conversion Price of the Class C Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such

options or rights or the conversion or exchange of such securities.

(4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Class B Preferred Stock and the Conversion Price of the Class C Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities (unless such options or rights were merely deemed to be included in the numerator and denominator for purposes of determining the number of shares of Common Stock outstanding for purposes of subsection 4(d)(i)(A)), shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

(5) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to subsections 4(d)(i)(E)(1) and (2) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either subsection 4(d)(i)(E)(3) or (4).

(ii) "Additional Stock" shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to subsection 4(d)(i)(E)) by this corporation after the Purchase Date other than:

(A) Common Stock issued pursuant to a transaction described in subsection 4(d)(iii) hereof;

(B) Shares of Common Stock issuable or issued to employees, consultants, directors or vendors (if in transactions with primarily non-financing purposes) of this corporation directly or pursuant to a stock option plan or restricted stock plan approved by the Board of Directors of this corporation;

(C) Common Stock issued upon the conversion of Preferred Stock;

(D) Warrants issued to banks or equipment lessors for other than primarily equity financing purposes approved by this corporation's Board of Directors; or

(E) Shares of Common or Preferred Stock issued in connection with business combinations or corporate partnering agreements approved by the Board of Directors.

(iii) In the event this corporation should at any time or from time to time after the Purchase Date fix a record date for the effectuation of a

split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the respective Conversion Prices of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such classes shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents.

(iv) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the respective Conversion Prices of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such class shall be decreased in proportion to such decrease in outstanding shares.

(e) Other Distributions. In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 4(d)(iii), then, in each such case for the purpose of this subsection 4(e), the holders

of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of this corporation into which their shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of this corporation entitled to receive such distribution.

(f) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or Section 2) provision shall be made so that the holders of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock,

Class C Preferred Stock and Class C-1 Preferred Stock shall thereafter be entitled to receive upon conversion of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(g) No Impairment. This corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock against impairment.

(h) No Fractional Shares and Certificate as to Adjustments.

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the respective Conversion Prices of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock pursuant to this Section 4, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the

terms hereof and prepare and furnish to each holder of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Class A Preferred Stock, Class B Preferred, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such class of Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of a share of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, as the case may be.

(i) Notices of Record Date. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, this corporation shall mail to each holder of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(j) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Amended and Restated Certificate of Incorporation.

(k) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall be deemed given if delivered by confirmed facsimile or electronic transmission (with duplicate original sent by United States mail) or if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this corporation.

(l) Special Mandatory Conversion.

(i) At any time following the Purchase Date, if (a) the holders of shares of Class B Preferred Stock and Class C Preferred Stock are entitled to exercise any right of first offer or other preemptive right (the "Right of First Offer") set forth in any agreement (the "Agreement") to which such holders and this corporation are a party with respect to an equity financing of this corporation which has been approved by the corporation's Board of Directors and would result in a reduction of the Conversion Price of the Class B Preferred Stock or the Class C Preferred Stock (the "Dilutive Financing"), (b) this corporation has complied with its notice obligations or such obligations have been waived under the Right of First Offer with respect to such Dilutive Financing and this corporation thereafter proceeds to consummate the Dilutive Financing, and (c) such holder (a "Non-Participating Holder") does not by exercise of such holder's Right of First Offer to acquire his, her or its pro rata share (as defined in the Agreement) offered in such Dilutive Financing, then all of such Non-Participating Holder's shares of Class B Preferred Stock or Class C Preferred Stock, as applicable, shall automatically and without further action on the part of such holder be converted effective upon, subject to, and concurrently with, the consummation of the Dilutive Financing (the "Dilutive Financing Date") into an equivalent number of shares of Class B-1 Preferred Stock or Class C-1 Preferred Stock; provided, however, that no such conversion shall occur in connection with a particular Equity Financing if, pursuant to the written request of this corporation, such holder agrees in writing to waive his, her or its Right of First Offer with respect to such Dilutive Financing. The rights and obligations of the Class B-1 Preferred Stock and Class C-1 Preferred Stock shall be identical to the Class B Preferred Stock or Class C Preferred Stock, as the case may be, except that the Conversion Price of the Class B-1 Preferred Stock and the Class C-1 Preferred Stock shall not be subject to adjustment pursuant to Section 4(d)(i) and (ii) either in connection with the Dilutive Financing or thereafter. Upon conversion pursuant to this subsection 4(l)(i), the shares of Class B Preferred Stock or Class C Preferred Stock so converted shall be canceled and not subject to reissuance.

(ii) The holder of any shares of Class B Preferred Stock and Class C Preferred Stock converted pursuant to this subsection 4(l) shall deliver to this corporation during regular business hours at the office of any transfer agent of this corporation for the Class B Preferred Stock and Class C Preferred Stock, or at such other place as may be designated by this corporation, the

certificate or certificates for the shares so converted, duly endorsed or assigned in blank or to this corporation. As promptly as practicable thereafter, this corporation shall issue and deliver to such holder, at the place designated by such holder, a certificate or certificates for the number of full shares of the Class B-1 Preferred Stock or Class C-1 Preferred Stock, as the case may be, to be issued and such holder shall be deemed to have become a stockholder of record of Class B-1 Preferred Stock or Class C-1 Preferred Stock, as the case may be, on the

Dilutive Financing Date unless the transfer books of this corporation are closed on that date, in which event he, she or it shall be deemed to have become a stockholder of record of Class B-1 Preferred Stock on the next succeeding date on which the transfer books are open.

(iii) In the event that any shares of Class B-1 Preferred Stock or Class C-1 Preferred Stock are issued, concurrently with such issuance, this corporation shall use its best efforts to take all such action as may be required, including amending its Certificate of Incorporation, (A) to cancel all authorized shares of Class B-1 Preferred Stock and Class C-1 Preferred Stock that remain unissued after such issuance, (B) to create and reserve for issuance upon the Special Mandatory Conversion of any Series B Preferred Stock or Series C Preferred Stock a new series of Preferred Stock equal in number to the number of shares of Class B-1 Preferred Stock and Class C-1 Preferred Stock so canceled and designated Class B-2 Preferred Stock and Class C-2 Preferred Stock, respectively, with the designations, powers, preferences and rights and the qualifications, limitations and restrictions identical to those then applicable to the Class B-1 Preferred Stock and Class C-1 Preferred Stock, respectively, except that the Conversion Price for such shares of Class B-2 Preferred Stock once initially issued shall be the Series B Conversion Price in effect immediately prior to such issuance, and the Conversion Price for such shares of Class C-2 Preferred Stock once initially issued shall be the Series C Conversion Price in effect immediately prior to such issuance, and (C) to amend the provisions of this subsection 4(l) as appropriate to provide that any subsequent Special Mandatory Conversion will be into shares of Class B-2 Preferred Stock and Class C-2 Preferred Stock rather than Class B-1 Preferred Stock and Class C-1 Preferred Stock, as the case may be. This corporation shall take the same actions with respect to the Class B-2 Preferred Stock and Class C-2 Preferred Stock and each subsequently authorized series of Preferred Stock upon initial issuance of shares of the last such series to be authorized. The right to receive any dividend declared but unpaid at the time of conversion on any shares of Preferred Stock converted pursuant to the provisions of this subsection 4(l) shall accrue to the benefit of the new shares of Preferred Stock issued upon conversion thereof.

5. Voting Rights.

(a) General Voting Rights. The holder of each share of Class A

Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock shall have the right to one vote for each share of Common Stock into which such Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the bylaws of this corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock and Class C-1 Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(b) Voting for the Election of Directors. As long as at least a majority of the shares of Class C Preferred Stock originally issued, including any such shares subsequently converted to Class C-1 Preferred Stock pursuant to paragraph 4(l) hereof, remain outstanding, the holders of such shares of Class C Preferred Stock and Class C-1 Preferred Stock (voting together as a single class and not as separate classes or series, and on an as-converted basis) shall be entitled to elect one (1) director of this corporation at each election of directors.

In the case of any vacancy (other than a vacancy caused by removal) in the office of a director occurring among the directors elected by the holders of a class of stock pursuant to this Section 5(b), the remaining directors so elected by that class may by affirmative vote of a majority thereof (or the remaining director so elected if there be but one, or if there are no such directors remaining, by the affirmative vote of the holders of a majority of the shares of that class or series), elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Any director who shall have been elected by the holders of a class of stock or by any directors so elected as provided in the immediately preceding sentence hereof may be removed during the aforesaid term of office, either with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to unanimous written consent.

6. Protective Provisions. So long as any shares of Class C Preferred

Stock, including any such shares subsequently converted to Class C-1 Preferred Stock pursuant to paragraph 4(l) hereof, are outstanding, this corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Class C Preferred Stock and Class C-1 Preferred Stock (voting together as a single class and not as separate classes or series, and on an as-converted basis):

(a) alter or change the rights, preferences or privileges of the shares of Class C Preferred Stock or Class C-1 Preferred Stock so as to affect adversely the Class C Preferred Stock or Class C-1 Preferred Stock;

(b) amend the certificate of incorporation if such amendment has a material adverse effect on the Class C Preferred Stock or Class C-1 Preferred Stock;

(c) authorize or issue, or obligate itself to issue, any other equity security, including any other security convertible into or exercisable for any equity security, having a preference over the Class C Preferred Stock or Class C-1 Preferred Stock with respect to repurchase, dividends, liquidation, redemption, registration rights, rights of co-sale, preemptive rights or rights of first refusal;

(d) redeem, repurchase or declare a dividend with regard to any security of this corporation; provided, however, that this restriction shall not apply to (i) the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which

this corporation has the option to repurchase such shares at cost or at cost upon the occurrence of certain events, such as the termination of employment or (ii) the redemption of any share or shares of Preferred Stock in accordance with Section 3; and provided further that the separate class voting provisions of the Class C Preferred Stock or Class C-1 Preferred Stock under this Section 6(d) shall terminate on the second anniversary of the Purchase Date; or

(e) alter the terms of the Class C Preferred Stock or Class C-1 Preferred Stock with respect to redemption, repurchase or dividends in a manner different than the Common Stock, Class A Preferred Stock, Class B Preferred Stock or Class B-1 Preferred Stock.

7. Status of Redeemed or Converted Stock. In the event any shares of Class A Preferred Stock, Class B Preferred Stock, Class B-1 Preferred Stock, Class C Preferred Stock or Class C-1 Preferred Stock shall be redeemed or converted pursuant to Section 3 or Section 4 hereof, the shares so redeemed or converted shall be canceled and shall not be issuable by this corporation. The Amended and Restated Certificate of Incorporation of this corporation shall be

appropriately amended to effect the corresponding reduction in this corporation's authorized capital stock.

C. Common Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Common Stock are as set forth below in this Article IV(C).

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of this corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Upon the liquidation, dissolution or winding up of this corporation, the assets of this corporation shall be distributed as provided in Section 2 of Division (B) of Article IV hereof.

3. Redemption. The Common Stock is not redeemable.

4. Voting Rights. The holder of each share of Common Stock shall have the right to one vote for each such share, and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

ARTICLE V

Except as otherwise provided in this Amended and Restated Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of this corporation.

ARTICLE VI

The number of directors of this corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors or by the stockholders.

ARTICLE VII

Elections of directors need not be by written ballot unless the Bylaws

of this corporation shall so provide.

ARTICLE VIII

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of this corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of this corporation.

ARTICLE IX

A director of this corporation shall, to the fullest extent permitted by the General Corporation Law as it now exists or as it may hereafter be amended, not be personally liable to this corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended, after approval by the stockholders of this Article, to authorize corporation action further eliminating or limiting the personal liability of directors, then the liability of a director of this corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended.

Any amendment, repeal or modification of this Article IX, or the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article IX, by the stockholders of this corporation shall not apply to or adversely affect any right or protection of a director of this corporation existing at the time of such amendment, repeal, modification or adoption.

ARTICLE X

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XI

To the fullest extent permitted by applicable law, this corporation is authorized to provide indemnification of (and advancement of expenses to) agents of this corporation (and any other persons to which General Corporation Law permits this corporation to provide indemnification) through bylaw provisions, agreements with such agents or other persons, vote of stockholders or

disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law, subject only to limits created by applicable General Corporation Law (statutory or non-statutory), with respect to actions for breach of duty to this corporation, its stockholders, and others.

Any amendment, repeal or modification of the foregoing provisions of this Article XI shall not adversely affect any right or protection of a director, officer, agent, or other person existing at the time of, or increase the liability of any director of this corporation with respect to any acts or omissions of such director, officer or agent occurring prior to, such amendment, repeal or modification.

* * *

THIRD: The foregoing amendment and restatement was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the General Corporation Law.

FOURTH: That said amendment and restatement was duly adopted in accordance with the provisions of Section 242 and 245 of the General Corporation Law.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by the Chief Executive Officer and the Secretary of this corporation on this 2nd day of June, 1998.

/s/ Michael J. Watters

Michael J. Watters, Chief Executive Officer

/s/ Jonathan K. Hustis

Jonathan K. Hustis, Secretary

EXHIBIT 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF METASOLV SOFTWARE, INC.

a Delaware corporation

(Pursuant to Sections 228, 242 and 245 of the Delaware General Corporation Law)

MetaSolv Software, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "General Corporation Law")

DOES HEREBY CERTIFY:

FIRST: That this corporation was originally incorporated on July 6, 1992, pursuant to the General Corporation Law.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Amended and Restated Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

"RESOLVED, that the Amended and Restated Certificate of Incorporation of this corporation, as amended, be amended and restated in its entirety as follows:

ARTICLE I

The name of the corporation is MetaSolv Software, Inc. (the "Corporation").

ARTICLE II

The address of the registered office of this corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The Corporation is authorized to issue two classes of stock, to be designated common stock ("Common Stock") and preferred stock ("Preferred Stock"). The number of shares of Common Stock authorized to be issued is One Hundred Million (100,000,000), par value $.01 per share, and the number of Preferred Stock authorized to be issued is Ten Million ($10,000,000) par value $.01 per share.

The Preferred Stock may be issued from time to time in one or more series, without further stockholder approval. The Board of Directors is hereby authorized, in the resolution or resolutions adopted by the Board of Directors providing for the issue of any wholly unissued series of Preferred Stock, within the limitations and restrictions stated in this Amended and Restated Certificate, to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

Except as otherwise provided in this Amended and Restated Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

ARTICLE VI

The number of directors of the Corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors.

The Board of Directors shall be and is divided into three classes, Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the annual meeting next following the end of fiscal year 2000, the directors first elected to Class II shall serve for a term ending on the second annual meeting next following the end of fiscal year 2000, and the directors first elected to Class III shall serve for a term ending on the third annual meeting next following the end of fiscal year 2000. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, unless such director shall resign, become

disqualified, disabled or shall otherwise be removed.

At each annual election, directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless by reason of any intervening changes in the authorized number of directors, the Board shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors each director then continuing to serve as such shall nevertheless continue as a director of the class of which the director is a member until the expiration of the director's current term, or the director's prior death, resignation or removal. If any newly created directorship may, consistently with the rule that the three classes shall be as nearly equal in number of directors as possible, be allocated to either class, the Board shall allocate it to that of the available class whose term of office is due to expire at the earliest date following such allocation.

ARTICLE VII

Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE VIII

Except as otherwise provided in this Amended and Restated Certificate of Incorporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders of the Corporation, and may not be effected by any consent in writing of such stockholders.

ARTICLE IX

An officer or director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as an officer or director, except for liability (i) for any breach of the officer's or director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the officer or director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of officers and directors then the liability of an officer or director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article IX by the stockholders of the Corporation shall not adversely affect any right or protection of an officer or director of the Corporation existing at the time of, or increase the liability of any officer of director of this Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

ARTICLE X

In addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal the provisions of Article I, Article II, Article III and Article IV of this Amended and Restated Certificate of Incorporation. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal any provision of this Amended and Restated Certificate of Incorporation not specified in the preceding sentence.

* * * *

THIRD: The foregoing Amended and Restated Certificate of Incorporation has been duly adopted by the Corporation's Board of Directors in accordance with the applicable provisions of Section 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has signed this Amended and Restated Certificate of Incorporation this ___ day of _____, 1999.

_____
James P. Janicki
Chief Executive Officer

Exhibit 3.3

AMENDED AND RESTATED BYLAWS OF

METASOLV SOFTWARE, INC.

(A DELAWARE CORPORATION)

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BYLAWS
OF
METASOLV SOFTWARE, INC.

ARTICLE I
OFFICES

1.1 The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

1.2 The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

2.1 All meetings of the stockholders for the election of directors shall be held in the City of Plano, State of Texas at such place as may be fixed from time to time by the Board of Directors, or at such other place either

within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 Annual meetings of stockholders, commencing with the year 1999, shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

2.3 Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

2.4 The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.5 Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chief executive officer or president and shall be called by the chief executive officer, president or secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning at least fifty percent (50%) in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

2.6 Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

2.7 Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

2.8 The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall

constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9 When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

2.10 Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

2.11 Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the

minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III
DIRECTORS

3.1 The number of directors that shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting of the stockholders, except as provided in Section 3.2 of this Article, and each director elected shall hold office until

his successor is elected and qualified. Directors need not be stockholders.

3.2 Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

3.3 The business of the corporation shall be managed by or under the direction of its Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

3.4 The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

3.5 The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

3.6 Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 Special meetings of the Board of Directors may be called by the chief executive officer or president on two (2) days' notice to each director by mail or forty-eight (48) hours notice to each director either personally or by

telegram; special meetings shall be called by the chief executive officer, president or secretary in like manner and on like notice on the written request of two (2) directors unless the Board of Directors consists of only one director, in which case special meetings shall be called by the chief executive officer, president or secretary in like manner and on like notice on the written request of the sole director.

3.8 At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.9 Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

3.10 Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

3.11 The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in

the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law of Delaware to be submitted to stockholders for approval or (ii) adopting, amending or repealing any provision of these bylaws.

3.12 Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

COMPENSATION OF DIRECTORS

3.13 Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

3.14 Unless otherwise restricted by the certificate of incorporation or these bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV
NOTICES

4.1 Whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

4.2 Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V
OFFICERS

5.1 The officers of the corporation shall be chosen by the Board of Directors and shall be a chief executive officer, president, treasurer and a secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also choose one or more vice-presidents, assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

5.2 The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a chief executive officer, a president, a treasurer, and a secretary and may choose vice-presidents.

5.3 The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.4 The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

5.5 The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

5.6 The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

5.7 In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

THE CHIEF EXECUTIVE OFFICER, PRESIDENT AND VICE-PRESIDENTS

5.8 The office of chief executive officer will be filled only upon designation by the Board of Directors. If so designated, the chief executive officer shall have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Directors, including but not limited to the following: the chief executive officer of the corporation, in the absence of the Chairman and Vice Chairman of the Board, shall preside at all

meetings of the stockholders and the Board of Directors; he shall have general and active

management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.9 In the absence of the chief executive officer of the corporation, the president shall be the chief executive officer of the corporation; he shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.10 The chief executive officer or the president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

5.11 In the absence of the chief executive officer and president or in the event of their inability or refusal to act, the vice-president, if any, (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the chief executive officer and president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chief executive officer and president. The vice-presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

5.12 The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, chief executive officer or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

5.13 The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if

there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

5.14 The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

5.15 He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer, president and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

5.16 If required by the Board of Directors, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

5.17 The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI
CERTIFICATE OF STOCK

6.1 Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the Chairman or Vice Chairman of the Board of Directors, chief executive officer or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case

upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the

General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

6.2 Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

6.3 The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

6.4 Subject to Section 6.6 below, upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly

endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

6.5 In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholder or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

6.6 The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII
GENERAL PROVISIONS
DIVIDENDS

7.1 Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

7.2 Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conducive to the interest of the

corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

7.3 All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

7.4 The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

SEAL

7.5 The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

7.6 The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time,

indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the corporation or a predecessor corporation or, at the corporation's request, a director or officer of another corporation; provided, however, that the corporation shall indemnify any such agent in connection with a proceeding initiated by such agent only if such proceeding was authorized by the Board of Directors of the corporation. The indemnification provided for in this Section 7.6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of such a person. The corporation's obligation to provide indemnification under this Section 7.6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person.

Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he is or was a director of the corporation (or was serving at the corporation's request

as a director or officer of another corporation) shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized by relevant sections of the General Corporation Law of Delaware. Notwithstanding the foregoing, the corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the corporation and approved by a majority of the Board of Directors of the corporation that alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to the corporation or any other willful and deliberate breach in bad faith of such agent's duty to the corporation or its stockholders.

The foregoing provisions of this Section 7.6 shall be deemed to be a contract between the corporation and each director who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an officer or employee of the corporation.

To assure indemnification under this Section 7.6 of all directors, officers and employees who are determined by the corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the corporation that may exist from time to time, Section 145 of the General Corporation Law of Delaware shall, for the purposes of this

Section 7.6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation that is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

ARTICLE VIII
AMENDMENTS

8.1 These bylaws may be altered, amended or repealed or new bylaws

may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate or incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

ARTICLE IX
LOANS TO OFFICERS

9.1 The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

CERTIFICATE OF SECRETARY OF

METASOLV SOFTWARE, INC.

The undersigned, Jonathan K. Hustis, hereby certifies that he is the duly elected and acting Secretary of MetaSolv Software, Inc., a Delaware corporation (the "Corporation"), and that the Bylaws attached hereto constitute the Bylaws of said Corporation as duly adopted by Action by Written Consent by the Directors on May 26, 1998.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this 26th day of May, 1998.

/s/ Jonathan K. Hustis

Jonathan K. Hustis
Secretary

EXHIBIT 3.4

AMENDED AND RESTATED BYLAWS
OF
METASOLV SOFTWARE, INC.

ARTICLE 1
OFFICES

1.1 The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

1.2 The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE 2
MEETINGS OF STOCKHOLDERS

2.1 All meetings of the stockholders for the election of directors shall be held in the City of Plano, State of Texas at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 (a) Annual meetings of stockholders, commencing with the year 2000, shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

(b) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this bylaw, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this bylaw.

(c) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 2.2(b) of this bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such business must otherwise be a proper matter for stockholder action under Delaware law. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal

executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the

90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (b) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(d) Notwithstanding anything in the second sentence of Section 2.2(c) of this bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(e) Only such persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in these Bylaws, and, if any proposed

nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall be disregarded.

(f) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this bylaw. Nothing in this bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.3 Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

2.4 The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.5 Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called at any time by the Board of Directors pursuant to a resolution approved by a majority of the whole Board of Directors. Such resolution shall state the purpose or purposes of the proposed meeting.

2.6 Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

2.7 Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

2.8 The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9 When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

2.10 Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

ARTICLE 3
DIRECTORS

3.1 The number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a vote of 75% of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 2000 annual meeting of stockholders, the term of office of the second class to expire at the 2001 annual meeting of stockholders and the term of office of the third class to expire at the 2002 annual meeting of stockholders. At each annual meeting of stockholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. All directors shall hold office until the expiration of term for which elected, and until their respective successors are elected and qualified, except in the case

of the death, resignation or removal of any director. Directors need not be stockholders.

3.2 Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and not by stockholders, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

3.3 The business of the corporation shall be managed by or under the direction of its Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

3.4 The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

3.5 The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no

notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

3.6 Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 Special meetings of the Board of Directors may be called by the chief executive officer, president, or chief operating officer on ten (10) days' notice to each director by mail or forty-eight (48) hours notice to each director either personally or by telephone, telegram or facsimile; special meetings shall be called by the chief executive officer, president, chief operating officer or secretary in like manner and on like notice on the written request of two (2) directors unless the board consists of only one director, in which case special meetings shall be called by the chief executive officer, president, chief operating officer, or secretary in like manner and on like

notice on the written request of the sole director.

3.8 At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.9 Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

3.10 Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

3.11 The Board of Directors may, by resolution passed by a majority of the whole board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The board may designate one (1) or more directors as alternate

members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an

agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

3.12 Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

COMPENSATION OF DIRECTORS

3.13 Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE 4
NOTICES

4.1 Whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram, telephone or facsimile.

4.2 Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing, signed by the

person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE 5
OFFICERS

5.1 The officers of the corporation shall be chosen by the Board of

Directors and shall be a chief executive officer, president, chief operating officer, chief financial officer, treasurer and a secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also choose one or more vice-presidents, assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

5.2 The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a chief executive officer, president, a treasurer, and a secretary and may choose a chief operating officer, chief financial officer, vice-presidents, assistant secretaries and assistant treasurers.

5.3 The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.4 The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

5.5 The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

5.6 The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. He or she shall have and may exercise such powers as are, from time to time, assigned to him or her by the Board of Directors and as may be provided by law.

5.7 In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. He or she shall have and may exercise such powers as are, from time to time, assigned to him or her by the Board of Directors and as may be provided by law.

THE CHIEF EXECUTIVE OFFICER, PRESIDENT, CHIEF OPERATING OFFICER, CHIEF FINANCIAL OFFICER AND VICE-PRESIDENTS

5.8 Chief Executive Officer. The office of chief executive officer will be filled only upon designation by the Board of Directors. If so designated, the chief executive officer shall

have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Directors, including but not limited to the following: the chief executive officer of the corporation, in the absence of the Chairman and Vice Chairman of the Board, shall preside at all meetings of the stockholders and the Board of Directors; he shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.9 President. In the absence of the chief executive officer of the corporation, the president shall be the chief executive officer of the corporation; he shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.10 Chief Operating Officer. The chief operating officer shall have such powers and duties as usually pertain to such office or as may be delegated by the Board of Directors, chief executive officer or president. In the absence of the chief executive officer and president of the corporation, the chief operating officer shall be the chief executive officer of the corporation. He shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.11 Chief Financial Officer. The chief operating officer shall have such powers and duties as usually pertain to such office or as may be delegated by the Board of Directors, chief executive officer, president, or chief operating officer.

5.12 Execution of Instruments Requiring a Seal. The chief executive officer, the president, the chief operating officer, or the chief financial officer shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

5.13 In the absence of the chief executive officer, president, and chief operating officer, or in the event of their inability or refusal to act, the vice-president, if any, (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the chief executive officer and president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chief executive officer and president. The vice-presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

5.14 The secretary shall attend all meetings of the Board of Directors and

all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, chief executive officer or

president, under whose supervision he or she shall be. The secretary shall have custody of the corporate seal of the corporation and the secretary, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

5.15 The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

TREASURER AND ASSISTANT TREASURERS

5.16 The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. Unless otherwise appointed, the chief financial officer shall be the treasurer.

5.17 The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

5.18 If required by the Board of Directors, the treasurer shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the treasurer's office and for the restoration to the Corporation, in case of the treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the treasurer's possession or under the treasurer's control belonging to the Corporation.

5.19 The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of the treasurer's inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE 6
CERTIFICATE OF STOCK

6.1 Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the Board of Directors, or the chief executive officer, president, chief operating officer, or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by such stockholder in the Corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

6.2 Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

6.3 The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

6.4 Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new

certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

6.5 In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholder or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

6.6 The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on

the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE 7
GENERAL PROVISIONS
DIVIDENDS

7.1 Dividends upon the capital stock of the Corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

7.2 Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

7.3 All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

7.4 The fiscal year of the corporation shall be fixed by resolution of the Board of Directors, and if no such resolution has been made shall end on December 31.

SEAL

7.5 The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

7.6 The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the Corporation or a predecessor

corporation or, at the corporation's request, a director or officer of another corporation, provided, however, that the Corporation shall indemnify any such agent in connection with a proceeding initiated by such agent only if such proceeding was authorized by the Board of Directors of the Corporation. The indemnification provided for in this Section 7.6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of such a person. The Corporation's obligation to provide indemnification under this Section 7.6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person.

Expenses incurred by a director or officer of the Corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized by relevant sections of the General Corporation Law of Delaware. Notwithstanding the foregoing, the Corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the Corporation and approved by a majority of the Board of Directors of the Corporation that alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to the Corporation or any other willful and deliberate breach in bad faith of such agent's duty to the Corporation or its stockholders.

The foregoing provisions of this Section 7.6 shall be deemed to be a contract between the Corporation and each director or officer who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or

obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the Corporation to indemnify any person, other than a director or officer, made a party to any action, suit or proceeding by reason of the fact that such person, their testator or intestate, is or was an officer or employee of the Corporation.

To assure indemnification under this Section 7.6 of all directors, officers and employees who are determined by the Corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the Corporation that may exist from time to time, Section 145 of the General Corporation Law of Delaware shall, for the purposes of this Section 7.6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation that is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the Corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the Corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

ARTICLE 8
AMENDMENTS

8.1 These bylaws may be altered, amended or repealed or new bylaws may be adopted by stockholders holding at least seventy-five percent (75%) of the Corporation's outstanding capital stock ("Amending Stockholders") or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation at any regular meeting of the stockholders or of the Board of Directors or by the Amending Stockholders at any special meeting of the stockholders or by the Board of Directors at any special meeting of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate or incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

ARTICLE 9
LOANS TO OFFICERS

9.1 The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these bylaws shall

be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

CERTIFICATE OF SECRETARY OF
METASOLV SOFTWARE, INC.

The undersigned, Jonathan K. Hustis, hereby certifies that he is the duly elected and acting Secretary of MetaSolv Software, Inc., a Delaware corporation (the "Corporation"), and that the Bylaws attached hereto constitute the Bylaws of said Corporation as duly adopted by the Directors on _____, 1999.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this _____ day of _____, 1999.

_____
Jonathan K. Hustis
Secretary

EXHIBIT 4.1

METASOLV SOFTWARE, INC.

INVESTORS' RIGHTS AGREEMENT

June 2, 1998

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Schedule A: Investors
Schedule B: Management Holders

INVESTORS' RIGHTS AGREEMENT

THIS INVESTORS' RIGHTS AGREEMENT is made as of June 2, 1998, by and among MetaSolv Software, Inc, a corporation (the "Company"), the investors listed on Schedule A hereto, each of which is herein referred to as an "Investor," and the members of the Company's management team listed on Schedule B hereto, each of whom is referred to herein as a "Management Holder." The rights of a Management Holder hereunder shall only be available to persons who, at the time such person exercises such rights, are serving in a management capacity with the Company and own at least 50,000 shares of Registrable Securities.

RECITALS

WHEREAS, the Company and certain of the Investors are parties to the Class C Preferred Stock Purchase Agreement of even date herewith (the "Purchase Agreement");

WHEREAS, the Company and certain of the Investors are parties to that certain Amended Shareholders' Agreement dated October 15, 1993, as amended on January 18, 1996 (the "Prior Agreement");

WHEREAS, in order to induce certain of the Investors to invest funds in the Company pursuant to the Purchase Agreement, the parties hereto desire to terminate the Prior Agreement and replace it in its entirety by this Agreement and the Right of First Refusal and Co-Sale Agreement of even date herewith (the "Co-Sale Agreement"); and

WHEREAS, the parties hereto hereby agree that this Agreement shall govern the rights of the Investors and the Management Holders to cause the Company to register shares of Common Stock issued or issuable to them and

certain other matters as set forth herein and that the Co-Sale Agreement will govern certain other rights among the Investors and the Management Holders.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement and the Co-Sale Agreement, and the parties hereto further agree as follows:

1. Registration Rights. The Company covenants and agrees as follows:

1.1 Definitions. For purposes of this Section 1:

(a) The term "Act" means the Securities Act of 1933, as amended.

(b) The term "Class B Preferred Stock" shall in all cases be deemed to include shares of Class B-1 Preferred Stock and all provisions applicable to the Class B Preferred Stock shall be deemed to apply to the Class B Preferred Stock and Class B-1 Preferred Stock voting together as a single class and not as separate classes, on an as-converted

basis. The term "Class C Preferred Stock" shall in all cases be deemed to include shares of Class C-1 Preferred Stock and all provisions applicable to the Class C Preferred Stock shall be deemed to apply to the Class C Preferred Stock and Class C-1 Preferred Stock voting together as a single class and not as separate classes, on an as-converted basis .

(c) The term "Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(d) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof.

(e) The term "Initial Offering" means the Company's first firm commitment underwritten public offering of its Common Stock under the Act.

(f) The term "1934 Act" means the Securities Exchange Act of 1934, as amended.

(g) The term "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(h) The term "Registrable Securities" means (i) Common

Stock held by the Investors, (ii) the Common Stock issuable or issued upon conversion of the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock, (iii) the shares of Common Stock issued to the Management Holders, and (iv) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i), (ii) and (iii) above, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned.

(i) The number of shares of "Registrable Securities" outstanding shall be determined by the number of shares of Common Stock outstanding that are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(j) The term "SEC" shall mean the Securities and Exchange Commission.

1.2 Request for Registration.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time after six (6) months after the effective date of the Initial

Offering, a written request from the holders of twenty percent (20%) or more of the outstanding Common Stock issuable or issued upon conversion of the Class C Preferred Stock then outstanding (the "Initiating Holders") that the Company file a registration statement under the Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $5,000,000, then the Company shall, within ninety (90) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 1.2, use all reasonable efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities

through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company that marketing factors require a limitation of the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders); provided, however, that Management Holder's Registrable Securities
shall be excluded from such underwriting before any Investor's Registrable Securities are reduced. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(ii) after the Company has effected two (2) registrations pursuant to this Section 1.2, and such registrations have been declared or ordered effective; or

(iii) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of, and ending on a date

one hundred eighty (180) days following the effective date of, a Company-initiated registration subject to Section 1.3 below; or

(iv) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form S-3 pursuant to Section 1.4 hereof; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the Company's Chief Executive Officer or Chairman of the Board stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the request of the Initiating Holders, provided that such right to delay a request shall be exercised by the

Company not more than once in any twelve (12)-month period.

1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration relating to a corporate reorganization or other transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all reasonable efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with an underwriter or

underwriters selected by the Company, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the

offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling Holders according to the total amount of securities entitled to be included therein owned by each selling Holder or in such other proportions as shall mutually be agreed to by such selling Holders); provided, however, that Management Holder's Registrable Securities shall be excluded from such underwriting before any Investor's Registrable Securities are reduced. For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a partnership or corporation, the affiliated partnerships, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.4 Form S-3 Registration. In case the Company shall receive from the Holders of twenty percent (20%) of the Registrable Securities or Holders of at least 50% of the Common Stock issued or issuable upon conversion of the Class C Preferred Stock then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use all reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this section 1.4:

(i) after the Company has effected four (4) registrations pursuant to this Section 1.4, and such registrations have been declared or ordered effective;

(ii) if Form S-3 is not available for such offering by the Holders;

(iii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) in a registration of less than $3,000,000;

(iv) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer or Chairman of the Board of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than one hundred twenty (120) days after receipt of the request of the Holder or Holders under this Section 1.4; provided;

(v) if the Company has, within the six (6) month period preceding the date of such request, already effected one registration on Form S-3 for the Holders pursuant to this Section 1.4; or

(vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as requests for registration effected pursuant to Sections 1.2.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act,

and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act or the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

1.6 Information from Holder. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.7 Expenses of Registration. All expenses other than underwriting discounts and commissions incurred in connection with

registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements, not to exceed an aggregate of $10,000 per registration, of counsel for the selling Holders shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be requested in the withdrawn registration),

unless, in the case of a registration requested under Section 1.2, the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2, provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the business of the Company (other than a material adverse change attributable to general market or economic conditions, acts of war, natural disasters or other similar events beyond the Company's control) from that known by the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 1.2.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners or officers, directors and stockholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or

alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws; and the Company will reimburse each such Holder, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder or underwriter, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then

amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder or underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this subsection 1.9(b), for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or

action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), provided that in no event shall any indemnity under this subsection 1.9(b) exceed the gross proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting

agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.10 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the Initial Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be

reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (i) is a subsidiary, parent, affiliated partnership, partner, limited partner, retired partner or shareholder of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) after such assignment or transfer, holds at least 50,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations), provided: (a) the Company is, within a reasonable time after such transfer,

furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of Section 1.13 below; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

1.12 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.3 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included or (b) to demand registration of their securities.

1.13 "Market Stand-Off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. No Holder shall be entitled to release from the provisions of this Section 1.13 unless such release applies to all Holders on a pro rata basis (calculated as set forth in Section 2.2(b) below). The underwriters in connection with the Company's initial public offering are intended third party beneficiaries of this Section 1.13 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

1.14 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 after five (5) years following the consummation of the Initial Offering or, as to any Holder, such earlier time at which all Registrable Securities held by such Holder (and any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any three (3)-month period without registration in compliance with Rule 144 of the Act.

2. Covenants of the Company.

2.1 Delivery of Financial Statements. The Company shall deliver to each Investor who holds at least 500,000 shares of Registrable Securities:

(a) as soon as practicable after, and in any event, within 30 days after, the end of each month, a copy of the balance sheet of the Company and a statement of operations for such month and the portion of the fiscal year ending on the last day of such month, prepared in reasonable detail and certified as to accuracy in all material respects, subject to year-end audit adjustments, by the principal financial officer of the Company.

(b) during the second quarter of each fiscal year, a copy of the consolidated balance sheet for the Company and its subsidiaries as of the end of the immediately preceding fiscal year, consolidated statements of income, retained earnings and cash flows of the Company and its subsidiaries for such year, all in reasonable detail, prepared and certified by an independent public accounting firm;

(c) copies of all financial statements and reports that the Company sends to its stockholders or files with the Securities and Exchange Commission or any stock exchange on which any securities of the Company may be listed;

(d) promptly upon receipt thereof, any addition reports, management letters, or other written information concerning the Company's operations and financial affairs given to the Company by its independent public accountants (and not otherwise contained in other materials furnished to the Investors); and

(e) such other financial and other information as the Investor may reasonably request or as the Board of Directors may elect to distribute, including budgets, operating plans, monthly or quarterly financial statements, or monthly executive summaries of the Company's activities.

2.2 Right of First Offer. Subject to the terms and conditions specified in this paragraph 2.2, the Company hereby grants to each Investor a right of first offer with respect to future sales by the Company of its Shares

(as hereinafter defined). For purposes of this Section 2.2, Investor includes any general partners and affiliates of an Investor and assignees or

transferees of an Investor that acquire at least 50,000 shares of Registrable Securities. An Investor shall be entitled to apportion the right of first offer hereby granted it among itself and its partners and affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital stock ("Shares"), the Company shall first make an offering of such Shares to each Investor in accordance with the following provisions.

(a) The Company shall deliver a notice in accordance with Section 3.5 ("Notice") to the Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms upon which it proposes to offer such Shares.

(b) By written notification received by the Company, within ten (10) calendar days after receipt of the Notice, the Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of the Preferred Stock then held, by such Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and exercise of all convertible and exercisable securities).

(c) If all Shares that Investors are entitled to obtain pursuant to subsection 2.2(b) are not elected to be obtained as provided in subsection 2.2(b) hereof, the Company may, during the one hundred twenty (120) day period following the expiration of the period provided in subsection 2.2(b) hereof, offer the remaining unsubscribed portion of such Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within one hundred twenty (120) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Investors in accordance herewith.

(d) The right of first offer in this Section 2.2 shall not be applicable to (i) the issuance or sale of shares of Common Stock (or options therefor) to employees, directors and consultants for the primary purpose of soliciting or retaining their services; (ii) the issuance of securities pursuant to a bona fide, firmly underwritten public offering of shares of Common Stock, registered under the Act, (iii) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities, (iv) the issuance of securities in connection with a bona fide business acquisition of or

by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, (v) the issuance of stock, warrants or other securities or rights to persons or entities with which the Company has business relationships provided such issuances are for other than primarily equity financing purposes or (vi) the issuance of any dividends permitted under the Company's Amended and Restated Certificate of Incorporation payable to the holders of the Company's Common Stock in

shares of Common Stock or to the holders of the Company's Preferred Stock in shares of Preferred Stock.

2.3 Key-Man Insurance. The Company has as of the date hereof or shall obtain as soon as practicable from financially sound and reputable insurers term life insurance on the lives of James P. Janicki and Michael J. Watters in the amount of $1,500,000 each. Such policies shall name the Company as loss payee and shall not be cancelable by the Company without prior approval of the Board of Directors.

2.4 Inspection. The Company will also permit each Investor and its authorized representatives, at all reasonable times and as often as reasonably requested, to visit and inspect, at the expense of such Investor, any of the properties of the Company, to inspect its books and records and to make extracts therefrom, and to discuss the affairs, finances and accounts of the Company with its officers; provided that the Investor shall at all times maintain the confidentiality of any proprietary information of the Company and its clients, and provided further that Investor shall conduct all such inspections in a manner that is not disruptive to the employees or operations of the Company.

2.5 Board of Directors.

(a) With respect to the member of the Board of Directors that the Company's Amended and Restated Certificate of Incorporation provides is to be elected by the holders of shares of the Company's Class C Preferred Stock (the "Class C Director"), in any election of directors of the Company, the Investors and Management Holders shall each vote at any regular or special meeting of stockholders (or by written consent) such number of shares of Preferred Stock or Common Stock then owned by them (or as to which they then have voting power) as may be necessary to elect as the Class C Director an industry representative mutually acceptable to Weiss, Peck & Greer Venture Partners L.P. ("WPGVP") and the Company. The initial Class C Director shall be Barry Eggers; provided, however, that WPGVP shall cause Mr. Eggers to resign promptly upon the identification, nomination, and election by the Board of Directors or stockholders of the above-referenced industry representative.

(b) In any election of directors of the Company, the remaining directors shall be elected in accordance with the Company's Amended and Restated Certificate of Incorporation.

(c) The Company will give each Director written notice at least 24 hours in advance of all meetings of the Board of Directors and all meetings of committees of the Board of Directors. The Company shall conduct Board of Directors meetings approximately every 6 weeks. At least every other Board meeting shall be held in person, rather than telephonically. The Company shall pay reasonable out-of-pocket travel expenses for board members' travel to board meetings.

2.6 Observer Rights. At such time as Barry Eggers is no longer
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the Class C Director pursuant to the provisions of Section 2.5 and as along as entities affiliated with WPGVP own not less than 250,000 shares of the Class C Preferred Stock such entities are

purchasing hereunder (or an equivalent amount of Common Stock issued upon conversion thereof), the Company shall invite a representative of WPGVP to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors; provided, however, that such representative shall agree to hold in confidence and trust all information so provided, and, provided further, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or would result in disclosure of trade secrets to such representative or if such Investor or its representative is a direct competitor to the Company.

2.7 Payment of Taxes, etc. The Company will pay and discharge
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or cause to be paid and discharged, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or properties before the same shall become in default, as well as all lawful claims for labor, materials and supplies that, if not paid when due, might result in the imposition of a lien or charge upon any of its properties; provided, however, that the Company shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity thereof is being contested by the Company in good faith by appropriate proceedings and an adequate reserve therefor has been established.

2.8 Dealings with Related Parties. All transactions by and
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between the Company on the one hand and stockholders, directors, officers and employees of the Company, or entities controlled by or affiliated with such

persons, on the other hand, shall be conducted on an arms-length basis and shall be on terms and conditions no less favorable to the Company that could be obtained from unaffiliated persons.

2.9 Auditors. The Company will engage a firm of independent certified public accountants to audit the Company's financial statements. Such firm shall be chosen for among those firms generally known as the "Big 6."

2.10 Termination of Covenants. The covenants set forth this in Section 2 shall terminate and be of no further force or effect (i) when the sale of securities pursuant to a registration statement filed by the Company under the Act in connection with the firm commitment underwritten offering of its securities to the general public is consummated or when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the 1934 Act and (ii) upon an event of liquidation as defined in the Company's Amended and Restated Certificate of Incorporation, whichever event shall first occur.

3. Miscellaneous.

3.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights,

remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Texas as applied to agreements among Texas residents entered into and to be performed entirely within Texas.

3.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by confirmed facsimile transmission, nationally recognized overnight courier service, or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

3.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 Entire Agreement: Amendments and Waivers. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof and supersedes all other agreements between or among any of the parties with respect to the subject matter hereof or thereof, including the Prior Agreement. Except as set forth in Section 1.13, any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Registrable Securities; provided, however, that in the event that such amendment or waiver, alone or when considered together with a contemporaneous benefit received by such other parties, adversely affects the obligations and/or rights of a party to this Agreement in a different manner than the other parties to this Agreement, such amendment or waiver shall also require the written consent of such party who is adversely affected in a different manner. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities each future holder of all such Registrable Securities, and the Company.

3.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement

and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.9 Aggregation of Stock. All shares of Registrable Securities held

or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement. For purposes of the foregoing, the shares held by any stockholder that (i) is a partnership or corporation shall be deemed to include shares held by affiliated partnerships or the partners, retired partners and stockholders of such holder or members of the "immediate family" (as defined below) of any such partners, retired partners and stockholders, and any custodian or trustee for the benefit of any of the foregoing persons and (ii) is an individual shall be deemed to include shares held by any members of the stockholder's immediate family ("immediate family" shall include any spouse, father, mother, brother, sister, lineal descendant of spouse or lineal descendant) or to any custodian or trustee for the benefit of any of the foregoing persons. For purposes of the foregoing, the shares held by any stockholder that (i) is a partnership or corporation shall be deemed to include shares held by affiliated partnerships or the partners, retired partners and stockholders of such holder or members of the "immediate family" (as defined below) of any such partners, retired partners and stockholders, and any custodian or trustee for the benefit of any of the foregoing persons and (ii) is an individual shall be deemed to include shares held by any members of the stockholder's immediate family ("immediate family" shall include any spouse, father, mother, brother, sister, lineal descendant of spouse or lineal descendant) or to any custodian or trustee for the benefit of any of the foregoing persons.

3.10 Legends. The certificates evidencing Registrable the Securities shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND THE SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION AND VOTING THEREOF ARE SUBJECT TO CERTAIN RESTRICTIONS AND AGREEMENTS (INCLUDING, AMONG OTHER THINGS, MARKET STAND-OFF PROVISIONS AND A VOTING AGREEMENT) CONTAINED IN AN INVESTORS' RIGHTS AGREEMENT AMONG THE COMPANY AND CERTAIN STOCKHOLDERS. A COPY OF THE INVESTORS' RIGHTS AGREEMENT AND ALL APPLICABLE AMENDMENTS THERETO WILL BE FURNISHED BY THE COMPANY TO THE RECORD HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE."

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

METASOLV SOFTWARE, INC.

By: /s/ Michael J. Watters

Michael J. Watters, Chief Executive Officer

Address: 5560 Tennyson Parkway
Plano, Texas 75024

SIGNATURE PAGE TO INVESTOR'S RIGHTS AGREEMENT

SIGNATURE PAGE OF INVESTOR

In consideration of the Company's entering into the Investors' Rights Agreement (the "Agreement") and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees to be an Investor under the terms of the Agreement and to be subject to all terms and provisions of the Agreement with respect to the undersigned's Registrable Securities, effective June 2, 1998. The name and address of the undersigned Investor are as follows:

_____

_____

_____

_____

_____
Signature

_____
Printed Name

SIGNATURE PAGE TO INVESTOR'S RIGHTS AGREEMENT

[Counterpart signature pages omitted.]

Schedule A

INVESTORS

WPG Enterprise Fund III, L.P.
Weiss, Peck & Greer Venture Associates IV, L.P.
Weiss, Peck & Greer Venture Associates IV Cayman, L.P.
WPG Information Sciences Entrepreneur Fund, L.P.
555 California Street, Suite 3130
San Francisco, CA 94104

Eugene M. Cummings
1143 Lawrence
Lake Forest, IL 60045

Kathryn F. Donaldson
Baker & Donaldson
2410 Wyoming Ave. NW, Suite 300
Washington, DC 20008

Geoffrey B. Baker
Baker & Donaldson
2410 Wyoming Ave. NW, Suite 300
Washington, DC 20008

Louis C. Baker Trust U/A Dated 5/5/89/FBO
Blake Donaldson Baker
c/o Geoffrey B. Baker, Trustee
Baker & Donaldson
2410 Wyoming Ave. NW, Suite 300
Washington, DC 20008

Louis C. Baker Trust U/A Dated 5/5/89/FBO
Grey Donaldson Baker
c/o Mr. Geoffrey Baker, Trustee
Baker & Donaldson
2410 Wyoming Ave. NW, Suite 300
Washington, DC 20008

Gardner W. Heidrick Declaration of Trust
The Heidrick Partners, Inc.
20 N. Wacker Drive, Suite 2850
Chicago, IL 60606- 3171

INVESTORS (Cont.)

Richard E. Lyke

111 E. Chestnut, Apt. 32C
Chicago, IL 60611- 2018

Robert R. Maxfield
12930 Saratoga Ave., Suite B-3
Saratoga, CA 95070

Robert D. Moomey
Bob Moomey Communications
556 Diane Drive
Palatine, IL 60074

David R. Semmel
350 West Hubbard Street, Suite 350
Chicago, IL 60610

Pangaea Partners, LP
c/o David R. Semmel
350 West Hubbard Street, Suite 350
Chicago, IL 60610

Kettle Partners, LP
c/o David R. Semmel
350 West Hubbard Street, Suite 350
Chicago, IL 60610

Business Resources International, Inc.
c/o William N. Sick, Jr.
565 Sheridan Road
Winnetka, IL 60093

Adam Solomon
Shaker Investments, Inc.
237 Park Avenue, Suite 900
New York, NY 10017

CKS Family Trust
c/o Anthony M. Solomon, Trustee
Shaker Investments, Inc.
237 Park Avenue, Suite 900
New York, NY 10017

William J. Turner
Turner & Partners

INVESTORS (Cont.)

7425 Bay Colony Drive

Naples, FL 33963- 7514

William N. Weaver, Jr.
Sachnoff & Weaver
30 S. Wacker Drive, 29/th/ Floor
Chicago, IL 60606

William N. Sick
565 Sheridan Road
Winnetka, IL 60093

Jill Melanie Sick 1991 Trust
c/o William N. Sick, Jr. Trustee
565 Sheridan Road
Winnetka, IL 60093

David Louis Sick 1991 Trust
c/o William N. Sick, Jr. Trustee
565 Sheridan Road
Winnetka, IL 60093

Louis Pitchlyn Williams 1992
c/o William N. Sick, Jr. Trustee
565 Sheridan Road
Winnetka, IL 60093

Michael J. Watters
2604 Cedarwood Court
Dallas, TX 75070

The Watter's Children's Trust
c/o Michael J. Watters, Trustee
2604 Cedarwood Court
Dallas, TX 75070

Terry L. Sigle
6909 Hickory Creek
Plano, TX 75023

Austin Ventures IV-A, L.P.
John D. Thornton
Austin Ventures
1300 Norwood Tower
114 West 7/th/ Street

Austin, TX 78701

Austin Ventures IV-B, L.P.
John D. Thornton
1300 Norwood Tower
114 West 7/th/ Street
Austin, TX 78701

H. Brian Thompson
LCI International
8180 Greensboro Drive, Suite 800
McLean, VA 22102

Joseph Pollard
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

Schedule B

MANAGEMENT HOLDERS

James P. Janicki
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

Joseph Pollard
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

Dana Brown
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

Jonathan K. Hustis
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

Kim Lewis
MetaSolv Software, Inc.
5560 Tennyson Pkwy
Plano, TX 75024

EXHIBIT 10.1

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is entered into as of the ___ day of _____, 1999, by and among MetaSolv Software, Inc., a Delaware corporation (the "Company") and the indemnitees listed on the signature pages hereto (individually, as "Indemnitee" and, collectively, the "Indemnitees").

RECITALS

A. The Company and Indemnitees recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, stockholders, controlling persons, agents and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitees further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, controlling persons, stockholders, agents and fiduciaries to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited.

C. The Indemnitees do not regard the current protection available as adequate under the present circumstances, and Indemnitees and other directors, officers, employees, stockholders, controlling persons, agents and fiduciaries of the Company may not be willing to serve in such capacities without additional protection.

D. The Company (i) desires to attract and retain the involvement of highly qualified individuals and entities, such as Indemnitees, to serve the Company and, in part, in order to induce each Indemnitee to be involved with the Company and (ii) wishes to provide for the indemnification and advancing of expenses to each Indemnitee to the maximum extent permitted by law.

E. In view of the considerations set forth above, the Company desires that each Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and each Indemnitee hereby agrees as follows:

1. Indemnification.
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a. Indemnification of Expenses. The Company shall indemnify
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and hold harmless each Indemnitee (including its respective directors, officers,

partners, employees, agents and spouse, as applicable) and each person who controls any of them or who may be liable within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the fullest extent permitted by law if such Indemnitee was or is or becomes

a party to or a witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that the Company believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in part or in whole out of) any event or occurrence related to the fact that Indemnitee is or was or may be deemed a director, officer, stockholder, employee, controlling person, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was or may be deemed to be serving at the request of the Company as a director, officer, stockholder, employee, controlling person, agent or fiduciary of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of such Indemnitee while serving at the request of the Company in such capacity including, without limitation, any and all losses, claims, damages, expenses and liabilities, joint or several (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit, proceeding or any claim asserted) under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise or which relate directly or indirectly to the registration, purchase, sale or ownership of any securities of the Company or to any fiduciary obligation owed with respect thereto or as a direct or indirect result of any Claim made by any stockholder of the Company against an Indemnitee and arising out of or related to any round of financing of the Company (including but not limited to Claims regarding non-participation, or non-prorata participation, in such round by such stockholder), or made by a third party against an Indemnitee based on any misstatement or omission of a material fact by the Company in violation of any duty of disclosure imposed on the Company by federal or state securities or common laws (hereinafter an "Indemnification Event") against any and all expenses (including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if, and only if, such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than ten (10) days after written demand by the Indemnitee therefor is presented to the Company.

b. Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(e) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) each Indemnitee acknowledges and agrees that the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law,

the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) within thirty (30) days of such determination for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(e) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

c. Contribution.

(1) Whether or not the indemnification provided under subsection 1(a) hereof is available, with respect to any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or

settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(2) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from

which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the law may be required to be considered. The relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceedings), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, and the degree to which their conduct is active or passive.

(3) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company other than Indemnitee who may be jointly liable with Indemnitee.

d. Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitee or

any officer, director, employee, agent or controlling person of the Indemnitee.

e. Change in Control. The Company agrees that if there is a Change in Control of the Company, then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses under this Agreement or any other agreement or under the Company's Amended and Restated Certificate of Incorporation (the "Restated Certificate") or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to abide by such opinion and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

f. Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in the defense of any action, suit, proceeding, inquiry or investigation referred to in Section 1(a) hereof or in the defense of any claim, issue or matter therein, each Indemnitee shall be indemnified against all Expenses incurred by such Indemnitee in connection herewith.

2. Expenses; Indemnification Procedure.

a. Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than fifteen (15) days after written demand by such Indemnitee therefor to the Company.

b. Notice/Cooperation by Indemnitee. To obtain indemnification (including, but not limited to, the advancement of Expenses and contribution by the Company) under this Agreement, Indemnitee shall submit to the Company a written request including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

c. No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

d. Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt written notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in each of the policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

e. Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim, with counsel reasonably approved by the applicable Indemnitee, upon the delivery to such Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the

Company, the Company will not be liable to such Indemnitee under this Agreement for any fees of counsel subsequently incurred by such Indemnitee with respect to the same Claim; provided that, (i) the Indemnitee shall have the right to employ such Indemnitee's counsel in any such Claim at the Indemnitee's expense; (ii) the Indemnitee shall have the right to employ its own counsel in connection with

any such proceeding, at the expense of the Company, if such counsel serves in a review, observer, advice and counseling capacity and does not otherwise materially control or participate in the defense of such proceeding; and (iii) if (A) the employment of counsel by the Indemnitee has been previously authorized by the Company, (B) such Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and such Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company.

f. Indemnitee shall cooperate with the Reviewing Party, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors, or stockholder of the Company acting as Reviewing Party shall act reasonably and in good faith in making a determination under the Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the Reviewing Party shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

3. Additional Indemnification Rights; Nonexclusivity.

a. Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, even if such indemnification is not specifically authorized by the other provisions of this Agreement or any other agreement, the Company's Restated Certificate, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, stockholder, employee, controlling person, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

b. Nonexclusivity. Notwithstanding anything in this Agreement, the indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Restated Certificate, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the laws of the State of Delaware, or otherwise.

Notwithstanding anything in this Agreement, the indemnification provided under

this Agreement shall continue as to each Indemnitee for any action such Indemnitee took or did not take while serving in an indemnified capacity even though the Indemnitee may have ceased to serve in such capacity and such indemnification shall inure to the benefit of each Indemnitee from and after Indemnitee's first day of service as a director with the Company or affiliation with a director from and after the date such director commences services as a director with the Company.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against any Indemnitee to the extent such Indemnitee has otherwise actually received payment (under any insurance policy, Restated Certificate, Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If any Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which such Indemnitee is entitled.

6. Mutual Acknowledgement. The Company and each Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, controlling persons, agents or fiduciaries under this Agreement or otherwise.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, control persons, agents or fiduciaries, each Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if such Indemnitee is a director, or of the Company's officers, if such Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, controlling persons, agents or fiduciaries, if such Indemnitee is not an officer or director but is a key employee, agent, control person, or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

a. Claims Initiated by Indemnitee. To indemnify or advance

expenses to any Indemnitee with respect to Claims initiated or brought voluntarily by such Indemnitee and not by way of defense, except (i) with respect to actions or proceedings to establish or enforce a right to indemnify under this Agreement or any other agreement or insurance policy or under the Company's Restated Certificate or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Delaware statute or law, regardless of whether such Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be; or

b. Claims Under Section 16(b). To indemnify any Indemnitee for expenses and the payment of profits arising from the purchase and sale by such Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute; or

c. Unlawful Indemnification. To indemnify an Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against any Indemnitee, any Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five (5) year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

a. For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was or may be deemed a director, officer, employee, agent, control person, or fiduciary of such constituent corporation, or is or was or may be deemed to be serving at the request of such constituent corporation as a director, officer, employee, control person, agent or fiduciary of another corporation, partnership, joint

venture, employee benefit plan, trust or other enterprise, each Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as each Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

b. For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on any Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if any Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, such Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

c. For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than a trustee or other fiduciary holding securities under an

employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% prior to the first underwritten public offering of the Company's Common Stock, or 30% thereafter, or more of the combined voting power of the Company's then outstanding Voting Securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Exchange Act), directly or indirectly, of securities of the Company representing more than 30% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least two-thirds (2/3) of the total voting power represented by the Voting Securities of the Company or such

surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets.

d. For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(e) hereof, who shall not have otherwise performed services for the Company or any Indemnitee within the last three (3) years (other than with respect to matters concerning the right of any Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

e. For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of disinterested directors, even if less than a quorum, independent legal counsel, or the stockholders. The determination, if required by applicable law, with respect to Indemnitee's entitlement to indemnification for any Claim shall be made by a majority vote of the Reviewing Party.

f. For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective

successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to each Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether any Indemnitee continues to serve as a director, officer, employee, agent, controlling person, or fiduciary of the Company or of any other enterprise, including subsidiaries of the Company, at the Company's request.

13. Attorneys' Fees. In the event that any action is instituted by an Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, any Indemnitee shall be entitled to be paid all Expenses incurred by such Indemnitee with respect to such action, regardless of whether such Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by such Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, the Indemnitee shall be entitled to be paid all Expenses incurred by such Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if deliverable by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at each Indemnitee's address as set forth beneath the Indemnitee's signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and each Indemnitee each hereby irrevocably consent to the jurisdiction and venue of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the courts of the State of Delaware.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by

law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by the parties to be bound thereby. Notice of same shall be provided to all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement supersedes any prior indemnification agreement between the Company and any Indemnitee, but it does not terminate, nor does it impair or diminish any rights of any Indemnitee under any such prior agreement.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving any Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

22. Corporate Authority. The Board of Directors of the Company and its stockholders in accordance with Delaware law have approved the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

METASOLV SOFTWARE INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Address: 5560 Tennyson Parkway
Plano, TX 75024

INDEMNITEES

_____
Name

_____
Signature

Address: _____
_____
_____

EXHIBIT 10.2

1992 STOCK OPTION PLAN OF METASOLV SOFTWARE, INC.

WHEREAS, the Board of Directors of MetaSolv Software, Inc., a Delaware corporation, deems it to be in the best interest of the Company that certain employees of the Company or of its Subsidiaries be given the opportunity to acquire Stock of the Company pursuant to a stock option plan and thereby to increase their incentive to contribute to the growth of the Company and its Subsidiaries;

NOW, THEREFORE, the Board of Directors has adopted this Stock Option Plan as of the date hereof:

1. GENERAL

1.1 Purpose of Plan. This Plan is intended to encourage Stock ownership by employees and Key Non-Employees of the Company or its Subsidiaries and to provide additional incentive for them to remain in the employ of or otherwise continue to provide services for the Company or its Subsidiaries and to promote the growth and the success of the Company and such Subsidiaries. It is intended that the options issued pursuant to this Plan shall constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1996, as amended, or non-incentive stock options.

1.2 Definitions. Whenever used herein, the following terms shall have the following meanings:

(A) "Board" - the Board of Directors of the Company.

(B) "Code" - the Internal Revenue Code of 1986, as amended from time to time.

(C) "Committee" - a committee designated by the Board which shall consist of one or more members of the Board who shall be appointed by and serve at the pleasure of the Board. No person who is a Participant may be a member of the Committee and any person who is appointed a member of the Committee and who accepts such appointment shall, by virtue thereof, be ineligible thereafter to be granted an Option under the Plan.

(D) "Company" - MetaSolv Software, Inc. a Delaware corporation, and any successor or assignee corporation or corporations into which the

Company may be merged, changed, or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company. Any references herein to OMNICASE, Inc. shall be amended in each and every instance throughout the Plan to read "MetaSolv Software, Inc."

(E) "Disability" - a permanent and total disability as defined in Section 22(e)(3) of the Code.

(F) "Fair Market Value" - (a) prior to a public offering of the Stock, the fair market value of the Stock as determined by, and in accordance with procedures to be established by the Committee, (b) subsequent to a public offering of the Stock, (i) the mean between dealer "bid" and "ask" prices of the Stock In the New York over-the-counter market on the day the Option is granted, as reported by the National Association of Securities Dealers, Inc. and (ii) if the Stock becomes listed upon an established stock exchange or exchanges such fair market value shall be deemed to be the highest closing price of the Stock on such stock exchange or exchanges on the day the Option is granted or if no sale of the Stock shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of such Stock.

(G) "Incentive Stock Option" - an option to purchase Stock granted pursuant to the Plan which constitutes an "incentive stock option" within the meaning of Section 422 of the Code.

(H) "Non-lncentive Stock Option" - an option to purchase Stock granted pursuant to the Plan which does not constitute an Incentive Stock Option.

(I) "Option" - an option to purchase Stock granted pursuant to the Plan which constitutes an Incentive Stock Option or a Non-lncentive Stock Option.

(J) "Option Agreement" - the agreement between the Company and a Participant evidencing the grant of an Option under the Plan and containing the terms and conditions, not inconsistent with the Plan, that are applicable to such Option.

(K) "Participant" - an Individual to whom an Option is granted under the Plan.

(L) "Plan" - the 1992 Stock Option Plan of MetaSolv Software, Inc.

(M) "Reorganization" - any merger or consolidation in which the Company is not the surviving corporation other than a merger of the Company into a wholly owned subsidiary of the Company; sale of all or

substantially all of the assets of the Company; or sale, pursuant to an agreement with the Company, of Stock of the Company pursuant to which another corporation, person, or other entity acquires fifty percent (50%) or more of the outstanding Stock of the Company.

(N) "Stock" - the $.01 par value Common Stock of the Company.

(O) "Subsidiary" - any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if, at the time of granting of the Option, each of the corporations other than the last corporation, in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(P) "Key Non-Employee:" a non-employee director, consultant or independent contractor of the Company or its Subsidiaries who is designated by the Board or the Committee as being eligible to be granted one or more Non-Incentive Stock Options under the Plan.

2. ADMINISTRATION OF THE PLAN

2.1 Administration. The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee is authorized to:

(A) determine the employees and Key Non-Employees to whom Options are to be granted ;

(B) determine the number of shares of Stock to be covered by each of the Options, the time or times at which Options shall be granted and exercisable, the exercise price for shares subject to the Options, and whether such Options shall be Incentive Stock Options or Non-Incentive Stock Options;

(C) interpret the Plan provisions;

(D) terminate the Plan;

(E) prescribe, amend and rescind rules and regulations relating to the Plan;

(F) rely on the employees of the Company for such clerical and record-keeping duties as may be necessary in connection with the administration of the Plan; and

(G) make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

2.2 Absolute Discretion. All questions of interpretation and application of the Plan, or pertaining to any Option granted hereunder, shall be subject to the determination by a majority of the Committee, which determination shall be in the absolute discretion of the Committee.

3. ELIGIBILITY OF PARTICIPANTS

3.1 Participants. The Participants hereunder shall be such employees of the Company or any of its Subsidiaries to whom one or more Incentive Stock Options or Non-Incentive Stock Options are granted and such Key Non-Employees to whom one or more Non-Incentive Stock Options are granted.

3.2 Factors in Determination. In making any determination as to the employees and Key Non-Employees of the Company and its Subsidiaries entitled to grants of Options hereunder, the Committee shall take into account the performance of the respective employees and Key Non-Employees, their expected contributions to the growth and success of the Company and its Subsidiaries, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan. The Committee shall not be precluded from approving the grant of an Option to any eligible employee or Key Non-Employee solely because such employee or Key Non-Employee may previously have been granted an Option under this Plan.

4. STOCK SUBJECT TO PLAN

4.1 Stock There shall be reserved for issue upon exercise of Options to be granted from time to time under the Plan a maximum of 3,860,000 shares of Stock (unless such maximum shall be increased by or decreased by reason of changes in capitalization as provided in Paragraph 8.4 hereof). The Stock subject to the Plan may be authorized but unissued shares, or may be issued shares which have been reacquired by the Company. At any time and from time to time after the Plan takes effect, Options may be granted to purchase any or all of the Stock subject to the Plan until the maximum number of shares of such Stock shall be exhausted or the Plan shall be sooner terminated."

4.2 Expiration or Cancellation of Options. Should any Option expire or be canceled without being fully exercised, the number of shares of Stock with

respect to which such Option shall not have been exercised prior to its expiration or cancellation may again be optioned pursuant to the provisions hereof.

5. GRANT OF OPTIONS

5.1 Decision of Committee. From time to time the Committee shall, in its sole discretion but subject to all of the provisions of the Plan, determine which employees and Key Non-Employees will be granted Options under the Plan and the size, terms and conditions of the Options to be granted to each Participant, including whether the Options will be Incentive Stock Options or Non-Incentive Stock Options; provided, however, that only employees of the Company and its Subsidiaries shall be eligible to receive Incentive Stock Options under the Plan. In any year, the Committee may approve the grant to any employee or Key Non-Employee of Options subject to differing terms and conditions. The Committee's decision to approve the grant of Options to an employee or Key Non-Employee in any year shall not require the Committee to approve the grant of Options to that employee or Key Non-Employee in any other year or to any other employee or Key Non-Employee in any year; nor shall

the Committee's decision with respect to the size, terms and conditions of the Options to be granted to an employee or Key Non-Employee in any year require it to approve the grant of Options of the same size or with the same terms and conditions to that employee or Key Non-Employee in any other year or to any other employee or Key Non-Employee in any year.

5.2 Acceptance of Grant. Each such employee or Key Non-Employee shall have a reasonable period of time as determined by the Committee within which to accept or reject the grant of the Options. Failure to accept in writing within the period so fixed by the Committee may be treated as a rejection. Each employee or Key Non-Employee who accepts the grant of the Options offered to him shall enter into an Option Agreement pursuant to Paragraph 6.1 hereof.

5.3 Limitation of Time of Grant. In no event shall any Incentive Stock Option be granted hereunder after the expiration of ten (10) years from the earlier of the date this Plan is adopted by the Board or the date this Plan is approved by the stockholders of the Company pursuant to Paragraph 8.1 hereof.

5.4 Limitation on Incentive Stock Options. In no event shall any employee be granted Incentive Stock Options that will first become exercisable by such employee in any one calendar year covering Stock the aggregate Fair Market Value of which exceeds $100,000.00. The aggregate Fair Market Value of the Stock shall be determined as of the time the Incentive Stock Option is granted. All

incentive stock options granted under a plan of the Company or any of its Subsidiaries shall be included in the computation of the limitation contained in this Paragraph 5.4. It is intended that the limitation on granted Incentive Stock Options provided hereinabove shall be the maximum limitation available for incentive stock options under Code Section 422.

5.5 Limitation on Recipients of Grant. Notwithstanding any other provisions contained herein to the contrary, in no event shall any employee owning directly or indirectly (pursuant to Code Section 425) more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary be granted an Incentive Stock Option hereunder unless (1) the option price is one hundred ten percent (110%) of the Fair Market Value of the Stock at the time the Option is granted and (2) the term of the Option does not exceed five (5) years.

6. TERMS AND CONDITIONS OF OPTIONS

6.1 Option Agreement. Each Option granted under the Plan shall be evidenced by an Option Agreement in such form as the Committee may prescribe setting forth the terms and conditions of the Options, consistent with the provisions of the Plan. The Option Agreement shall identify the Options granted as either Incentive Stock Options or Non-Incentive Stock Options. At any time and from time to time, the Committee and a Participant may agree to modify an Option Agreement in order that Incentive Stock Options may be converted to Non-Incentive Stock Options.

6.2 Method of Determining Number of Shares. The number of shares subject to each Option granted to a Participant shall be determined by the Committee according to the factors set forth in Section 3.2 above. Each Option Agreement shall specify the number of shares of Stock subject to each Option.

6.3 Method of Determining Option Price. The price for each share purchased under any Option granted under the Plan shall be the Fair Market Value of each share of the Stock on the date the Option is granted and shall be specified in the Option Agreement relating to such Option. The price specified in the Option Agreement for an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock on the date the Option is granted.

6.4 Payment of Option Price. Payment of the option price for Stock purchased under the Plan shall be made upon the exercise of an Option and may be paid to the Company either:

(A) in cash (including check, bank draft or money order); or

(B) at the discretion of the Committee, or if the Option Agreement so provides, by the delivery of shares of the Company's Stock already owned by the Participant and having a Fair Market Value on the date of exercise equal to the option price; or

(C) at the discretion of the Committee, or if the Option Agreement so provides, by a combination of cash and Stock.

6.5 Term of Options. The term of each Option shall be for such period of months and years from the date of granting thereof as may be determined by the Committee, but no Incentive Stock Option shall be exercisable later than ten (10) years from the date such Incentive Stock Option Is granted.

6.6 Exercise of Options Generally. An Option may be exercised as to shares of Stock only in such minimum quantities and at such intervals of time as may be specified in the Option Agreement between the Company and the Participant. Each exercise of an Option, or any part thereof, shall be evidenced by a notice in writing to the Company. The purchase price of the shares of Stock as to which an Option shall be exercised shall be paid in full at the time of exercise as specified in Paragraph 6.4 herein. The holder of an Option shall not have any of the rights of a stockholder of the Company with respect to the Stock covered by the Option until he has exercised the Option and received a stock certificate or has been determined to be a stockholder of record by the Company's transfer agent.

6.7 Nontransferability of Options. No option granted pursuant to the provisions hereunder shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. During the lifetime of a Participant, an Option shall be exercisable only by such Participant. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option contrary to the provisions hereof, or the

levy of any execution, attachment or similar process upon an Option shall be null, void and without effect.

7. TERMINATION OF SERVICES

7.1. Termination Before Option Becomes Exercisable. If the Participant's services, whether as an employee or otherwise, shall be terminated for any reason whatsoever before the date that any Option shall first have become

exercisable by the Participant, then the Participant's full interest in such Option shall terminate on the date of such termination of services and all rights thereunder shall cease.

7.2. Discharge or Resignation. If the Participant ceases to be an employee or Key Non-Employee of the Company, or a Subsidiary, for any reason other than retirement, death, Disability, or termination "for cause," as defined below, such Participant may exercise any Option granted to him, to the extent that the right to purchase Stock thereunder has become exercisable on the date of such termination, but only within three (3) months after such date or, if earlier, within the originally prescribed term of the Option. For purposes of this Plan, "cause" shall mean (i) a Participant's theft or embezzlement, or attempted theft or embezzlement, of money or property of the Company, or any Subsidiary, a Participant's perpetration or attempted perpetration of fraud, or a Participant's participation in a fraud or attempted fraud, on the Company, or a Subsidiary, or a Participant's unauthorized appropriation of, or a Participant's attempt to misappropriate, any tangible or intangible assets or property of the Company or a Subsidiary; (ii) any act or acts of disloyalty, dishonesty, misconduct, moral turpitude, or any other act or acts by a Participant injurious to the interests, property, operations, business or reputation of the Company or a Subsidiary; (iii) a Participant's commission of a felony or any other crime the commission of which results in injury to the Company or a Subsidiary; or (iv) any violation of any restriction on the disclosure or use of confidential information of the Company or a Subsidiary, client, prospect, or merger or acquisition target. The determination of the Committee as to the existence of cause shall be conclusive and binding upon the Participant and the Company.

7.3. Retirement. If any termination of a Participant's services is due to retirement with the consent of the Company or a Subsidiary, the Participant shall have the right to exercise an Option exercisable on the date of such retirement at any time within three (3) months after such retirement, provided, however, that in case the Participant shall die within three (3) months after such date of retirement without having exercised the Option, the personal representatives, heirs, legatees or distributees of the Participant, as appropriate, shall have the right up to twelve (12) months from such date of retirement to exercise any such Option to the extent that the Option was exercisable prior to the Participant's termination and had not been so exercised.

7.4. Death. If any Participant ceases to be an employee or Key Non-Employee of the Company, or a Subsidiary, by reason of death, the personal representatives, heirs, legatees or distributees of Participant, as appropriate, shall

have the right up to twelve (12) months from the termination of the Participant's services to exercise any Option to the extent that the Option was exercisable prior to the Participant's death and had not been so exercised.

7.5. Disability. If the Participant ceases to be an employee or Key Non-Employee of the Company or a Subsidiary because of Disability, as determined solely and exclusively by the Committee, the Participant shall have the right to exercise an Option at any time within one (1) year after such cessation; provided, however, that in case the Participant shall die within one (1) year after such date of cessation without having exercised the Option, the personal representatives, heirs, legatees or distributees of the Participant, as appropriate, shall have the right up to one (1) year from such date of termination to exercise any such Option to the extent that the Option was exercisable prior to the Participant's termination and had not been so exercised.

7.6. Limitations on Exercise. Despite the provisions of Paragraph 7.3, 7.4 and 7.5, no Incentive Stock Option shall be exercisable under any condition after the expiration of ten (10) years from the date of its grant. In addition, the provisions of Paragraph 7.3, 7.4 and 7.5 shall be subject to the provisions of Paragraphs 8.5 and 8.6.

8. MISCELLANEOUS

8.1 Effective Date. The Plan shall be effective as of July 25,1992; provided, however, that if the Plan is not approved by the holders of a majority of the outstanding shares of voting stock of the Company prior to July 25, 1993, the Plan and all Options granted thereunder prior to July 25, 1993 shall be void.

8.2 Duration of Plan. Unless sooner terminated, the Plan shall remain in effect to and through July 24, 2002. Termination of the Plan shall not effect any Options previously granted thereunder; such Options shall remain in effect until they have been terminated or exercised, all in accordance with the terms.

8.3 Restrictions on Exercise. The exercise of each Option granted under the Plan shall be subject to the condition that if at any time the Company shall determine, in its discretion, that the satisfaction of withholding taxes or other withholding liabilities, or that the listing, registration or qualification of any shares otherwise deliverable upon such exercise upon any securities exchange or under any state or federal law, of the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares thereunder, then in any such event such exercise shall not be effective unless

such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

8.4 Changes in Capital Structure. After the effectiveness of that certain stock split in the form of a nine-for-one share dividend approved by the Board by unanimous written consent dated July 24, 1992, (i) if there is any change in the capital structure of the Company through merger, consolidation, reorganization, recapitalization or otherwise, or (ii) if there shall be any dividend on the Stock, payable in such Stock, or

(iii) if there shall be a Stock split or combination of shares, then the maximum aggregate number of shares with respect to which Options may be exercised hereunder and the number and the option price of the shares of Stock with respect to which an Option has been granted hereunder, shall be proportionately adjusted by the Board as it deems equitable, in its absolute discretion, to prevent dilution or enlargement of the rights of Participants. The issuance of stock, warrants, or options shall not be considered a change in the Company's capital structure. No adjustment provided for in this section shall require the issuance of any fractional shares.

8.5 Dissolution or Liquidation. In the event of the dissolution or liquidation of the Company, any Option granted under the Plan shall terminate as of a date to be fixed by the Board, provided that not less than thirty (30) days' written notice of the date so fixed shall be given to each Participant and each such Participant shall have the right during such period to exercise his Options even though such Options would not otherwise be exercisable by reason of an insufficient lapse of time. At the end of such period any unexercised Options shall terminate and be of no further effect.

8.6 Reorganization. In the event of a Reorganization in which the Company is not the surviving or acquiring company, or in which the Company is or becomes a wholly owned subsidiary of another company after the effective date of the Reorganization, then

(A) If there is no plan or agreement respecting the Reorganization or if such plan or agreement does not specifically provide for the change, conversion, or exchange of the shares of Stock under outstanding and unexercised Options for securities of another corporation substantially identical in terms and conditions and equivalent in value to the Option subject hereto, then the Board shall take such action, and the Options shall terminate, as provided in Paragraph 8.5; or

(B) If there is a plan or agreement respecting the Reorganization and if such plan or agreement specifically provides for the change,

conversion, or exchange of the shares of Stock under outstanding and unexercised Options for securities of another corporation, then the Board shall adjust the shares under such outstanding and unexercised Options (and shall adjust the shares remaining under the Plan which are then available to be optioned under the Plan, if such plan or agreement makes specific provision therefor) in a manner not inconsistent with the provisions of such plan or agreement for the adjustment, change, conversion, or exchange of such Stock and such Options.

8.7 Amendment or Termination. The Board may, by resolution, amend or terminate the Plan at any time; provided, however, that subject to the provisions of Paragraph 8.4, the Board may not, without approval by the holders of a majority of the outstanding shares of Stock, increase the maximum aggregate number of shares with respect to which Options may be exercised under the Plan; materially increase the benefits accruing to Participants under the Plan; or materially modify the requirements with respect to eligibility for participation in the Plan. The Board may not, without the

consent of the holder of an Option, alter or impair any Option previously granted under the Plan except as authorized herein.

Anything in this Paragraph 8.7 to the contrary notwithstanding, this Plan may from time to time be amended to satisfy the conditions and requirements set forth in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or in any successor rule.

8.8 Treasury and Unissued Shares. When shares are required to be issued under the Plan, such shares may either be treasury shares or authorized and unissued shares.

8.9 Application of Proceeds. The proceeds received by the Company from the sale of Stock under the Plan will be used for general corporate purposes.

8.10 Nonguarantee of Employment. Nothing in this Plan shall confer upon a Participant any right to continue in the employ of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any of its Subsidiaries to terminate his employment at any time.

IN WITNESS WHEREOF, the Company has executed this 1992 Stock Option Plan effective as of the 25th day of July, 1992.

METASOLV SOFTWARE, INC.

/s/ JAMES P. JANICKI

By: James P. Janicki, President

ATTEST:

/s/ JONATHAN K. HUSTIS

Jonathan K. Hustis, Secretary

EXHIBIT 10.3

METASOLV SOFTWARE, INC.

LONG-TERM INCENTIVE PLAN

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METASOLV SOFTWARE, INC.
LONG-TERM INCENTIVE PLAN

I. PURPOSE

The MetaSolv Software, Inc. Long-Term Incentive Plan is adopted effective August 24, 1999. The Plan is designed to attract, retain and motivate selected Eligible Employees and Key Non-Employees of the Company and its Affiliates, and reward them for making major contributions to the success of the Company and its Affiliates. These objectives are accomplished by making long-term incentive awards under the Plan that will offer Participants an opportunity to have a greater proprietary interest in, and closer identity with, the Company and its Affiliates and their financial success. In addition to the foregoing, the Plan has been designed to reflect the merger into it, also effective August 24, 1999, of the 1992 Stock Option Plan of MetaSolv Software, Inc. (the "1992 Plan").

The Awards may consist of:

1. Incentive Options;

2. Nonstatutory Options;

3. Formula Options;

4. Restricted Stock;

5. Rights;

6. Dividend Equivalents;

7. Performance Awards; or

8. Cash Awards;

or any combination of the foregoing, as the Committee may determine.

The Plan is intended to qualify certain compensation awarded under the Plan for tax deductibility under Section 162(m) of the Code to the extent deemed appropriate by the Committee. The Plan and the grant of Awards hereunder are expressly conditioned upon the Plan's approval by the stockholders of the Company. If such approval is not obtained, then this Plan and all Awards hereunder shall be null and void ab initio.

The merger of the 1992 Plan into the Plan shall not in any way affect the rights of individuals who participated in the 1992 Plan in accordance with its provisions. All matters relating to Awards to which such individuals may be entitled based upon events occurring prior to the adoption of this Plan shall be determined in accordance with the applicable provisions of the 1992 Plan.

II. DEFINITIONS

A. Affiliate means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

B. Award means the grant to any Eligible Employee or Key Non-Employee of any form of Option, Restricted Stock, Right, Dividend Equivalent, Performance Award, or Cash Award, whether granted singly, in combination, or in tandem, and pursuant to such terms, conditions, and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

C. Award Agreement means a written agreement entered into between the Company and a Participant under which an Award is granted and which sets forth the terms, conditions, and limitations applicable to the Award.

D. Board means the Board of Directors of the Company.

E. Cash Award means an Award of cash, subject to the requirements of Article XIII and such other restrictions as the Committee deems appropriate or desirable.

F. Change of Control shall be deemed to occur on the earliest of (a) the acquisition by any entity, person, or group of beneficial ownership, as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, of more than 50% of the outstanding capital stock of the Company entitled to vote for election of directors ("Voting Stock"); (b) the completion by any entity, person, or group (other than the Company or a Subsidiary) of a tender offer or an exchange offer for more than 50% of the outstanding Voting Stock of the Company; (c) the effective time of (1) a merger or consolidation of the Company with one or more corporations as a result of which the holders of the outstanding Voting Stock of the Company immediately prior to such merger or consolidation hold less than 50% of the Voting Stock of the surviving or resulting corporation, or (2) a transfer of substantially all of the property or assets of the Company other than to an entity of which the Company owns at least 80% of the

Voting Stock; and (d) the election to the Board, without the recommendation or approval of the incumbent Board, of the lesser of (1) three directors, or (2) directors constituting a majority of the number of directors of the Company then in office.

G. Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

H. Committee means the committee to which the Board delegates the power to act under or pursuant to the provisions of the Plan, or the Board if no committee is selected. If the Board delegates powers to a committee, and if the Company is or becomes subject to Section 16 of the Exchange Act, then, if necessary for compliance therewith, such committee shall consist initially of not less than two (2) members of the Board, each member of which must be a "non-employee director," within the meaning of the applicable rules promulgated pursuant to the Exchange Act. If the Company is or becomes subject to Section 16 of the Exchange Act, no member of the Committee shall receive any Award pursuant to the Plan or any similar plan of the Company or any Affiliate while serving on the Committee, unless the Board determines that the grant of such an Award satisfies the then current Rule 16b-3 requirements under the Exchange Act. Notwithstanding anything herein to the contrary, and insofar as it is necessary in order for compensation recognized by Participants pursuant to the Plan to be fully deductible to the Company for federal income tax purposes, each member of the Committee also shall be an "outside director" (as defined in regulations or other guidance issued by the Internal Revenue Service under Code Section 162(m)).

I. Common Stock means the common stock of the Company.

J. Company means MetaSolv Software, Inc., a Delaware corporation, and includes any successor or assignee corporation or corporations into which the Company may be merged, changed, or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company.

K. Disability or Disabled means a permanent and total disability as defined in Section 22(e)(3) of the Code.

L. Dividend Equivalent means an Award subject to the requirements of Article XI.

M. Eligible Employee means an employee of the Company or of an Affiliate who is designated by the Committee as being eligible to be granted one or more Awards under the Plan.

N. Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto. References to any provision of the Exchange Act shall be deemed to include rules thereunder and successor provisions and rules thereto.

O. Fair Market Value means, if the Shares are listed on any national securities exchange, the closing sales price, if any, on the largest such exchange on the valuation date, or, if none, on the most recent trade date immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the Shares are not then listed on any such exchange, the fair market value of such Shares shall be the closing sales price if such is reported, or otherwise the mean between the closing "Bid" and the closing "Ask" prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the valuation date, or if none, on the most recent trade date immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the Shares

are not then either listed on any such exchange or quoted in NASDAQ, or there has been no trade date within such thirty (30) day period, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation System for the valuation date, or, if none, for the most recent trade date immediately prior to the valuation date provided such trade date is no more than thirty (30) days prior to the valuation date. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Committee.

P. Formula Option means a Nonstatutory Option granted automatically to a Non-Employee Board Member in accordance with Article VIII.

Q. Incentive Option means an Option that, when granted, is intended to be an "incentive stock option," as defined in Section 422 of the Code.

R. Key Non-Employee means a Non-Employee Board Member, consultant, advisor or independent contractor of the Company or of an Affiliate who is designated by the Committee as being eligible to be granted one or more Awards under the Plan.

S. Non-Employee Board Member means a director of the Company who is not an employee of the Company or any of its Affiliates. For purposes of the Plan, a Non-Employee Board Member shall be deemed to include the employer of such Non-Employee Board Member, if the Non-Employee Board Member is required, as a condition of his employment, to

provide that any Award granted hereunder be made to the employer. The foregoing notwithstanding, a Non-Employee Board Member shall not include any director of the Company or an Affiliate who is (i) associated with a venture capital fund that is a stockholder of the Company, or (ii) a founding stockholder of the Company.

T. Nonstatutory Option means an Option that, when granted, is not intended to be an "incentive stock option," as defined in Section 422 of the Code.

U. Option means a right or option to purchase Common Stock, including Restricted Stock if the Committee so determines.

V. Participant means an Eligible Employee or Key Non-Employee to whom one or more Awards are granted under the Plan.

W. Performance Award means an Award subject to the requirements of Article XII, and such performance conditions as the Committee deems appropriate or desirable.

X. Plan means the MetaSolv Software, Inc. Long-Term Incentive Plan, as amended from time to time.

Y. Restricted Stock means an Award made in Common Stock or denominated in units of Common Stock and delivered under the Plan, subject to the requirements of Article IX, such other restrictions as the Committee deems appropriate or desirable, and as awarded in accordance with the terms of the Plan.

Z. Right means a stock appreciation right delivered under the Plan, subject to the requirements of Article X and as awarded in accordance with the terms of the Plan.

AA. Shares means the following shares of the capital stock of the Company as to which Options or Restricted Stock have been or may be granted under the Plan and upon which Rights or units of Restricted Stock may be based: treasury or authorized but unissued Common Stock, $.01 par value, of the Company, or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Article XIX of the Plan.

III. SHARES SUBJECT TO THE PLAN

The aggregate number of Shares as to which Awards may be granted from time to time shall be four million six hundred sixty thousand (4,660,000) Shares (subject to adjustment for stock splits, stock dividends, and other adjustments described in Article XIX hereof); provided, however, that the number of Shares available for issuance under the Plan shall automatically increase on the first

trading day of each calendar year (during the first five (5) years following the adoption of the Plan by the Board) by five percent (5%) of the number of shares of Common Stock of the Company outstanding on such first trading day (excluding any increase as a result of an adjustment for stock splits, stock dividends, and other adjustments described in Article XIX hereof).

In accordance with Code Section 162(m), if applicable, the aggregate number of Shares as to which Awards may be granted in any one calendar year to any one Eligible Employee shall not exceed five hundred thousand (500,000) Shares (subject to adjustment for stock splits, stock dividends, and other adjustments described in Article XIX hereof).

From time to time, the Committee and appropriate officers of the Company shall take whatever actions are necessary to file required documents with governmental authorities and stock exchanges so as to make Shares available for issuance pursuant to the Plan. Shares subject to Awards that are forfeited, terminated, expire unexercised, canceled by agreement of the Company and the Participant, settled in cash in lieu of Common Stock or in such manner that all or some of the Shares covered by such Awards are not issued to a Participant, or are exchanged for Awards that do not involve Common Stock, shall immediately become available for Awards. In addition, if the exercise price of any Award is satisfied by tendering Shares to the Company (by actual delivery or attestation), only the number of Shares issued net of the Shares tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for Awards. Awards payable in cash shall not reduce the number of Shares available for Awards under the Plan.

IV. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Committee. A majority of the Committee shall constitute a quorum at any meeting thereof (including by telephone conference) and the acts of a majority of the members present, or acts approved in writing by a majority of the entire Committee without a meeting, shall be the acts of the Committee for purposes of this Plan. The Committee may authorize one or more of its members or an officer of the Company to execute and deliver documents on behalf of the Committee. A member of the Committee shall not exercise any discretion respecting himself or herself under the Plan. The Board shall have the authority to remove, replace or fill any vacancy of any member of the Committee upon notice to the Committee and the affected member. Any member of the Committee may resign upon notice to the Board. The Committee may allocate among one or more of its members, or may delegate to one or more of its agents, such duties and responsibilities as it determines. Subject to the provisions of the Plan, the Committee is authorized to:

A. Interpret the provisions of the Plan and any Award or Award Agreement, and make all rules and determinations that it deems necessary or advisable to the administration of the Plan;

B. Determine which employees of the Company or an Affiliate shall be designated as Eligible Employees and which of the Eligible Employees shall be granted Awards;

C. Determine the Key Non-Employees to whom Awards, other than Incentive Options and Performance Awards for which Key Non-Employees shall not be eligible, shall be granted;

D. Determine whether an Option to be granted shall be an Incentive Option or Nonstatutory Option;

E. Determine the number of Shares for which an Option or Restricted Stock shall be granted;

F. Determine the number of Rights, the Cash Award or the Performance Award to be granted;

G. Provide for the acceleration of the right to vest in, or exercise, any Award; and

H. Specify the terms, conditions, and limitations upon which Awards may be granted;

provided, however, that with respect to Incentive Options, all such interpretations, rules, determinations, terms, and conditions shall be made and prescribed in the context of preserving the tax status of the Incentive Options as incentive stock options within the meaning of Section 422 of the Code.

The Committee may delegate to the chief executive officer and to other senior officers of the Company or its Affiliates its duties under the Plan pursuant to such conditions or limitations as the Committee may establish, except that only the Committee may select, and grant Awards to, Participants who are subject to Section 16 of the Exchange Act. All determinations of the Committee shall be made by a majority of its members. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award.

The Committee shall have the authority at any time to cancel Awards for reasonable cause and to provide for the conditions and circumstances under which Awards shall be forfeited.

Any determination made by the Committee pursuant to the provisions of the Plan shall be made in its sole discretion, and in the case of any determination relating to an Award, may be made at the time of the grant of the Award or, unless in contravention of any express term of the Plan or an Agreement, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and the Participants. No determination shall be subject to de novo review if challenged in court.

V. ELIGIBILITY FOR PARTICIPATION

Awards may be granted under this Plan only to Eligible Employees and Key Non-Employees of the Company or its Affiliates. The foregoing notwithstanding, each Participant receiving an Incentive Option must be an Eligible Employee of the Company or of an Affiliate at the time the Incentive Option is granted.

The Committee may at any time and from time to time grant one or more Awards to one or more Eligible Employees or Key Non-Employees and may designate the number of Shares, if applicable, to be subject to each Award so granted, provided, however that no Incentive Option shall be granted after the expiration of ten (10) years from the earlier of the date of the adoption of the Plan by the Company or the approval of the Plan by the stockholders of the Company, and provided further, that the Fair Market Value of the Shares (determined at the time the Option is granted) as to which Incentive Options are exercisable for the first time by any Eligible Employee during any single calendar year (under the Plan and under any other incentive stock option plan of the Company or an Affiliate) shall not exceed One Hundred Thousand Dollars ($100,000). To the extent that the Fair Market Value of such Shares exceeds One Hundred Thousand Dollars ($100,000), the Shares subject to Option in excess of One Hundred Thousand Dollars ($100,000) shall, without further action by the Committee, automatically be converted to Nonstatutory Options.

Notwithstanding any of the foregoing provisions, the Committee may authorize the grant of an Award to a person not then in the employ of, or engaged by, the Company or of an Affiliate, conditioned upon such person becoming eligible to be granted an Award at or prior to the execution of the Award Agreement evidencing the actual grant of such Award.

VI. AWARDS UNDER THIS PLAN

As the Committee may determine, the following types of Awards may be granted under the Plan on a stand alone, combination, or tandem basis:

A. Incentive Option

An Award in the form of an Option that shall comply with the requirements of Section 422 of the Code. Subject to adjustments in accordance with the provisions of Article XIX, the aggregate number of Shares that may be subject to Incentive Options under the Plan shall not exceed four million six hundred sixty thousand (4,660,000).

B. Nonstatutory Option

An Award in the form of an Option that shall not be intended to comply with the requirements of Section 422 of the Code.

C. Formula Option

An Award in the form of an Option granted to a Non-Employee Board Member.

D. Restricted Stock

An Award made to a Participant in Common Stock or denominated in units of Common Stock, subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the Award Agreement, including but not limited to continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance.

E. Stock Appreciation Right

An Award in the form of a Right to receive the excess of the Fair Market Value of a Share on the date the Right is exercised over the Fair Market Value of a Share on the date the Right was granted.

F. Dividend Equivalents

An Award in the form of and based upon the value of dividends of Shares.

G. Performance Awards

An Award made to a Participant that is subject to performance conditions specified by the Committee, including but not limited to continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance.

H. Cash Awards

An Award made to a Participant and denominated in cash, with the eventual payment subject to future service and such other restrictions and conditions as may be established by the Committee, and as set forth in the Award Agreement.

Each Award under the Plan shall be evidenced by an Award Agreement. Delivery of an Award Agreement to each Participant shall constitute an agreement between the Company and the Participant as to the terms and conditions of the Award.

VII. TERMS AND CONDITIONS OF INCENTIVE OPTIONS AND NONSTATUTORY OPTIONS

Each Option shall be set forth in an Award Agreement, duly executed on behalf of the Company and by the Participant to whom such Option is granted. Except for the setting of the Option price under Paragraph A, no Option shall be granted and no purported grant of any Option shall be effective until such Award

Agreement shall have been duly executed on behalf of the Company and by the Participant. Each such Award Agreement shall be subject to at least the following terms and conditions:

A. Option Price

The purchase price of the Shares covered by each Option granted under the Plan shall be determined by the Committee. In the case of an Incentive Option (provided the Participant owns directly or by reason of the applicable attribution rules ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company), and in the case of any grant of a Nonstatutory Option, the Option price per share of the Shares covered by each Option shall be not less than the Fair Market Value of the Shares on the date of the grant of the Option. In all cases of Incentive Options not covered by the preceding sentence, the Option price shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant.

B. Number of Shares

Each Option shall state the number of Shares to which it pertains.

C. Term of Option

Each Incentive Option shall terminate not more than ten (10) years from the date of the grant thereof, or at such earlier time as the Award Agreement may provide, and shall be subject to earlier termination as herein provided, except that if the Option price is required under Paragraph A of this Article VII to be at least one hundred ten percent (110%) of Fair Market Value, each such Incentive Option shall terminate not more than five (5) years from the date of the grant thereof, and shall be subject to earlier termination as herein provided. The Committee shall determine the time at which a Nonstatutory Option shall terminate.

D. Date of Vesting or Exercise

Upon the authorization of the grant of an Option, or at any time thereafter, the Committee may, subject to the provisions of Paragraph C of this Article VII, prescribe the date or dates on which the Option vests or becomes exercisable, and may provide that the Option vests or becomes exercisable in installments over a period of years, or upon the attainment of stated goals.

E. Medium of Payment

The Option price shall be payable upon the exercise of the Option, as set forth in Paragraph I. It shall be payable in such form (permitted by Section 422 of the Code in the case of Incentive Options) as the Committee shall, either by rules promulgated pursuant to the provisions of Article IV of the Plan, or in the particular Award Agreement, provide.

F. Termination of Employment

1. A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate for any reason other than death, Disability, or termination "for cause," as defined in subparagraph (2) below, may exercise any Option granted to such Participant, to the extent that the right to purchase Shares thereunder has become exercisable on the date of such termination, but only within three (3) months after such date, or, if earlier, within the originally prescribed term of the Option. A Participant's employment shall not be deemed terminated by reason of a transfer to another employer that is the Company or an Affiliate.

2. A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate "for cause" shall, upon such termination, cease to have any right to exercise any Option. For purposes of this Plan, cause shall mean (i) a Participant's theft or embezzlement, or attempted theft or embezzlement, of money or property of the Company or of an Affiliate, a Participant's perpetration or attempted perpetration of fraud, or a Participant's participation in a fraud or attempted fraud, on the Company or an Affiliate or a Participant's unauthorized appropriation of, or a Participant's attempt to misappropriate, any tangible or intangible assets or property of the Company or an Affiliate; (ii) any act or acts of disloyalty, dishonesty, misconduct, moral turpitude, or any other act or acts by a Participant injurious to the interest, property, operations, business or reputation of the Company or an Affiliate; (iii) a Participant's commission of a felony or any other crime the commission of which results in injury to the Company or an Affiliate; (iv) any violation of any restriction on the disclosure or use of confidential information of the Company or an Affiliate, or client, prospect, or merger or acquisition target, or on competition with the Company or an Affiliate or any of its businesses as then conducted; or (v) any other action that the Board or the Committee, in their sole discretion, may deem to be sufficiently injurious to the interests of the Company or an Affiliate to constitute substantial cause for termination. The determination of the Committee as to the existence of cause shall be conclusive and binding upon the Participant and the Company.

3. A Participant who is absent from work with the Company or an Affiliate because of temporary disability (any disability other than a Disability), or who is on leave of absence for any purpose permitted by any authoritative interpretation (i.e., regulation, ruling, case law, etc.) of Section 422 of the Code, shall not, during the period of any such absence,

be deemed, by virtue of such absence alone, to have terminated his or her employment or relationship with the Company or with an Affiliate, except as the Committee may otherwise expressly provide or determine.

4. Paragraph F(1) shall control and fix the rights of a Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate for any reason other than Disability, death, or termination "for cause," and who subsequently becomes Disabled or dies. Nothing in Paragraphs G and H of this Article VII shall be applicable in any such case except that, in the event of such a subsequent Disability or death within the three (3) month period after the termination of employment or, if earlier, within the originally prescribed term of the Option, the Participant or the Participant's estate or personal representative may exercise the Option permitted by this Paragraph F within twelve (12) months after the date of Disability or death of such Participant, but in no event beyond the originally prescribed term of the Option.

G. Total and Permanent Disability

A Participant who ceases to be an employee or Key Non-Employee of the Company or of an Affiliate by reason of Disability may exercise any Option granted to such Participant to the extent that the right to purchase Shares thereunder has become exercisable on or before the date such Participant becomes Disabled as determined by the Committee.

A Disabled Participant, or his estate or personal representative, shall exercise such rights, if at all, only within a period of not more than twelve (12) months after the date that the Participant became Disabled as determined by the Committee (notwithstanding that the Participant might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant had not become Disabled) or, if earlier, within the originally prescribed term of the Option.

H. Death

In the event that a Participant to whom an Option has been granted ceases to be an employee or Key Non-Employee of the Company or of an Affiliate by reason of such Participant's death, such Option, to the extent that the right is exercisable but not exercised on the date of death, may be exercised by the Participant's estate or personal representative within twelve (12) months after the date of death of such Participant or, if earlier, within the originally prescribed term of the Option.

I. Exercise of Option and Issuance of Stock

Options shall be exercised by giving written notice to the Company. Such written notice shall: (i) be signed by the person exercising the Option, (ii) state the number of Shares with respect to which the Option is being exercised, (iii) contain the warranty required by paragraph M of this Article VII, if applicable, and (iv) specify a date (other than a Saturday, Sunday or legal holiday) not more than ten (10) days after the date of such written notice, as the date on which the Shares will be purchased. Such tender and conveyance shall take place at the principal office of the Company during ordinary business hours, or at such other hour and place agreed upon by the Company and the person or persons exercising the Option. On the date specified in such written notice (which date may be extended by the Company in order to comply with any law or regulation that requires the Company to take any action with respect to the Option Shares prior to the issuance thereof), the Company shall accept payment for the Option Shares in cash, by bank or certified check, by wire transfer, or by such other means as may be approved by the Committee and shall deliver to the person or persons exercising the Option in exchange therefor an appropriate certificate or certificates for fully paid nonassessable Shares or undertake to deliver certificates within a reasonable period of time. In the event of any failure to take up and pay for the number of Shares specified in such written notice on the date set forth therein (or on the extended date as above provided), the right to exercise the Option shall terminate with respect to such number of Shares, but shall continue with respect to the remaining Shares covered by the Option and not yet acquired pursuant thereto.

If approved in advance by the Committee, payment in full or in part also may be made (i) by delivering Shares, or by attestation of Shares, already owned for at least six (6) months by the Participant and which have a total Fair Market Value on the date of such delivery equal to the Option price; (ii) by the execution and delivery of a note or other evidence of indebtedness (and any security agreement thereunder) satisfactory to the Committee; (iii) by authorizing the Company to retain Shares that otherwise would be issuable upon exercise of the Option having a total Fair Market Value on the date of delivery equal to the Option price; (iv) by the delivery of cash or the extension of credit by a broker-dealer to whom the Participant has submitted a notice of exercise or otherwise indicated an intent to exercise an Option (in accordance with part 220, Chapter II, Title 12 of the Code of Federal Regulations, a so-called "cashless" exercise); or (v) by any combination of the foregoing.

J. Rights as a Stockholder

No Participant to whom an Option has been granted shall have rights as a stockholder with respect to any Shares covered by such Option except as to such Shares as have been registered in the Company's share register in the name of such Participant upon the due exercise of the Option and tender of the full Option price.

K. Assignability and Transferability of Option

Unless otherwise permitted by the Code and by Rule 16b-3 of the Exchange Act, if applicable, and approved in advance by the Committee, an Option granted to a Participant shall not be transferable by the Participant and shall be exercisable, during the Participant's lifetime, only by such Participant or, in the event of the Participant's incapacity, his guardian or legal representative. Except as otherwise permitted herein, such Option shall not be assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment, or similar process and any attempted transfer, assignment, pledge, hypothecation or other disposition of any Option or of any rights granted thereunder contrary to the provisions of this Paragraph K, or the levy of any attachment or similar process upon an Option or such rights, shall be null and void.

L. Other Provisions

The Award Agreement for an Incentive Option shall contain such limitations and restrictions upon the exercise of the Option as shall be necessary in order that such Option can be an "incentive stock option" within the meaning of Section 422 of the Code. Further, the Award Agreements authorized under the Plan shall be subject to such other terms and conditions including, without limitation, restrictions upon the exercise of the Option, as the Committee shall deem advisable and which, in the case of Incentive Options, are not inconsistent with the requirements of Section 422 of the Code.

M. Purchase for Investment

If Shares to be issued upon the particular exercise of an Option shall not have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled. The person who exercises such Option shall warrant to the Company that, at the time of such exercise, such person is acquiring his or her Option Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares, and shall make such other representations, warranties, acknowledgments, and affirmations, if any, as the Committee may require. In such event, the person acquiring such Shares shall be bound by the provisions of the following legend (or similar legend) which shall be endorsed upon the certificate(s) evidencing his or her Option Shares issued pursuant to such exercise.

> "The shares represented by this certificate have been acquired for investment and they may not be sold or otherwise transferred by any person, including a pledgee, in the absence of an effective registration statement for the shares under the Securities Act of 1933 or an opinion of counsel satisfactory to the Company that an exemption from registration is then available."

Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining any consent that the

Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

VIII. FORMULA OPTIONS

A. Each Non-Employee Board Member shall be granted automatically a Formula Option to purchase up to thirty thousand (30,000) Shares on the first annual meeting of the Company after the date the Plan is adopted or, if later, upon his or her initial election and qualification for a three (3) year term as a Non-Employee Board Member, and, thereafter, shall be granted automatically a Formula Option to purchase up to thirty thousand (30,000) Shares upon each re-election and qualification as a Non-Employee Board Member. The foregoing notwithstanding, and in lieu thereof, each Non-Employee Board Member whose election is for a term of less than three (3) years shall be granted automatically a Formula Option to purchase up to ten thousand (10,000) Shares for each year of his or her term. The number of Shares which are to be subject to a Formula Option may, on a prospective basis only, be decreased from time to time at the discretion of the Committee.

B. The purchase price of the Shares subject to the Formula Option shall be equal to one hundred percent (100%) of the Fair Market Value as of the date of grant.

C. The Shares subject to the Formula Option granted to a Non-Employee Board Member shall vest cumulatively, in accordance with the following schedule:

Years Elapsed Since Date of Grant	Cumulative Number of Vested Shares
Less than 1	0
1	10,000
2	20,000
3 or more	30,000

The foregoing schedule notwithstanding, if a Non-Employee Board Member shall cease to be a director of the Company because of death or Disability, all Shares for which a Formula Option has been granted shall immediately vest and shall be exercisable in accordance with Paragraphs G and H of Article VII. If a Non-

Employee Board Member ceases to be a director of the Company for any reason other than death or Disability, his or her right to exercise the Formula Option, and the timing of such exercise, shall be governed by the applicable provisions of Paragraph F of Article VII.

D. Formula Options shall be evidenced by an Award Agreement which shall conform to the requirements of the Plan, and may contain such other provisions not inconsistent therewith, as the Committee shall deem advisable. The provisions of Article VII governing Nonstatutory Options, and the exercise and issuance thereof, shall apply to Formula Options to the extent such provisions are not inconsistent with this Article VIII.

IX. TERMS AND CONDITIONS OF RESTRICTED STOCK

A. The Committee may from time to time grant an Award in Shares of Common Stock or grant an Award denominated in units of Common Stock, for such consideration, if any, as the Committee deems appropriate (which amount may be less than the Fair Market Value of the Common Stock on the date of the Award), and subject to such restrictions and conditions and other terms as the Committee may determine at the time of the Award (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and subject further to the general provisions of the Plan, the applicable Award Agreement, and the following specific rules.

B. If Shares of Restricted Stock are awarded, such Shares cannot be assigned, sold, transferred, pledged, or hypothecated prior to the lapse of the restrictions applicable thereto, and, in no event, absent Committee approval, prior to six (6) months from the date of the Award. The Company shall issue, in the name of the Participant, stock certificates representing the total number of Shares of Restricted Stock awarded to the Participant, as soon as may be reasonably practicable after the grant of the Award, which certificates shall be held by the Secretary of the Company as provided in Paragraph G.

C. Restricted Stock issued to a Participant under the Plan shall be governed by an Award Agreement that shall specify whether Shares of Common Stock are awarded to the Participant, or whether the Award shall be one not of Shares of Common Stock but one denominated in units of Common Stock, any

consideration required thereto, and such other provisions as the Committee shall determine.

D. Subject to the provisions of Paragraphs B and E hereof and the restrictions set forth in the related Award Agreement, the Participant receiving an Award of Shares of Restricted Stock shall thereupon be a stockholder with respect to all of the Shares represented by such certificate or certificates and shall have the rights of a stockholder with respect to such Shares, including the right to vote such Shares and to receive dividends and other distributions made with respect to such Shares. All Common Stock received by a Participant as the result of any dividend on the Shares of Restricted Stock, or as the result of any stock split, stock distribution, or combination of the Shares affecting Restricted Stock, shall be subject to the restrictions set forth in the related Award Agreement.

E. Restricted Stock or units of Restricted Stock awarded to a Participant pursuant to the Plan will be forfeited, and any Shares of Restricted Stock or units of Restricted Stock sold to a Participant pursuant to the Plan may, at the Company's option, be resold to the Company for an amount equal to the price paid therefor, and in either case, such Restricted Stock or units of Restricted Stock shall revert to the Company, if the Company so determines in accordance with Article XV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment with the Company or its Affiliates terminates, other than for reasons set forth in Article XIV, prior to the expiration of the forfeiture or restriction provisions set forth in the Award Agreement.

F. The Committee, in its discretion, shall have the power to accelerate the date on which the restrictions contained in the Award Agreement shall lapse with respect to any or all Restricted Stock awarded under the Plan.

G. The Secretary of the Company shall hold the certificate or certificates representing Shares of Restricted Stock issued under the Plan, properly endorsed for transfer, on behalf of each Participant who holds such Shares, until such time as the Shares of Restricted Stock are forfeited, resold to the Company, or the restrictions lapse. Any Restricted Stock denominated in units of Common Stock, if not previously forfeited, shall be payable in accordance with Article XVI as soon as practicable after the restrictions lapse.

H. The Committee may prescribe such other restrictions, conditions, and terms applicable to Restricted Stock issued to a Participant under the Plan that are neither inconsistent with nor prohibited by the Plan or the Award Agreement, including, without limitation, terms providing for a lapse of the restrictions of this Article or any Award Agreement in installments.

X. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

If deemed by the Committee to be in the best interests of the Company, a Participant may be granted a Right. Each Right shall be granted subject to such restrictions and conditions and other terms as the Committee may specify in the Award Agreement at the time the Right is granted, subject to the general provisions of the Plan, and the following specific rules.

A. Rights may be granted, if at all, either singly, in combination with another Award, or in tandem with another Award. At the time of grant of a Right, the Committee shall specify the base price of Common Stock to be used in connection with the calculation described in Paragraph B below, provided that the base price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share of Common Stock on the date of grant, unless approved by the Board.

B. Upon exercise of a Right, which shall be not less than six (6) months from the date of the grant, the Participant shall be entitled to receive in accordance with Article XVI, and as soon as practicable after exercise, the excess of the Fair Market Value of one Share of Common Stock on the date of exercise over the base price specified in such Right, multiplied by the number of Shares of Common Stock then subject to the Right, or the portion thereof being exercised.

C. Notwithstanding anything herein to the contrary, if the Award granted to a Participant allows him or her to elect to cancel all or any portion of an unexercised Option by exercising an additional or tandem Right, then the Option price per Share of Common Stock shall be used as the base price specified in Paragraph A to determine the value of the Right upon such exercise and, in the event of the exercise of such Right, the Company's obligation with respect to such Option or portion thereof shall be discharged by payment of the Right so exercised. In the event of such a cancellation, the number of Shares as to which such Option was canceled shall become available for use under the Plan, less the number of Shares, if any, received by the Participant upon such cancellation in accordance with Article XVI.

D. A Right may be exercised only by the Participant (or, if applicable under Article XIV, by a legatee or legatees of such Right, or by the Participant's executors, personal representatives, or distributees).

XI. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENTS

A Participant may be granted an Award in the form of Dividend Equivalents. Such an Award shall entitle the Participant to receive cash, Shares, other Awards or other property equal in value to dividends paid with respect to a specified number of Shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, Awards or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

XII. TERMS AND CONDITIONS OF PERFORMANCE AWARDS

A. A Participant may be granted an Award that is subject to performance conditions specified by the Committee. The Committee may use business criteria and other measures of performance it deems appropriate in establishing any performance conditions (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as otherwise limited under Paragraphs C and D, below, in the case of a Performance Award intended to qualify under Code Section 162(m).

B. Any Performance Award will be forfeited if the Company so determines in accordance with Article XV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment with the Company or its Affiliates terminates, other than for reasons set forth in Article XIV, prior to the expiration of the time period over which the performance conditions are to be measured.

C. If the Committee determines that a Performance Award to be granted to an Eligible Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant and/or settlement of such Performance Award shall be contingent upon achievement of preestablished

performance goals and other terms set forth in this Paragraph C.

1. Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria, as specified by the Committee consistent with this Paragraph C. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m), including the requirement that the level or levels of performance targeted by the Committee result in the performance goals being "substantially uncertain." The Committee may determine that more than one performance goal must be achieved as a condition to settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

2. Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Affiliates or business units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used exclusively by the Committee in establishing performance goals for such Performance Awards: (a) total stockholder return; (b) such total stockholder return as compared to the total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor's 500 or the Nasdaq-U.S. Index; (c) net income; (d) pre-tax earnings; (e) EBITDA; (f) pre-tax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (g) operating margin; (h) earnings per share; (i) return on equity; (j) return on capital; (k) return on investment; (l) operating income, excluding the effect of charges for acquired in-process technology and before payment of executive bonuses; (m) earnings per share, excluding the effect of charges for acquired in-process technology and before payment of executive

bonuses; (n) working capital; (o) sales; and (p) total revenues. The foregoing business criteria also may be used in establishing performance goals for Cash Awards granted under Article XIII hereof.

3. Compensation Limitation. No Eligible Employee may receive a Performance Award in excess of $3,000,000 during any three (3) year period.

D. Achievement of performance goals in respect of such Performance Awards shall be measured over such periods as may be specified by the Committee. Performance goals shall be established on or before the dates that are required or permitted for "performance-based compensation" under Code Section 162(m).

E. Settlement of Performance Awards may be in cash or Shares, or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable in respect of a Performance Award that is subject to Code Section 162(m).

XIII. TERMS AND CONDITIONS OF CASH AWARDS

A. The Committee may from time to time authorize the award of cash payments under the Plan to Participants, subject to such restrictions and conditions and other terms as the Committee may determine at the time of authorization (including, but not limited to, continuous service with the Company or its Affiliates, achievement of specific business objectives, increases in specified indices, attaining growth rates, and other measurements of Company or Affiliate performance), and subject to the general provisions of the Plan, the applicable Award Agreement, and the following specific rules.

B. Any Cash Award will be forfeited if Company so determines in accordance with Article XV or any other condition set forth in the Award Agreement, or, alternatively, if the Participant's employment or engagement with the Company or its Affiliates terminates, other than for reasons set forth in Article XIV, prior to the attainment of any goals set forth in the Award Agreement or prior to the expiration of the forfeiture or restriction provisions set forth in the Award Agreement, whichever is applicable.

C. The Committee, in its discretion, shall have the power to change the date on which the restrictions contained in the Award Agreement shall lapse, or the date on which goals are to be measured, with respect to any Cash Award.

D. Any Cash Award, if not previously forfeited, shall be payable in accordance with Article XVI as soon as practicable after

the restrictions lapse or the goals are attained.

E. The Committee may prescribe such other restrictions, conditions, and terms applicable to the Cash Awards issued to a Participant under the Plan that are neither inconsistent with nor prohibited by the Plan or the Award Agreement, including, without limitation, terms providing for a lapse of the restrictions, or a measurement of the goals, in installments.

XIV. TERMINATION OF EMPLOYMENT

Except as may otherwise be (i) provided in Article VII for Options, (ii) provided for under the Award Agreement, or (iii) permitted pursuant to Paragraphs A through C of this Article XIV (subject to the limitations under the Code for Incentive Options), if the employment of a Participant terminates, all unexpired, unpaid, unexercised, or deferred Awards shall be canceled immediately.

A. Retirement under a Company or Affiliate Retirement Plan. When a Participant's employment terminates as a result of retirement as defined under a Company or Affiliate retirement plan, the

Committee may permit Awards to continue in effect beyond the date of retirement in accordance with the applicable Award Agreement, and/or the exercisability and vesting of any Award may be accelerated.

B. Resignation in the Best Interests of the Company or an Affiliate. When a Participant resigns from the Company or an Affiliate and, in the judgment of the chief executive officer or other senior officer designated by the Committee, the acceleration and/or continuation of outstanding Awards would be in the best interests of the Company, the Committee may (i) authorize, where appropriate, the acceleration and/or continuation of all or any part of Awards granted prior to such termination and (ii) permit the exercise, vesting, and payment of such Awards for such period as may be set forth in the applicable Award Agreement, subject to earlier cancellation pursuant to Article XV or at such time as the Committee shall deem the continuation of all or any part of the Participant's Awards are not in the Company's or its Affiliate's best interests.

C. Death or Disability of a Participant.

1. In the event of a Participant's death, the

Participant's estate or beneficiaries shall have a period up to the earlier of (i) the expiration date specified in the Award Agreement, or (ii) the expiration date specified in Paragraph H of Article VII, within which to receive or exercise any outstanding Awards held by the Participant under such terms as may be specified in the applicable Award Agreement. Rights to any such outstanding Awards shall pass by will or the laws of descent and distribution in the following order: (a) to beneficiaries so designated by the Participant; (b) to a legal representative of the Participant; or (c) to the persons entitled thereto as determined by a court of competent jurisdiction. Awards so passing shall be made at such times and in such manner as if the Participant were living.

2. In the event a Participant is determined by the Company to be Disabled, and subject to the limitations of Paragraph G of Article VII, Awards may be paid to, or exercised by, the Participant, if legally competent, or by a legally designated guardian or other representative if the Participant is legally incompetent by virtue of such Disability.

3. After the death or Disability of a Participant, the Committee may in its sole discretion at any time (i) terminate restrictions in Award Agreements; (ii) accelerate any or all installments and rights; and/or (iii) instruct the Company to pay the total of any accelerated payments in a lump sum to the Participant, the Participant's estate, beneficiaries or representative, notwithstanding that, in the absence of such termination of restrictions or acceleration of payments, any or all of the payments due under the Awards ultimately might have become payable to other beneficiaries.

XV. CANCELLATION AND RESCISSION OF AWARDS

Unless the Award Agreement specifies otherwise, the Committee may cancel any unexpired, unpaid, unexercised, or deferred Awards at any time if the Participant is not in compliance with the applicable provisions of the Award Agreement, the Plan, or with the following conditions:

A. A Participant shall not breach any protective agreement entered into between him or her and the Company or any Affiliates, or render services for any organization or engage directly or indirectly in any business which, in the judgment of the chief executive officer of the Company or other senior officer designated by the Committee, is or becomes

competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company. For a Participant whose employment has terminated, the judgment of the chief executive officer shall be based on the terms of the protective agreement, if applicable, or on the Participant's position and responsibilities while employed by the Company or its Affiliates, the Participant's post-employment responsibilities and position with the other organization or business, the extent of

past, current, and potential competition or conflict between the Company and the other organization or business, the effect of the Participant's assuming the post-employment position on the Company's or its Affiliate's customers, suppliers, investors, and competitors, and such other cons iderations as are deemed relevant given the applicable facts and circumstances. A Participant may, however, purchase as an investment or otherwise, stock or other securities of any organization or business so long as they are listed upon a recognized securities exchange or traded over-the-counter, and such investment does not represent a substantial investment to the Participant or a greater than one percent (1%) equity interest in the organization or business.

B. A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company or its Affiliates, or use in other than the Company's or Affiliate's business, any confidential information or materials relating to the business of the Company or its Affiliates, acquired by the Participant either during or after employment or engagement with the Company or its Affiliates.

C. A Participant shall disclose promptly and assign to the Company all right, title, and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment with the Company or an Affiliate, relating in any manner to the actual or anticipated business, research, or development work of the Company or its Affiliates, and shall do anything reasonably necessary to enable the Company or its Affiliates to secure a patent, trademark, copyright, or other protectable interest where appropriate in the United States and in foreign countries.

Upon exercise, payment, or delivery pursuant to an Award, the Participant shall certify on a form acceptable to the Committee that he or she is in compliance

with the terms and conditions of the Plan, including the provisions of Paragraphs A, B or C of this Article XV. Failure to comply with the provisions of Paragraphs A, B or C of this Article XV prior to, or during the one (1) year period after, any exercise, payment, or delivery pursuant to an Award shall cause such exercise, payment, or delivery to be rescinded. The Company shall notify the Participant in writing of any such rescission within two (2) years after such exercise, payment, or delivery. Within ten (10) days after receiving such a notice from the Company, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment, or delivery pursuant to the Award. Such payment shall be made either in cash or by returning to the Company the number of Shares of Common Stock that the Participant received in connection with the rescinded exercise, payment, or delivery.

XVI. PAYMENT OF RESTRICTED STOCK, RIGHTS, PERFORMANCE AWARDS AND CASH AWARDS

Payment of Restricted Stock, Rights, Performance Awards and Cash Awards may be made, as the Committee shall specify, in the form of cash, Shares of Common Stock, or combinations thereof; provided, however, that a fractional Share of Common Stock shall be paid in cash equal to the Fair Market Value of the fractional Share of Common Stock at the time of payment.

XVII. WITHHOLDING

Except as otherwise provided by the Committee,

A. The Company shall have the power and right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy the minimum federal, state, and local taxes required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of this Plan; and

B. In the case of payments of Awards, or upon any other taxable event hereunder, a Participant may elect, subject to the approval in advance by the Committee, to satisfy the withholding requirement, if any, in whole or in part, by having the Company withhold Shares of Common Stock that would otherwise be transferred to the Participant having a Fair Market Value, on the date the tax is to be determined, equal to the minimum marginal tax that could be imposed on the transaction. All elections shall be made in writing and signed by the Participant.

XVIII. SAVINGS CLAUSE

This Plan is intended to comply in all respects with applicable law and regulations, including, (i) with respect to those Participants who are officers or directors for purposes of Section 16 of the Exchange Act, Rule 16b-3 of the

Securities and Exchange Commission, if applicable, and (ii) with respect to executive officers, Code Section 162(m). In case any one or more provisions of this Plan shall be held invalid, illegal, or unenforceable in any respect under applicable law and regulation (including Rule 16b-3 and Code Section 162(m)), the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal, or unenforceable provision shall be deemed null and void; however, to the extent permitted by law, any provision that could be deemed null and void shall first be construed, interpreted, or revised retroactively to permit this Plan to be construed in compliance with all applicable law (including Rule 16b-3 and Code Section 162(m)) so as to foster the intent of this Plan. Notwithstanding anything herein to the contrary, with respect to Participants who are officers and directors for purposes of Section 16 of the Exchange Act, if applicable, and if required to comply with rules promulgated thereunder, no grant of, or Option to purchase, Shares shall permit unrestricted ownership of Shares by the Participant for at least six (6) months from the date of grant or Option, unless the Board determines that the grant of, or Option to purchase, Shares otherwise satisfies the then current Rule 16b-3 requirements.

XIX. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; CORPORATE TRANSACTIONS

In the event that the outstanding Shares of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, spin-off, reclassification, change in par value, stock split, combination of shares or dividends payable in capital stock, or the like, the Company shall make adjustments to such Awards (including, by way of example and not by way of limitation, the grant of substitute Awards under the Plan or under the plan of such other corporation) as it may determine to be appropriate under the circumstances, and, in addition, appropriate adjustments shall be made in the number and kind of shares and in the option price per share subject to outstanding Awards under the Plan or under the plan of such successor corporation. If there is no adjustment provided for through the terms of the reorganization, merger, consolidation or other event, or if such adjustment does not specifically provide for the change, conversion, or exchange of Awards for similar awards of such other corporation, then the Awards shall vest and be treated in accordance with the provisions of Article XX hereof. The foregoing notwithstanding, no such adjustment shall be made in an Incentive Option which shall, within the meaning of Section 424 of the Code, constitute such a modification, extension, or renewal of an option as to cause it to be considered as the grant of a new option.

Notwithstanding anything herein to the contrary, the Company may, in its sole discretion, accelerate the timing of the vesting and/or exercise provisions of any Award in the event of (i) the adoption of a plan of merger or consolidation under which a majority of the Shares of the Company would be eliminated, or (ii) a sale of all or any portion of the Company's assets or capital stock. Alternatively, the Company may, in its sole discretion, cancel any or all Awards upon any of the foregoing events and provide for the payment to Participants in cash of an amount equal to the value or appreciated value,

whichever is applicable, of the Award, as determined in good faith by the Committee, at the close of business on the date of such event. The preceding two sentences of this Article XIX notwithstanding, upon such a business combination, twenty-five percent (25%) of each tranche of Shares subject

to an Award or Award(s) made under this Plan and not under the 1992 Plan, which are otherwise unvested at the time of such business combination, shall automatically vest and be exercisable, provided that if any such business combination is to be accounted for as a pooling-of-interests under APB Opinion 16 (or any successor opinion), the timing of such acceleration may not prevent such pooling-of-interests treatment. Also, for any Participant who has received an Award or Awards under this Plan and the 1992 Plan totaling 50,000 or more Shares in the aggregate, and whose employment is terminated by the Company, other than "for cause" as defined in Article VII(F)(2) above, at any time on or after such business combination, or at any time on or after "change in control" as defined in Article II(F) above, the Company also shall be required to accelerate by twenty-four (24) months the timing of the vesting and/or exercise provisions of any Award(s) made under this Plan and not under the 1992 Plan (so that a Participant will be able to exercise thereafter any Award(s) under this Plan that otherwise would have vested or become exercisable within the twenty-four (24) month period following such termination), provided that if any such business combination is to be accounted for as a pooling-of-interests under APB Opinion 16 (or any successor opinion), the timing of such acceleration may not prevent such pooling-of-interests treatment. Provided, moreover, that if any provision of the Plan or Award Agreement would disqualify the combination from pooling-of-interests accounting treatment, then the Plan and Award Agreement shall be interpreted to preserve such accounting treatment or, if necessary, the applicable provision shall be null and void. All determinations to be made in connection with the preceding sentence shall be made by the independent accounting firm whose opinion with respect to the pooling-of-interests treatment is required as a condition to the Company's consummation of such combination.

Upon a business combination by the Company or any of its Affiliates with any corporation or other entity through the adoption of a plan of merger or consolidation or a share exchange or through the purchase of all or substantially all of the capital stock or assets of such other corporation or entity, the Board or the Committee may, in its sole discretion, grant Options pursuant hereto to all or any persons who, on the effective date of such transaction, hold outstanding options to purchase securities of such other corporation or entity and who, on and after the effective date of such transaction, will become employees or directors of, or consultants or advisors to, the Company or its Affiliates. The number of Shares subject to such substitute Options shall be determined in accordance with the terms of the transaction by which the business combination is effected. Notwithstanding the other provisions of this Plan, the other terms of such substitute Options shall be substantially the same as or economically equivalent to the terms of the options for which such Options are substituted, all as determined by the Board or by the Committee, as the case may be. Upon the grant of substitute Options

pursuant hereto, the options to purchase securities of such other corporation or entity for which such Options are substituted shall be canceled immediately.

XX. DISSOLUTION OR LIQUIDATION OF THE COMPANY

Upon the dissolution or liquidation of the Company other than in connection with a transaction to which Article XIX is applicable, all Awards granted hereunder shall terminate and become null and void as of a date to be fixed by the Board; provided, however, that not less than thirty (30) days' written notice of the date so fixed shall be given to each Participant and each such Participant shall vest and have the right to exercise any Award granted hereunder, whether or not otherwise vested or exercisable prior to such dissolution or liquidation. At the end of such period, any unexercised Awards shall terminate and be of no further effect.

XXI. TERMINATION OF THE PLAN

The Plan shall terminate ten (10) years from the earlier of the date of its adoption by the Board or the date of its approval by the stockholders. The Plan may be terminated at an earlier date by vote of the stockholders or the Board; provided, however, that any such earlier termination shall not affect any Award Agreements executed prior to the effective date of such termination. Notwithstanding anything in this Plan to the contrary, any Options granted prior to the effective date of the Plan's termination may be exercised until the earlier of (i) the date set forth in the Award Agreement, or (ii) in the case of an Incentive Option, ten (10) years from the date the Option is granted; and the provisions of the Plan with respect to the full and final authority of the Committee under the Plan shall continue to control.

XXII. AMENDMENT OF THE PLAN

The Plan may be amended by the Board and such amendment shall become effective upon adoption by the Board; provided, however, that any amendment shall be subject to the approval of the stockholders of the Company at or before the next annual meeting of the stockholders of the Company if such stockholder approval is required by the Code, any federal or state law or regulation, the rules of any stock exchange or automated quotation system on which the Shares may be listed or quoted, or if the Board, in its discretion, determines to submit such changes to the Plan to its stockholders for approval.

XXIII. EMPLOYMENT RELATIONSHIP

Nothing herein contained shall be deemed to prevent the Company or an Affiliate from terminating the employment of a Participant, nor to prevent a Participant from terminating the Participant's employment with the Company or an Affiliate.

XXIV. INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken by them as directors or members of the Committee and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Board) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that the director or Committee member is liable for gross negligence or willful misconduct in the performance of his or her duties. To receive such indemnification, a director or Committee member must first offer in writing to the Company the opportunity, at its own expense, to defend any such action, suit or proceeding.

XXV. UNFUNDED PLAN

Insofar as it provides for payments in cash in accordance with Article XVI, or otherwise, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock, or rights thereto under the Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock, or rights thereto, nor shall the Plan be construed as providing for such segregation, nor shall the Company, the Board, or the Committee be deemed to be a trustee of any cash, Common Stock, or rights thereto to be granted under the Plan. Any liability of the Company to any Participant with respect to a grant of cash, Common Stock, or rights thereto under the Plan shall be based solely upon any contractual obligations that may be created by the Plan and any Award Agreement; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by the Plan.

XXVI. MITIGATION OF EXCISE TAX

Unless otherwise provided in the Award Agreement, if any payment or right accruing to a Participant under this Plan (without the application of this Article XXVI), either alone or together with other payments or rights accruing to the Participant from the Company or an Affiliate, would constitute a "parachute payment" (as defined in Section 280G of the Code and regulations thereunder), such payment or right shall be reduced to the largest amount or greatest right that will result in no portion of the amount payable or right accruing under the Plan being subject to an excise tax under Section 4999 of the Code or being disallowed as a deduction under Section 280G of the Code. The determination of whether any reduction in the rights or payments under this Plan is necessary shall be made by the Company. The Participant shall cooperate in good faith with the Company in making such determination and providing any necessary information for this purpose.

XXVII. EFFECTIVE DATE

This Plan shall become effective upon adoption by the Board, provided that the Plan is approved by the stockholders of the Company before or at the Company's next annual meeting, but in no event shall stockholder approval be sought more than one (1) year after such adoption by the Board.

XXVIII. GOVERNING LAW

This Plan shall be governed by the laws of the State of Delaware and construed in accordance therewith.

Adopted this 24th day of August, 1999.

EXHIBIT 10.4

METASOLV SOFTWARE, INC.
EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE

The purpose of the MetaSolv Software, Inc. Employee Stock Purchase Plan is to provide eligible Employees of MetaSolv Software, Inc., and its Affiliates with an opportunity to acquire a proprietary interest in the Company through the purchase of Common Stock of the Company on a payroll deduction basis. It is believed that participation in the ownership of the Company will be to the mutual benefit of the eligible Employees and the Company. It is intended that this Plan shall constitute an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of Code Section 423.

2. DEFINITIONS

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Plan, have the following meanings. Wherever appropriate, words used in the singular shall be deemed to include the plural and vice versa, and the masculine gender shall be deemed to include the feminine gender.

(a) Account means the funds accumulated with respect to an Employee as a result of deductions from his paycheck for the purpose of purchasing Common Stock under the Plan. The funds allocated to an Employee's Account shall remain the property of the Employee at all times prior to the purchase of the Common Stock, but may be commingled with the assets of the Company and used for general corporate purposes. No interest shall be paid or accrued on any funds accumulated in the Accounts of Employees.

(b) Affiliate means a corporation, as defined in Section 424(f) of the Code, that is a parent or subsidiary of the Company, direct or indirect.

(c) Board means the Board of Directors of the Company.

(d) Code means the Internal Revenue Code of 1986, as amended.

(e) Committee means the committee to which the Board delegates the power to act under or pursuant to the provisions of the Plan, or the Board if no committee is selected.

(f) Common Stock means the shares of common stock of the Company, $.01 par value.

(g) Company means MetaSolv Software, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of the Company.

(h) Compensation means the compensation paid to an Employee by the Company during a payroll period for federal income tax purposes, as reported on an Employee's Form W-2 (or comparable reporting form) for income tax withholding purposes.

(i) Effective Date means the date the Plan is adopted by, and made effective by, the Board, subject to the limitations of Section 16.

(j) Employee means any person who is employed by the Company or an Affiliate on a regular full-time or part-time basis. A person shall be considered employed on a regular full-time or part-time basis if he is customarily employed for more than twenty (20) hours per week.

(k) Offering Date means the date on which the Committee grants Employees the option to purchase shares of Common Stock.

(l) Offering Period means the period between the Offering Date and the Purchase Date.

(m) Participant means an Employee who elects to participate in the Plan.

(n) Plan means the MetaSolv Software, Inc. Employee Stock Purchase Plan.

(o) Purchase Date means the date on which the Committee purchases the shares of Common Stock, which date shall be the last day of an Offering Period.

3. ELIGIBILITY

All Employees of the Company and, if designated by the Board, any Affiliate, who are employed by the Company and/or such designated Affiliate on the Effective Date shall be eligible to participate in the Plan on the Effective Date. Subject to the enrollment limitations of Section 6, each other Employee of the Company and/or a designated Affiliate shall be eligible to participate on the first to occur of (i) the Offering Date coincident with or next following the Employee's first day of employment, or (ii) the first day of any calendar month coincident with or next following the Employee's first day of employment.

4. ADMINISTRATION

The Plan shall be administered by the Committee, which shall consist of not less than two (2) members of the Board. Subject to the provisions of the Plan, the Committee shall be vested with full authority to make, administer, and interpret such rules and regulations as it deems necessary to administer the Plan, and any determination, decision, or action of the Committee in connection with the construction, interpretation, administration, and application of the Plan shall be final, conclusive, and binding upon all Participants and any and

all persons claiming under or through any Participant. Notwithstanding anything to the contrary in the Plan, the Committee shall have the discretion to modify the terms of the Plan with respect to Participants who reside outside of the United States or who are employed by a subsidiary of the Company that has been formed under the laws of any foreign country, if such modification is necessary in order to conform such terms to the requirements of local laws.

5. STOCK

(a) The Common Stock to be sold to Participants under the Plan may, at the election of the Company, be either treasury shares, shares acquired on the open market, and/or shares originally issued for such purpose. The aggregate number of shares of Common Stock that shall be made available for purchase under the Plan shall not exceed three hundred thousand (300,000) shares (subject to adjustment upon changes in capitalization of the Company as provided in subparagraph (b) below); provided, however, that the number of shares of Common Stock available for purchase under the Plan shall automatically increase on the first trading day of each calendar year (during the first five (5) years following the adoption of the Plan by the Board) by one percent (1%) of the number of shares of Common Stock of the Company outstanding on such first trading day. In the event any purchase right granted under the Plan expires or terminates for any reason without having been exercised in full or ceases for any reason to be exercisable in whole or in part, the unpurchased shares subject thereto will again be available for purchase by Employees upon the exercise of purchase rights. If the total number of shares that otherwise would have been acquired under the Plan on any Purchase Date exceeds the number of shares of Common Stock then available under the Plan, the Company shall make a pro rata allocation of the shares remaining available in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable. In such event, the payroll deductions to be made pursuant to the Participants' authorizations shall be reduced accordingly, or refunded to the Participants, as the case may be, and the Company shall give written notice of such reduction or refund to each affected Participant.

(b) Appropriate adjustments in the aggregate number of shares of Common Stock that shall be made available for purchase under the Plan shall be made to give effect to any stock splits, stock dividends, or other similar changes in the capitalization of the Company occurring after the Effective Date. The establishment of the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell, or otherwise transfer all or any part of its business or assets. Adjustments under this Section 5 shall be made in the sole discretion of the Committee, and its decision shall be binding and conclusive.

(c) A Participant shall not have any interest in shares covered by his

authorized payroll deduction until shares of Common Stock are acquired for his Account.

6. PARTICIPATION

(a) Each Employee may become a Participant in the Plan by authorizing a payroll deduction on a form provided by the Committee. Such authorization shall become effective on the first day of the month (or the next Offering Date, if earlier) following the delivery of the authorization form to the Committee (or its designated representative); provided, (i) that the Employee is eligible under Section 3 to participate in the Plan on such day and (ii) that if the authorization form is delivered to the Committee later than fifteen (15) days prior to the end of any month (or prior to the Offering Date, if applicable), it shall become effective on the first day of the month that is fifteen (15) or more days following delivery of the authorization form to the Committee (or its designated representative).

(b) At the time an Employee files his authorization for a payroll deduction, he shall elect to have deductions made from each paycheck that he receives, such deductions to continue until the Participant withdraws from the Plan or otherwise becomes ineligible to participate in the Plan. Authorized payroll deductions shall be for a minimum of one percent (1%) and a maximum of fifteen percent (15%) of the Participant's Compensation. The deduction rate so authorized shall continue in effect through the Offering Period and each succeeding Offering Period, subject to the following: (i) a Participant may, at any time during any Offering Period, reduce his rate of payroll deduction by filing a new authorization form with the Company, which shall become effective as soon as practicable after it is filed; and (ii) a Participant may increase the rate of his payroll deduction effective as of any subsequent Offering Date by filing a new authorization form with the Committee fifteen (15) or more days prior to the next Offering Date.

(c) All Compensation deductions made for a Participant shall be credited to his Account. Except as may otherwise be provided by the Committee under Section 4, a Participant may not make any separate cash payment into his Account.

7. PURCHASE OF SHARES

(a) On the date when a Participant's authorization form for a deduction becomes effective, and on each Offering Date thereafter, he shall be deemed to have been granted an option to purchase as many full shares of Common Stock as he will be able to purchase with the Compensation deductions credited to his Account during the payroll periods within the applicable Offering Period for which the Compensation deductions are made. In addition to the foregoing, any cash dividends paid on shares of Common Stock held in his Account shall be added to the Account, and used to purchase Common Stock as otherwise provided herein.

(b) The purchase price for the shares of Common Stock to be purchased with payroll deductions from the Participant shall be equal to eighty-five

percent (85%) (or such other amount as the Committee shall authorize, but in no event less than eighty-five percent (85%)) of (i) the "fair market value" of a share of Common Stock on the Offering Date (or, if later, on the date the Participant's authorization form becomes effective as set forth in Section 6) or (ii) the "fair market value" of a share on the Purchase Date. However, if a Participant enters the Plan on other than the Offering Date, the clause (i) amount shall in no event be less than the fair market value per share of Common Stock on the Offering Date. Fair market value shall be defined as the closing sales price of the Common Stock on the largest national securities exchange on which such Common Stock is listed at the time the Common Stock is to be valued. If the Common Stock is not then listed on any such exchange, the fair market value shall be the closing sales price if such is reported or otherwise the mean between the closing "Bid" and the closing "Ask" prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the date of valuation, or if none, on the most recent trade date thirty (30) days or less prior to the date of valuation for which such quotations are reported. If the Common Stock is not then listed on any such exchange or quoted in NASDAQ, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation Service for the date of valuation, or, if none, for the most recent trade date thirty (30) days or less prior to the date of valuation for which such quotations are reported. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Committee.

8. TIME OF PURCHASE

From time to time, the Committee shall grant to each Participant an option to purchase shares of Common Stock in an amount equal to the number of shares of Common Stock that the accumulated payroll deductions to be credited to his Account during the Offering Period may purchase at the applicable purchase price. Each Offering Period shall be for a period of time to be fixed by the Committee and shall be for no less than one (1) month and no more than twenty-seven (27) months' duration. Each Participant who elects to purchase shares of Common Stock hereunder shall be deemed to have exercised his option automatically on such date of purchase. Administrative and commission costs on purchases shall be paid by the Company. The Committee shall cause to be delivered periodically to each Participant a statement showing the aggregate number of shares of Common Stock in his Account, the number of shares of Common Stock purchased for him in the preceding Offering Period, the price per share paid for the shares of Common Stock purchased for him during the preceding Offering Period, and the amount of cash, if any, remaining in his Account at the end of the preceding Offering Period.

A Participant may request delivery to him of the cash in his Account or of the shares of Common Stock held in his Account at any time (subject to any limitations imposed by Section 16(b) of the Securities Exchange Act of 1934),

and the delivery thereof shall be made at such regular time as the Company or its transfer agent shall determine. If such delivery is required at a time other than the normal transfer date set by the Company or its transfer agent, the Participant requesting such transfer shall pay the costs thereof. All of the cash deposits in his Account shall be paid to him promptly after receipt of notice of withdrawal, without interest. Shares of Common Stock to be delivered to a Participant under the Plan shall be registered in the name of the Participant or, if the Participant so directs in writing to the Committee, in the name of the Participant and such person(s) as may be designated by the Participant, to the extent permitted by applicable law, and delivered to the Participant as soon as practicable after the request for a withdrawal. If a Participant wishes to sell the shares of Common Stock in his Account, he may notify the Committee to sell the same, in lieu of a distribution of such shares, in which event all commission costs incurred in connection with the sale of the shares of Common Stock shall be borne by the Participant. The Company shall pay administrative costs associated therewith other than costs arising from a sale occurring at a time different from the prearranged dates set by the Company or its transfer agent for making such sales.

9. CESSATION OF PARTICIPATION

A Participant may cease participation in the Plan at any time by notifying the Committee in writing of his intent to cease his participation. If such notice is received by the Committee the Company shall distribute to the Participant all of his accumulated payroll deductions, without interest. If any Participant ceases participation in the Plan, no further Compensation deductions shall be made on his behalf after the effective date of his cessation, except in accordance with a new authorization form filed with the Committee as provided in Section 6.

10. INELIGIBILITY

An Employee must be employed by the Company or an Affiliate on the Purchase Date in order to participate in the purchase for that Offering Period. If an option expires without first having been exercised, all funds credited to the Participant's Account shall be refunded, without interest. If a Participant becomes ineligible to participate in the Plan at any time, all Compensation deductions made on behalf of the Participant that have not been used to purchase shares of Common Stock shall be paid to the Participant within sixty (60) days after the Committee determines that the Participant is not eligible to participate in the Plan.

11. DESIGNATION OF BENEFICIARY

A Participant may file a written designation of a beneficiary who shall receive any shares of Common Stock (or remaining Compensation deductions) credited to the Participant's Account under the Plan in the event of such Participant's death prior to delivery to him of the certificates for such shares (or remaining Compensation deductions). The designation of a beneficiary may be changed by the Participant at any time by written notice given

in accordance with rules and procedures established by the Committee. Upon the death of a Participant, and upon receipt by the Company of proof of the identity and existence, at the Participant's death, of a beneficiary validly designated by him under the Plan, the Company shall deliver such shares of Common Stock (or remaining Compensation deductions) to such beneficiary. In the event of the death of the Participant, and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares (or remaining Compensation deductions) to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed, the Company, in its sole discretion, may deliver such shares (or remaining Compensation deductions) to the Participant's spouse or to any one or more dependents or relatives of the Participant, or to such other person or persons as the Company may designate on behalf of the estate of such deceased Participant.

12. TRANSFERABILITY

Neither Compensation deductions credited to a Participant's Account nor any rights with regard to Plan participation or the right to purchase shares of Common Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by a Participant other than by will or the laws of descent and distribution; provided, however, that shares of Common Stock purchased on behalf of a Participant and left in his Account shall be subject to his absolute control. Any attempted assignment, transfer, pledge, or other disposition shall be void and without effect.

13. AMENDMENT OR TERMINATION

The Board may, without further action on the part of the stockholders of the Company, at any time amend the Plan in any respect, or terminate the Plan, except that it may not:

(a) Permit the sale of more shares of Common Stock than are authorized under Section 5;

(b) Change the class of Affiliates whose Employees are eligible to participate in the Plan; or

(c) Effect a change inconsistent with Section 423 of the Code or the regulations issued thereunder.

14. NOTICES

All notices or other communications by a Participant under or in connection with the Plan shall be deemed to have been duly given when received in writing by the Chief Financial Officer of the Company or when received in the form specified by the Committee at the location and by the person designated by the

Committee for the receipt thereof.

15. LIMITATIONS

Notwithstanding any other provisions of the Plan:

(a) The Company intends that this Plan shall constitute an employee stock purchase plan within the meaning of Section 423 of the Code. Any provisions required to be included in the Plan under said Section, and under regulations issued thereunder, are hereby included as though set forth in the Plan at length.

(b) No Employee shall be entitled to participate in the Plan if, immediately after the grant of an option hereunder, the Employee would own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or an Affiliate. For purposes of this Section 15, stock ownership shall be determined under the rules of Section 424(d) of the Code and stock that the Employee may purchase under outstanding options shall be treated as stock owned by the Employee.

(c) No Employee shall be permitted to purchase Common Stock hereunder if his right and option to purchase Common Stock under this Plan and under all other employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Affiliates would result in an entitlement to purchase

Common Stock in any one (1) calendar year in excess of a fair market value of $25,000 (determined at the time of grant).

(d) All Employees shall have the same rights and privileges under the Plan, except that the amount of Common Stock that may be purchased pursuant to the Plan shall bear a uniform relationship to an Employee's Compensation. All rules and determinations of the Committee shall be uniformly and consistently applied to all persons in similar circumstances.

(e) Nothing in the Plan shall confer upon any Employee the right to continue in the employment of the Company or any Affiliate or affect the right that the Company or any Affiliate may have to terminate the employment of such Employee.

(f) No Participant shall have any right as a stockholder unless and until certificates for shares of Common Stock are issued to him or allocated to his Account.

(g) If under any provision of the Plan that requires a computation of the number of shares of Common Stock to be purchased, the number so computed is not a whole number of shares of Common Stock, such number of shares of Common Stock shall be rounded down to the next whole number.

(h) The Plan is intended to provide shares of Common Stock for investment and not for resale. The Company does not, however, intend to restrict or influence any Participant in the conduct of his own affairs. A Participant, therefore, may sell shares of Common Stock purchased under the Plan at any time he chooses, subject to compliance with any applicable federal or state securities laws or any applicable Company restriction or blackout periods; provided, however, that because of certain federal tax requirements, each Participant shall agree, by entering the Plan:

(i) promptly to give the Company notice of any shares of Common Stock disposed of within two (2) years after the date of grant of the applicable option, or within one (1) year of the Purchase Date, and the number of such shares disposed of (a "disqualifying disposition");

(ii) that the Company may withhold, pursuant to Code (S)(S) 3102, 3301, and 3402, from his wages and other cash compensation paid to him in all payroll periods following in the same calendar year, any additional taxes the Company may become liable for in respect of amounts includable in his income as additional compensation as a result of a disqualifying disposition of Common Stock acquired under the Plan, or as a result of the acquisition of Common Stock under the Plan; and

(iii) that he shall repay the Company any amount of additional taxes the Company may become liable for in respect of amounts includable in his income as additional compensation as a result of a disqualifying disposition of Common Stock acquired under the Plan, or as a result of the acquisition of Common Stock under the Plan, that cannot be satisfied by withholding from the wages and other cash compensation paid to him by the Company.

(i) This Plan is intended to comply in all respects with applicable law and regulations, including with respect to Participants who are officers or directors for purposes of Section 16 of the Securities Exchange Act of 1934, as amended from time to time, Rule 16b-3 of the Securities and Exchange Commission. In case any one or more provisions of this Plan shall be held invalid, illegal, or unenforceable in any respect under applicable law and regulations (including Rule 16b-3), the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal, or unenforceable provision shall be deemed null and void; however, to the extent permitted by law, any provision that could be deemed null and void shall first be construed, interpreted, or revised retroactively to permit this Plan to be construed in compliance with all applicable law (including Rule 16b-3), so as to further the intent of this Plan. Notwithstanding anything herein to the contrary, with respect to Participants who are officers and directors for purposes of Section 16(b) of the Securities Exchange Act of 1934, as amended from time to time, and if required to comply with the rules promulgated thereunder, such Participants shall not be permitted to direct the sale of any Common Stock purchased hereunder until at least six (6) months have elapsed from the date of a purchase, unless the Committee

determines that the sale of the Common Stock otherwise satisfies the then current Rule 16b-3 requirements.

16. EFFECTIVE DATE AND APPROVALS

The Plan shall become effective at a time when:

(a) the Plan has been adopted by the Board; and

(b) a registration statement on Form S-8 under the Securities Act of 1933, as amended, has become effective with respect to the Plan; and

(c) the Committee has notified the eligible Employees that they may commence participation in the Plan; and

(d) the Plan is approved by the holders of a majority of the outstanding shares of Common Stock of the Company, which approval must occur within the period ending twelve (12) months after the date the Plan is adopted by the Board. In the event such stockholder approval is not obtained, the Plan shall terminate and have no further force or effect, and all amounts collected from the Participants during any initial Offering Period(s) hereunder shall be refunded.

Unless sooner terminated by the Board, or as set forth above, the Plan shall terminate upon the earlier of (i) the tenth (10th) anniversary of the adoption of the Plan by the Board, or (ii) the date on which all shares available for issuance under the Plan shall have been sold under the Plan.

17. APPLICABLE LAW

All questions pertaining to the validity, construction, and administration of the Plan shall be determined in conformity with the laws of Delaware, to the extent not inconsistent with Section 423 of the Code and the regulations thereunder.

Adopted by the Board of Directors the 24th day of August, 1999.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in this Prospectus.

/s/ KPMG LLP

KPMG LLP
Dallas, Texas

September 10, 1999

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