SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
SEC Accession No. 0001193125-04-138742

(HTML Version on secdatabase.com)

FILER

MAPICS INC

CIK:**848551**| IRS No.: **042711580** | State of Incorp.:**GA** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-18674** | Film No.: **04968823**
SIC: **7372** Prepackaged software

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 000-18674

MAPICS, Inc.

(Exact name of registrant as specified in its charter)

Georgia	**04-2711580**
(State or other jurisdiction of incorporation)	***(I.R.S. Employer Identification No.)***

1000 Windward Concourse Parkway, Suite 100
Alpharetta, Georgia 30005
(Address of principal executive offices)

(678) 319-8000
(Registrant's telephone number)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

The number of shares of the registrant's common stock outstanding at August 5, 2004 was 25,403,577.

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MAPICS, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended June 30, 2004

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Signature

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PART I: FINANCIAL INFORMATION

ITEM 1: Financial Statements

MAPICS, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

	June 30, 2004	September 30, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$24,119	$ 21,360
Accounts receivable, net of allowances of $3,274 at June 30, 2004 and $4,656 at September 30, 2003	33,397	40,745
Deferred royalties expense	7,181	7,596
Deferred commissions expense	6,664	7,077
Prepaid expenses and other current assets	4,377	5,291
Deferred income taxes, net	3,731	8,061
Total current assets	79,469	90,130
Non-current assets:		
Property and equipment, net	4,940	5,951
Computer software costs, net	30,011	29,231
Intangible assets, net	6,374	7,742

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Goodwill	42,622	41,966
Non-current deferred income taxes, net	17,326	15,517
Other non-current assets, net	1,520	2,384
Total assets	$182,262	$ 192,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$8,000	$ 9,500
Accounts payable	5,477	10,073
Accrued expenses and other current liabilities	27,204	31,626
Restructuring and exit costs, current	2,993	4,272
Deferred license revenue	14,424	16,578
Deferred services revenue	59,450	58,751
Total current liabilities	117,548	130,800
Non-current liabilities:		
Long-term debt	–	9,500
Restructuring and exit costs, non-current	1,958	2,017
Other non-current liabilities	750	954

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Total liabilities	120,256	143,271
Shareholders' equity:		
Preferred stock, $1.00 par value; 1,000 shares authorized		
Series D convertible preferred stock, no shares issued or outstanding at June 30, 2004; 100 shares issued and outstanding at September 30, 2003 (liquidation preference of $9,420 at September 30, 2003)	–	125
Series E convertible preferred stock, no shares issued or outstanding at June 30, 2004; 50 shares issued and outstanding at September 30, 2003 (liquidation preference of $3,768 at September 30, 2003)	–	50
Common stock, $0.01 par value; 90,000 shares authorized, 26,152 shares issued and 25,384 shares outstanding at June 30, 2004; 24,652 shares issued and 22,956 shares outstanding at September 30, 2003	262	247
Additional paid-in capital	92,788	94,384
Accumulated deficit	(22,632)	(29,182)
Restricted stock compensation	(1,299)	(2,075)
Accumulated other comprehensive loss	(482)	(345)
Treasury stock-at cost, 768 shares at June 30, 2004 and 1,696 shares at September 30, 2003	(6,631)	(13,554)
Total shareholders' equity	62,006	49,650
Total liabilities and shareholders' equity	$182,262	$ 192,921

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MAPICS, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Revenue:				
License	$10,130	$13,558	$33,479	$32,346
Support services	27,184	27,984	82,077	73,454
Implementation and consulting services	4,474	5,535	13,264	10,412
Total revenue	41,788	47,077	128,820	116,212
Operating expenses:				
Cost of license revenue	4,320	5,016	13,702	13,215
Cost of support services revenue	8,077	8,815	24,417	21,641
Cost of implementation and consulting services revenue	5,451	6,242	15,588	13,231
Selling and marketing	9,973	14,549	34,576	38,237
Product development	3,288	5,221	10,875	13,531
General and administrative	4,843	5,158	16,188	14,035
Restructuring charge	2,206	342	2,610	592

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Total operating expenses	38,158	45,343	117,956	114,482
Income from operations	3,630	1,734	10,864	1,730
Other:				
Interest income	15	53	99	197
Interest expense	(200)	(320)	(648)	(538)
Income before income tax expense (benefit)	3,445	1,467	10,315	1,389
Income tax expense (benefit)	1,292	(1,534)	3,765	(1,565)
Net income	$2,153	$3,001	$6,550	$2,954
Net income per common share (basic)	$0.09	$0.13	$0.28	$0.14
Weighted average number of common shares outstanding (basic)	23,785	22,729	23,402	20,510
Net income per common share (diluted)	$0.08	$0.12	$0.25	$0.13
Weighted average number of common shares and common equivalent shares outstanding (diluted)	25,924	24,790	25,957	22,552

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MAPICS, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net income	$6,550	$2,954
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,979	2,026
Amortization of computer software costs	7,869	5,497
Amortization of intangible assets	1,329	951
Amortization of debt issue costs	201	146
Provision for bad debts	1,823	1,739
Deferred income taxes	2,745	(709)
Other non-cash items, net	392	644
Changes in operating assets and liabilities:		
Accounts receivable	5,560	4,871
Deferred royalties	428	2,376

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Deferred commissions	418	1,801
Prepaid expenses and other current assets	980	(324)
Other non-current assets	708	806
Accounts payable	(4,698)	46
Accrued expenses and other current liabilities	(5,747)	(3,339)
Restructuring reserve, current and non-current	(417)	(3,127)
Deferred license revenue	(2,200)	(3,405)
Deferred service revenue	470	(3,666)
Other non-current liabilities	(191)	(375)
Net cash provided by operating activities	18,199	8,912
Cash flows from investing activities:		
Purchases of property and equipment	(976)	(1,712)
Additions to computer software costs	(8,644)	(4,066)
Acquisition related costs	–	(2,786)
Net cash used for investing activities	(9,620)	(8,564)
Cash flows from financing activities:		

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Proceeds from stock options exercised	4,840	100
Proceeds from employee stock purchases	562	195
Proceeds from revolving credit facility	1,500	6,700
Proceeds from term loan	–	15,000
Acquisition of treasury stock	(257)	(9)
Principal repayments of revolving credit facility	(5,500)	(2,700)
Principal repayments of long-term debt	(7,000)	–
Principal repayments of acquired debt	–	(20,057)
Payment of debt issue costs	(34)	(757)
Net cash used for financing activities	(5,889)	(1,528)
Effect of exchange rate changes on cash	69	121
Net increase (decrease) in cash and cash equivalents	2,759	(1,059)
Cash and cash equivalents at beginning of period	21,360	23,661
Cash and cash equivalents at end of period	$24,119	$22,602

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MAPICS, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited; however, in our opinion, these condensed consolidated financial statements contain all adjustments, consisting of only normal, recurring adjustments, necessary to present fairly our consolidated financial position, results of operations and cash flows as of the dates and for the periods indicated.

We have prepared the accompanying financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC. As permitted by the rules of the SEC applicable to quarterly reports on Form 10-Q, these financial statements are condensed and consolidated, consisting of the condensed financial statements of MAPICS, Inc. and our subsidiaries. We also have condensed these notes, and they do not contain all disclosures required by generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

We operate on a fiscal year ending September 30th. The term “fiscal 2002” refers to our fiscal year ended September 30, 2002, the term “fiscal 2003” refers to our fiscal year ended September 30, 2003, and the term “fiscal 2004” refers to our fiscal year ending September 30, 2004. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for a full year.

Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Stock-Based Compensation

As permitted by Statement of Financial Accounting Standards (SFAS) No. 148 and SFAS No. 123, we continue to apply the accounting provisions of Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees” and related Interpretations in accounting for our stock option plans and our employee stock purchase plan and the disclosure-only provisions of SFAS No. 123 as amended by SFAS No. 148. We did not record stock-based compensation expense related to outstanding stock options in the three or nine months ended June 30, 2004 and 2003, as all options granted under our plans had an exercise price equal to fair market value at the grant date.

SFAS No. 148 requires us to provide pro forma disclosure of the impact on our results of operations had we adopted the expense measurement provisions of SFAS No. 123. SFAS No. 123 permits the use of either a fair value based method or the intrinsic value method to measure the expense associated with our stock option plans and our employee stock purchase plan. The pro forma impact on our results of operations had we adopted the fair value based method of SFAS No. 123 using the Black-Scholes option-pricing model is shown below (in thousands, except per share data):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Net income, as reported	$2,153	$3,001	$6,550	$2,954
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	636	875	2,097	3,431

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Pro forma net income (loss)	$1,517	$2,126	$4,453	$(477)
Earnings (loss) per share:				
Basic – as reported	$0.09	$0.13	$0.28	$0.14
Basic – pro forma	$0.06	$0.09	$0.19	$(0.02)
Diluted – as reported	$0.08	$0.12	$0.25	$0.13
Diluted – pro forma	$0.06	$0.08	$0.17	$(0.02)

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(3) Revenue Recognition

We generate revenues primarily by licensing software, providing software support and maintenance and providing professional services to our customers. We record all revenues in accordance with the guidance provided by Statement of Position (SOP) 97-2, "Software Revenue Recognition," SOP 98-9, "Modification of SOP 97-2, 'Software Revenue Recognition, with Respect to Certain Transactions' ," SAB 101, "Revenue Recognition in Financial Statements," SAB 104, "Revenue Recognition," and AICPA Technical Practice Aid (TPA) 5100.53, "Fair Value of PCS in a Short-Term Time-Based License and Software Revenue Recognition."

Software License and Support Services Revenue

We generate a significant portion of total revenue from licensing software. Our sales channel consists of our direct sales force and our global network of independent affiliates. We license our software products under license agreements, which the ultimate customer typically executes directly with us rather than with our independent affiliates. Our license agreements are either perpetual license agreements or annual renewable term license agreements.

Under our perpetual license agreements, we record both an initial license fee and an annual support fee. We record initial license fees as license revenue and typically recognize revenue when the following criteria are met:

(1) the signing of a license agreement between us and the ultimate customer;

(2) delivery of the software to the customer or to a location designated by the customer;

(3) fees are fixed or determinable; and

(4) determination that collection of the related receivable is probable.

The annual support fee, which is typically paid in advance, entitles the customer to receive twelve months of support services, as available. We record these annual support fees as services revenue and recognize this revenue ratably over the term of the agreement.

For our annual renewable term license agreements, when we first license a product, we receive both an initial license fee and an annual license fee. Our customers may renew the license for an additional one-year period upon payment of the annual license fee. Provided all other elements of revenue recognition are met, we recognize the initial license fees under these annual renewable term licenses ratably as license revenue over the initial license period, which is generally twelve months. In addition, payment of the annual license fee entitles the customer to available software support for another year. If the annual license fee is not paid, the customer is no longer entitled to use the software and we may terminate the agreement. We record this annual license fee as support services revenue ratably over the term of the agreement.

The license agreements for our software products include a limited express warranty. The warranty provides that the product, in its unaltered form, will perform substantially in accordance with our related documentation for a period of up to 90 days from delivery in most cases. A small percentage of our contracts have limited express warranties that cover a period of up to three years. These contracts relate to the SyteLine® product acquired in the acquisition of Frontstep, Inc. No new contracts containing this specific type of warranty are planned to be used in the future. If the product does not perform substantially in accordance with the documentation, we may repair or replace the product or terminate the license and refund the license fees paid for the product. All other warranties are expressly disclaimed. In addition to this warranty and in return for the payment of annual license or support fees, we provide customers with available annual maintenance services that include electronic usage support and defect repairs. In most instances, a product workaround and repair can be made and such repairs are delivered as part of maintenance services. Historically, we have not experienced any significant warranty claim losses related to our products, and we have no reason to believe that we will incur any material claim losses in the future.

Implementation and Consulting Services Revenue

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Under the terms of our license agreements, our customers are responsible for implementation and training. Our professional services organization or, in many instances, our independent affiliates provide our customers with the

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consulting and implementation services relating to our products. We provide our consulting and implementation services under services agreements, and we charge for them separately under time and materials arrangements or, in some circumstances, under fixed price arrangements. The professional services that we provide are generally not essential to the functionality of our delivered products. We recognize revenues from time and materials arrangements as the services are performed, provided that the customer has a contractual obligation to pay, the fee is non-refundable, and collection is probable. Under a fixed price arrangement, we recognize revenue on the basis of the estimated percentage of completion of service provided. We recognize changes in estimates in the period in which they are determined. We recognize provisions for losses, if any, in the period in which they first become probable and reasonably estimable.

We also offer educational courses and training materials to our customers and affiliates. These consulting and implementation services and education courses are included in implementation and consulting services revenue, and revenue is recognized when services are provided.

(4) Computation and Presentation of Net Income Per Common Share

We apply SFAS No. 128, "Earnings Per Share," which requires us to present "basic" and "diluted" net income per common share for all periods presented in the statements of operations. We compute basic net income per common share, which excludes dilution, by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur if holders of our preferred stock, common stock options and unvested restricted common stock, and common stock warrants converted or exercised their holdings into common stock that then shared in our earnings.

The following table presents the calculations of basic and diluted net income per common share or common share equivalent (in thousands, except per share data):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Basic net income per common share:				
Net income	$2,153	$3,001	$6,550	$2,954
Weighted average common shares outstanding	23,785	22,729	23,402	20,510
Basic net income per common share	$0.09	$0.13	$0.28	$0.14
Diluted net income per common share:				
Net income	$2,153	$3,001	$6,550	$2,954

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Weighted average common shares outstanding	23,785	22,729	23,402	20,510
Common share equivalents:				
Convertible preferred stock [(1)]	1,286	1,750	1,433	1,750
Common stock options and unvested restricted stock	833	311	1,089	292
Common stock warrants	20	–	33	–
Weighted average common shares and common equivalent	25,924	24,790	25,957	22,552
Diluted net income per common share	$0.08	$0.12	$0.25	$0.13

(1) See note (14) for discussion of the preferred stock conversion. This balance represents a pro-ration based upon the number of days outstanding during the three and nine months ended June 30, 2004.

(5) Comprehensive Income

The components of comprehensive income were as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Net income	$ 2,153	$ 3,001	$ 6,550	$ 2,954
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation	217	(264)	(137)	(204)
Comprehensive income	$ 2,370	$ 2,737	$ 6,413	$ 2,750

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(6) Acquisition of Frontstep, Inc.

On February 18, 2003, we acquired Frontstep, Inc, a business software and services provider for mid-sized manufacturing companies headquartered in Columbus, Ohio. The combined company markets offerings from both companies under the MAPICS® brand. The combined company is leveraging MAPICS success on the IBM platform and Frontstep' s investment in delivering SyteLine 7 on Microsoft.NET while sustaining active product development for each. In addition, we believe the combined company is benefiting from a more balanced sales strategy, with both larger direct and affiliate channels serving the global manufacturing market.

Pursuant to the terms of the merger agreement, shareholders of Frontstep received, in the aggregate, 4.2 million shares of MAPICS common stock in exchange for all of the outstanding Frontstep shares. We assumed Frontstep' s outstanding debt of $20.1 million as well as certain outstanding stock options and warrants. We accounted for the acquisition as a purchase under SFAS No. 141, "Business Combinations." Accordingly, the results of operations of Frontstep for the period from February 18, 2003 are included in the accompanying condensed consolidated financial statements.

We allocated the total purchase price to the net tangible assets and intangible assets acquired based on our estimates of fair value at the date of acquisition. The allocation of the total purchase price to the acquired technology and other intangible assets, including tradenames and maintenance contracts, was based on management' s best estimate, which included a consultation and review with a third party appraiser. We allocated the $38.9 million balance of the total purchase price to goodwill.

The calculation of the total purchase price was as follows (in thousands):

Equity value of shares issued	$29,677
Fair value of vested options	951
Fair value of warrant	490
Direct transaction costs	2,347
Total purchase price	$33,465

The equity value of the shares issued was calculated based on an average price of $7.07 per share, which was derived by using the average of the price of MAPICS common stock for the 5 business days surrounding the date of measurement, November 24, 2002, in accordance with Emerging Issues Task Force (EITF) Issue No. 99-12, "Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination." The date of measurement reflects the date the merger was announced. Direct transaction costs include our fees paid or accrued for professional services performed in connection with the acquisition of Frontstep.

The purchase price includes the fair value of the vested options under the Frontstep option plans. The option plans and all outstanding options were converted into MAPICS options using the same conversion ratio that was used for the exchange of Frontstep stock. We registered 542,258 shares of our common stock for these plans under the Securities Act of 1933 as follows: 238,974 shares to be issued under

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the Frontstep Amended and Restated Non-Qualified Stock Option Plan for Key Employees, 182,945 shares to be issued under the Frontstep Second Amended and Restated 1999 Non-Qualified Stock Option Plan for Key Employees, and 120,339 shares to be issued under the Symix Non-Qualified Stock Options Plan for Key Executives. Substantially all of the shares under these plans are fully vested, and the options expire on the original expiration date or 90 days after we no longer employ the employee. Upon surrender of the options, they are no longer available for reissuance.

Additionally, the purchase price includes the estimated fair value of a stock warrant, which was approved for issuance on February 18, 2003. The warrant can be converted into 134,270 shares of common stock at a price of $7.81 per share and expires on July 17, 2006.

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The following allocation of the total purchase price reflects the fair value of the assets acquired and liabilities assumed as of June 30, 2004:

	Amount (In thousands)
Cash and cash equivalents	$ 59
Accounts receivable, net	17,247
Deferred royalties	2,358
Prepaid expenses and other current assets	960
Property and equipment	3,336
Computer software costs	12,550
Goodwill [a]	38,935
Other intangible assets [b]	5,756
Other non-current assets	679
Deferred income taxes, net	14,384
Current portion of long-term debt	(8,545)
Accounts payable	(7,719)
Accrued expenses and other current liabilities	(10,810)
Restructuring reserve and exit costs, current [c]	(5,136)

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Deferred revenue	(18,949)
Long-term debt	(11,512)
Restructuring reserve and exit costs, non-current [c]	(128)
Total purchase price	$ 33,465

[a] None of the goodwill is deductible for income tax purposes.

[b] Includes $0.9 million and $4.8 million for tradenames and maintenance contracts. Both intangible assets are subject to amortization over a weighted average useful life of five years.

[c] Includes $5.3 million of restructuring liabilities related to real estate costs and severance incurred in connection with the acquisition, which is accounted for pursuant to EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination."

Pro Forma Information (Unaudited)

The following unaudited pro forma information presents our results of operations for the nine months ended June 30, 2003 as if the acquisition had taken place on October 1, 2002 (in thousands, except per share data):

	Nine Months Ended June 30, 2003
Total revenue	$ 140,302
Net loss	$ (14,240)
Net loss per common share (basic)	$ (0.69)
Net loss per common share (diluted)	$ (0.69)
Weighted average number of common shares outstanding (basic)	20,510
Weighted average number of common shares outstanding (diluted)	20,510

These pro forma results of operations include adjustments to the historical financial statements of the combined companies and have been prepared for comparative purposes only. These pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated or which may result in the future.

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(7) Income Taxes

The reported income tax expense for the nine months ended June 30, 2004 was calculated based on our projected annual effective tax rate of 36.5%. For the three months ended June 30, 2004, our reported income tax was calculated

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based upon an overall effective tax rate of 37.5%. The reported income tax expense for the three and nine months ended June 30, 2004 differs from the expected income tax expense calculated by applying the federal statutory rate of 35.0% to our income before income tax expense primarily due to the impact of state and foreign income taxes.

The reported income tax benefit for the three and nine months ended June 30, 2003 includes a $2.1 million tax benefit. This tax benefit resulted from changes in income taxes payable due to the resolution of federal income tax uncertainties related to tax net operating losses (NOLs) retained by MAPICS in connection with our 1997 spin-off of Marcam Solutions, Inc. Accordingly, we recorded this income tax benefit and a corresponding decrease in income taxes payable. We still retain additional uncertain favorable income tax attributes in connection with the 1997 separation of Marcam Corporation into two companies, and additional income tax benefits related to these tax attributes may be realized in future periods if and when they become certain. Excluding the $2.1 million tax benefit discussed above, the reported income tax expense for the three and nine months ended June 30, 2003 was calculated based on our projected effective tax rate of 37.0% and 36.9%. The reported income tax expense excluding the $2.1 million benefit differs from the expected income tax expense calculated by applying the federal statutory rate of 35.0% to our income before income tax expense principally due to the impact of state and foreign income taxes.

At June 30, 2004, we estimate that we had domestic federal NOL carryforwards of $37.7 million and research and experimentation and other credit carryforwards of $9.2 million. At June 30, 2004, we also had $12.2 million foreign NOL carryforwards. The domestic NOL carryforwards and tax credits at June 30, 2004 expire between fiscal 2004 and fiscal 2023. The utilization of a significant portion of the domestic NOL carryforwards and tax credits is limited on an annual basis due to various changes in the ownership of MAPICS and previously acquired companies. We do not believe that these limitations will significantly impact our ability to utilize MAPICS, Frontstep’ s and Pivotpoint’ s NOL carryforwards and MAPICS and Pivotpoint’ s tax credits before they expire. However, we estimate that these limitations will impact our ability to utilize Frontstep’ s tax credits. As a result, a significant portion of these credits is included in our valuation allowance in connection with the purchase price allocation of Frontstep. We also have a valuation allowance for certain of our foreign NOL carryforwards. There have been no changes in the valuation allowance for the three and nine months ended June 30, 2004 from the amount reported at September 30, 2003. We believe these NOL carryforwards and tax credits will continue to result in cash savings in future periods as we use them to offset income taxes payable. We have recorded the net deferred tax assets at the amount we believe is more likely than not to be realized.

(8) Computer Software Costs

We charge all computer software development costs prior to establishing technological feasibility of computer software products to product development expense as they are incurred. From the time of establishing technological feasibility through general release of the product, we capitalize computer software development and translation costs and report them on the balance sheet as a component of computer software costs at the lower of unamortized cost or net realizable value. Amortization of computer software costs represents recognition of the costs of some of the software products we sell, including purchased software costs, capitalized software development costs and costs incurred to translate software into various foreign languages. We begin amortizing computer software costs upon general release of the product to customers and compute amortization on a product-by-product basis based on the greater of the amount determined using the straight-line method over the estimated economic life of the product, which is generally three to five years for purchased software costs and software development costs and two years for software translation costs.

We performed a net realizable value test for all of our products lines at the end of fiscal year 2003 and found our future support services revenue to be sufficient to cover our estimable amortization over a five-year life. The MAPICS ERP for iSeries and MAPICS Syteline ERP products are being amortized over a five-year life. However, software is subject to rapid technological obsolescence and, as a result, future amortization periods for computer software costs could be shortened as a result of changes in technology in the future. Based on the then current technology and market trends of our products, we prospectively changed the estimated remaining economic lives to a three-year life from a five-year life for certain product offerings that no longer generate significant license revenue.

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We include amortization of computer software costs in cost of license revenue in the statement of operations. Amortization of computer software costs was $2.5 million and $7.9 million for the three and nine months ended June 30, 2004 as compared with $2.1 million and $5.5 million for the three and nine months ended June 30, 2003. Amortization of computer software costs for the nine months ended June 30, 2004 included $0.6 million for the prospective adjustment of the amortization lives from five years to three years.

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(9) Goodwill and Other Intangible Assets

Changes in Goodwill for the Nine Months Ended June 30, 2004 (in thousands):

Balance as of September 30, 2003	$41,966
Adjustment of purchase price of Frontstep, Inc.	656
Balance as of June 30, 2004	$42,622

On February 18, 2003 we completed the acquisition of Frontstep. We allocated the total purchase price to the net tangible assets and intangible assets acquired based on our estimates of fair value at the date of the acquisition. The allocation of the total purchase price to the intangible assets, including tradenames, maintenance contracts, and acquired technology was based on management' s best estimate, which included a consultation and review with a third party appraiser. We allocated the $38.9 million balance of the total purchase price to goodwill. See note (6) for further details on the acquisition.

Intangible assets that have finite useful lives are amortized over their estimated useful lives. Our intangible assets consist principally of tradenames, trademarks, maintenance contracts, and installed customer base and affiliate network, and we consider all to have finite lives. The gross carrying amount, accumulated amortization, and net carrying amount of our amortized intangible assets are detailed below:

Amortized Intangible Assets (in thousands):

	As of June 30, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Installed customer base and affiliate network	$ 8,334	$ (6,181)	$ 2,153
Maintenance contracts	4,847	(1,293)	3,554
Tradenames and trademarks	909	(242)	667
Total	$ 14,090	$ (7,716)	$ 6,374

As of September 30, 2003

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	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Installed customer base and affiliate network	$ 8,334	$ (5,652)	$ 2,682
Maintenance contracts	4,822	(565)	4,257
Tradenames and trademarks	909	(106)	803
Total	$ 14,065	$ (6,323)	$ 7,742

We acquired $5.8 million of identifiable intangible assets as part of the Frontstep acquisition. These assets consisted of a $0.9 million tradename and $4.8 million in maintenance contracts and are being amortized over the remaining estimated life. See note (6) for further details on the acquisition. The weighted average amortization lives of the acquired tradename and maintenance contracts is 5 years.

The $8.3 million of installed customer base and affiliate network relates to the $6.0 million MAPICS installed customer base intangible asset and the acquired $2.3 million Pivotpoint customer base intangible asset. The weighted average amortization lives of the installed customer base and affiliate network is 13 years. All of our intangible assets will be fully amortized by February 2008.

Aggregate Amortization Expense (in thousands):

	Three Months Ended June 30, 2004	Nine Months Ended June 30, 2004
Aggregate amortization expense	$ 417	$ 1,329

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Estimated Amortization Expense for the Fiscal Years Ending (in thousands):

September 30, 2004	$1,825
September 30, 2005	$1,825
September 30, 2006	$1,825
September 30, 2007	$1,621
September 30, 2008	$647

(10) Restructuring and Exit Costs Reserve

In fiscal 2002, we announced a five-year agreement with an offshore information technology services company to perform a variety of our ongoing product development activities. The agreement was a contributing factor in a planned reduction of our worldwide workforce by approximately 12% by June 30, 2002. The restructuring charge of $4.7 million during fiscal 2002 included $3.7 million related to the abandonment of excess office space and $1.0 million related to employee severance and related costs for approximately 65 employees, primarily product development and support personnel. At June 30, 2004, we had $2.4 million remaining in our restructuring and exit costs reserve relating to fiscal 2002 activities.

During fiscal 2003, we recorded exit costs of $8.0 million relating to the Frontstep acquisition, of which $6.2 million were included in the cost of the acquisition and recorded in the purchase price allocation in accordance with EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." We recorded the remaining $1.8 million in exit costs as restructuring costs in our statement of operations.

The total exit cost of $6.2 million during fiscal 2003 that was included in the Frontstep purchase price allocation included $3.3 million in abandonment of office space and related costs and $2.4 million in employee severance and related costs for approximately 85 employees from all areas of Frontstep. Additionally, exit costs included obligations remaining pursuant to a $0.5 million consulting agreement that we subsequently terminated on February 21, 2003. During the nine months ended June 30, 2004, we recorded a net adjustment of $1.0 million to decrease the restructuring reserve for abandonment of office space as a result of securing buy-out agreements for two vacated properties for which we had previously reserved in the purchase price of Frontstep.

We accounted for the remaining $1.8 million of exit costs during fiscal 2003 as restructuring costs in our statement of operations under the provisions of SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." These costs included $2.1 million in employee severance and related costs for approximately 90 employees from all areas of the Company and a recovery of $0.3 million of a previous accrual for vacated space. At June 30, 2004, we have $0.6 million remaining in our restructuring and exit costs reserve relating to fiscal 2003 activities.

During the three and nine months ended June 30, 2004, we recorded exit costs of $2.2 and $2.6 million primarily related to employee severance and related costs for approximately 70 employees from all areas in our North America and Europe, Middle East and Africa (EMEA) regions, of which $2.6 million was included in restructuring costs on our statement of operations and accounted for under the provisions of

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SFAS No. 112, "Employers' Accounting for Postemployment Benefits". The work force reduction during the three and nine months ended June 30, 2004 was done primarily to reduce costs. At June 30, 2004, we had $2.0 million remaining in our restructuring and exit costs reserve relating to activities during the nine months ended June 30, 2004.

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The major components of the restructuring and exit costs reserve at June 30, 2004 were as follows (in thousands):

	Cost of Abandonment of Excess Space	Severance	Other	Total
Fiscal 2002 Restructuring Activities				
Balance at September 30, 2003	$ 2,789	$ –	$–	$2,789
Less: cash payments	(398)		–	(398)
Balance at June 30, 2004–fiscal 2002 activities	$ 2,391	$ –	$–	$2,391
Fiscal 2003 Restructuring Activities				
Balance at September 30, 2003 – included in purchase price of Frontstep	$ 2,004	$ 427	$188	$2,619
Exit costs	(1,030)	–	–	(1,030)
Less: cash payments	(589)	(215)	(188)	(992)
Less: fixed asset writedown	(37)	–	–	(37)
Balance at June 30, 2004	$ 348	$ 212	$–	$560
Balance at September 30, 2003 – included in restructuring cost	$ –	$ 881	$–	$881
Exit costs	–	11	–	11
Less: cash payments	–	(864)	–	(864)

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Balance at June 30, 2004	$ –	$ 28	$–	$28
Balance at June 30, 2004−fiscal 2003 activities	$ 348	$ 240	$–	$588
Nine Months Ended June 30, 2004 Restructuring Activities				
Balance at September 30, 2003	$ –	$ –	$–	$–
Exit costs	64	2,646	–	2,710
Less: cash payments	–	(674)	–	(674)
Less: fixed asset write-down	(64)	–	–	(64)
Balance at June 30, 2004	$ –	$ 1,972	$–	$1,972
Total restructuring reserve at June 30, 2004	$ 2,739	$ 2,212	$–	$4,951

We expect future cash expenditures related to these restructuring activities to be approximately $5.0 million. We expect to pay approximately $3.0 million during the next twelve months, and we therefore have included this amount in current liabilities. We expect to pay the remaining $2.0 million by fiscal 2007.

As shown in the table above, our restructuring and exit costs reserve at June 30, 2004 is comprised of the estimated excess lease and related costs associated with vacated office space and costs accrued for employee severance and related costs associated with work force reductions. We could incur additional restructuring charges if operating results require us to further reduce our work force. Additionally, we could incur additional restructuring charges or reverse prior charges in the event that the underlying assumptions used to develop our estimates of excess lease costs change, such as the timing and the amount of any sublease income. Depending on market conditions for office space and our ability to secure a suitable subtenant and sublease for the space, which to date we have not secured for all space, we may revise our estimates of the excess lease costs and the timing and amount of sublease income and, as a result, incur additional charges or credits to our restructuring and exit costs reserve as appropriate.

(11) Commitments and Contingencies

Debt: The debt included in our condensed consolidated balance sheets is related to the term loan portion of our bank credit facility. We did not borrow against our revolving credit facility during the quarter ended June 30, 2004, and as of June 30, 2004 we had no outstanding balance on our revolving credit facility. During July 2004 we repaid the remaining $8.0 million term loan balance. As a result of the repayment, the term loan is no longer available for future borrowings.

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See "Item 1. *Financial Statements*" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003 for further discussion regarding our commitments and contingencies.

(12) Operating Segments and Geographic Information

We have three operating segments for which we evaluate our business and for which we have discrete financial information available. These operating segments include 1) software sales to customers in the manufacturing environment, 2) providing support services to the customers that purchase our software, and 3) providing implementation and other consulting services to customers that purchase our software. In evaluating financial performance, we focus on income (loss) from operations, which we refer to as operating profit, as a measure of a segment' s profit or loss. Operating profit for this purpose is income before interest, taxes and allocation of certain corporate expenses. Operating profit is a relevant measure of segment profit or loss because it includes the revenue and related costs that apply to the individual segments. Interest, taxes and allocation of certain corporate expenses are not related specifically to the operating segments. We include other operating costs, including marketing, product development, and general and administrative expenses in the presentation of reportable segment information because these expenses are not allocated separately to our operating segments. We do not utilize assets as a measure of a segment' s performance. We review assets at the enterprise level and thus do not include them in our segment disclosure.

The following table includes interim financial information for the three and nine months ended June 30, 2004 and 2003 related to our segments. The information presented below may not be indicative of results if the segments were independent organizations (in thousands).

	Software	Support	Implementation and Consulting	Other Operating Costs	Total
Three Months Ended June 30, 2004:					
Revenue from unaffiliated customers	$ 10,130	$27,184	$ 4,474	$ −	$41,788
Income (loss) from operations	$ (2,196)	$19,107	$ (977)	$ (12,304)	$3,630
Interest income					15
Interest expense					(200)
Income before income tax expense					$3,445
Three Months Ended June 30, 2003:					

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Revenue from unaffiliated customers	$ 13,558	$27,984	$ 5,535	$ −	$47,077
Income (loss) from operations	$ (3,320)	$19,169	$ (707)	$ (13,408)	$1,734
Interest income					53
Interest expense					(320)
Income before income tax benefit					$1,467

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	Software	Support	Implementation and Consulting	Other Operating Costs	Total
Nine Months Ended June 30, 2004:					
Revenue from unaffiliated customers	$ 33,479	$82,077	$ 13,264	$ –	$128,820
Income (loss) from operations	$ (8,629)	$57,660	$ (2,324)	$ (35,843)	$10,864
Interest income					99
Interest expense					(648)
Income before income tax expense					$10,315
Nine Months Ended June 30, 2003:					
Revenue from unaffiliated customers	$ 32,346	$73,454	$ 10,412	$ –	$116,212
Income (loss) from operations	$ (10,910)	$51,813	$ (2,819)	$ (36,354)	$1,730
Interest income					197
Interest expense					(538)
Income before income tax benefit					$1,389

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Our principal administrative, marketing, product development and support operations are located in the United States. Areas of operation outside of North America include EMEA, Asia Pacific and Latin America. In addition to the operating segments disclosed above, we regularly prepare and evaluate separate financial information for each of our principal geographic areas: 1) North America, 2) EMEA, 3) Asia Pacific and 4) Latin America. In evaluating financial performance, we focus on operating profit as a measure of a geographic area' s profit or loss. Operating profit for this purpose is income before interest, taxes and allocation of certain corporate expenses. We include our corporate division in the presentation of geographic area information because some of the income and expenses of this division are not allocated separately to the geographic areas. We have not allocated a portion of the product development costs of $3.3 million and $10.9 million for three and nine months ended June 30, 2004 and $5.2 million and $13.5 million for the three and nine months ended June 30, 2003 incurred in the United States to the other geographic areas, We also have not allocated administrative costs of $4.8 million and $16.1 million for the three and nine months ended June 30, 2004 and $5.2 million and $14.0 million for the three and nine months ended June 30, 2003 incurred in the United States to the other geographic areas.

The following table includes interim financial information for the three and nine months ended June 30, 2004 and 2003 related to our geographic areas. The information presented below may not be indicative of results if the geographic areas were independent organizations (in thousands).

	North America	EMEA	Asia Pacific	Latin America	Corporate	Total
Three Months Ended June 30, 2004:						
Revenue from unaffiliated customers	$29,676	$8,227	$3,079	$ 806	$ –	$41,788
Income (loss) from operations	$4,358	$806	$555	$ 117	$ (2,206)	$3,630
Interest income						15
Interest expense						(200)
Income before income tax expense						$3,445
Three Months Ended June 30, 2003:						
Revenue from unaffiliated customers	$33,651	$9,407	$3,121	$ 898	$ –	$47,077
Income (loss) from operations	$253	$1,487	$51	$ 285	$ (342)	$1,734

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Interest income	53
Interest expense	(320)
Income before income tax benefit	$1,467

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	North America	EMEA	Asia Pacific	Latin America	Corporate	Total
Nine Months Ended June 30, 2004:						
Revenue from unaffiliated customers	$ 93,054	$24,158	$ 9,041	$ 2,567	$ –	$128,820
Income (loss) from operations	$ 11,046	$467	$ 1,328	$ 633	$ (2,610)	$10,864
Interest income						99
Interest expense						(648)
Income before income tax expense						$10,315
Nine Months Ended June 30, 2003:						
Revenue from unaffiliated customers	$ 85,878	$21,156	$ 6,123	$ 3,055	$ –	$116,212
Income (loss) from operations	$ (1,692)	$3,447	$ (316)	$ 883	$ (592)	$1,730
Interest income						197
Interest expense						(538)
Income before income tax benefit						$1,389

(13) Long-Term Debt

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We repaid $4.5 million of the term loan portion of our bank credit facility and the remaining $1.8 million outstanding balance of our revolving credit facility during the quarter ended June 30, 2004. We did not borrow against our revolving credit facility during the quarter ended June 30, 2004, and as of June 30, 2004 we had no outstanding balance on our revolving credit facility. We were in compliance with our debt covenants as of June 30, 2004.

During the month of July 2004, we repaid the remaining $8.0 million that was outstanding as of June 30, 2004. In addition, with the repayment of the outstanding balance, the term loan portion of the bank credit facility is no longer available as a funding source. Our $12.5 million revolving credit facility remains available as a source of funding, if needed, subject to the borrowing base. Certain of the debt covenants regarding the bank credit facility have been amended to reflect the repayment of the outstanding balances on the term loan portion of our bank credit facility.

(14) Preferred Stock Conversion

In October 2003, the holder of 25,000 outstanding shares of our Series D convertible preferred stock converted these shares into our common stock at the conversion ratio of 10 shares of common stock for each share of preferred stock as set forth in the shareholder agreement. A total of 250,000 common shares were issued from treasury stock. As a result, the liquidation preference for the Series D convertible preferred stock was reduced by $7.5 million.

In June 2004, the holder of all of the 100,000 outstanding shares of our Series D convertible preferred stock and all of the 50,000 outstanding shares of our Series E convertible preferred stock converted these shares into our common stock at the conversion ratio of 10 shares of common stock for each share of preferred stock as set forth in the preferred shareholder agreement. A total of 1.5 million common shares were issued from previously authorized shares not currently outstanding. As of June 30, 2004 we had 1.0 million shares of preferred stock authorized but had no preferred shares outstanding. As a result of the conversion, those shareholders no longer hold any preferences or rights with regard to the Series D and Series E convertible preferred stock including the liquidation preference.

(15) Recently Issued or Adopted Accounting Pronouncements

There were no accounting pronouncements issued during the nine months ended June 30, 2004 that were applicable to our operations.

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ITEM 2: Management' s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the condensed consolidated financial statements and notes contained in "Item 1. Financial Statements" in Part I of this report and our consolidated financial statements for the fiscal year ended September 30, 2003 filed with the SEC as part of our Annual Report on Form 10-K for that fiscal year. The following discussion and analysis contains forward-looking statements relating to our future financial performance, business strategy, financing plans and other future events that involve uncertainties and risks. Our actual results could differ materially from the results anticipated by these forward-looking statements as a result of many known and unknown factors that are beyond our ability to control or predict, including but not limited to those discussed in "Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations–Factors Affecting Future Performance" contained in the above-referenced Form 10-K. The cautionary statements made in that Form 10-K are applicable to all related forward-looking statements wherever they appear in this report. See also "Special Cautionary Notice Regarding Forward-Looking Statements" in "Item 1. Business" of that Form 10-K.

Overview

We are a global developer of extended enterprise applications that principally focuses on manufacturing establishments in discrete and batch-process industries. Our solutions enable manufacturers around the world to compete better by streamlining their business processes, maximizing their organizational resources, and extending their enterprises beyond the four walls of their factory for secure collaboration with their value chain partners.

We principally generate revenue from the licensing of software and the delivery of support and implementation services to mid-market discrete and batch-process manufacturing enterprises. Mid-market enterprises are generally those manufacturing operations that generate between $20 million and $1 billion in annual revenues. Our ability to maintain or grow our license or services revenue is dependent on a variety of factors, including the capital spending of the mid-market manufacturers that we serve. We have three operating segments for which we evaluate our business and for which we have discrete financial information available. These operating segments are "software" which includes license revenue, "support" which includes maintenance and usage services to the customers that purchase our software and "implementation and consulting" which includes other professional services to customers that purchase our software.

On February 18, 2003, we acquired Frontstep, Inc., a manufacturing application solution provider with worldwide operations. Pursuant to the purchase agreement, we purchased of all of Frontstep' s shares in exchange for 4.2 million shares of MAPICS common stock and we assumed $20.1 million of Frontstep' s debt as well as certain outstanding stock options and warrants. Frontstep shareholders received 0.300846 MAPICS shares for each share of Frontstep common stock held. Furthermore, we entered into a $30 million bank credit facility from which we borrowed $21.7 million on February 18, 2003 to repay the Frontstep debt assumed in the business combination and certain related expenses. The Frontstep acquisition is more fully described in note (6) to the financial statements.

As a result of the transaction, both MAPICS and Frontstep customers are served by a much larger manufacturing-focused global company that can leverage a larger combined customer base with complementary offerings and new sales channels. The combined company, which markets offerings from both companies under the MAPICS® brand, is leveraging MAPICS success on the IBM platform and Frontstep' s investment in delivering SyteLine 7 on Microsoft.NET while sustaining active product development for each. In addition, we believe the combined company is benefiting from a more balanced sales strategy with both larger direct and affiliate channels serving the global mid-market manufacturing market.

Summary

Over the past four years there have been a number of events that have affected our target market. Beginning in 2000, there was a general economic slowdown, particularly in the manufacturing market, which has resulted in reduced employment and capital spending in the U.S. manufacturing market and in other geographic areas. In addition, there has been a general shift in manufacturing operations to lower cost geographic areas like Asia.

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We believe the indications of economic improvements in the U.S. and other geographic areas over the past year coupled with improvement in the overall manufacturing sector have begun to favorably impact our customers' operations. We believe these factors have improved capital investment sentiment in several geographic areas. While signs of

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improvement in the global economy and general improvements in the manufacturing sector are positive developments, we believe many of our customers are still hesitant with respect to capital investment decisions. Furthermore, while economic growth is evident in the U.S. and Asia Pacific, there are now signs that this growth may be moderating, particularly for U.S. manufacturing. In addition, many European economies still face slow to stagnant growth. This will continue to be a challenge to our operations as we derive a significant portion of our revenues from this region.

Our revenue declined while our operating profits improved in the three months ended June 30, 2004 as compared with the three months ended June 30, 2003. The revenue decline was due principally to a decrease in the demand for iSeries software solutions as well a decrease in revenue from our Progress platform based Syteline 6 due to the introduction of Syteline 7 within our distribution channels. MAPICS Syteline 7 is our initial release of an offering redeveloped for the latest Microsoft.Net technology. As a result of the activities to mature the offering during its first year of productive use by customers, translated versions of Syteline 7 for EMEA and Asia Pacific were not generally available until the quarter ended June 30, 2004.

Our operating profits improved in the three months ended June 30, 2004 as compared with the same period in the prior year primarily due to past restructuring efforts, personnel cost reductions, revenue mix, and improved productivity and operating efficiencies driven by the synergies created when the MAPICS and Frontstep operations were combined. We lowered operating costs across our operations during the quarter ended June 30, 2004. In addition, we undertook a restructuring effort in certain of our North American and international operating areas that we believe will lead to additional cost savings in the future. Our restructuring efforts reduced personnel and leased office space over the past twelve months. This in turn lowered our direct and indirect cost of operations and improved company wide productivity.

Our revenue and operating profits improved in the nine months ended June 30, 2004 compared to the same period last year. The increase in revenue and operating profit was principally due to the addition of revenue from the Frontstep business acquired in February 2003 and cost savings derived from recent restructuring efforts. Revenue from the Frontstep business is reflected in the three and nine months ended June 30, 2003 only from the February 18, 2003 closing date through June 30, 2003. For the nine months ended June 30, 2004, our revenues improved in all segments and major geographic areas as compared with the nine months ended June 30, 2003. The improved operating profit for the nine months ended June 30, 2004 were similarly due to past restructuring efforts, personnel cost reductions, revenue mix, and improved productivity and operating efficiencies driven by the synergies created when the MAPICS and Frontstep operations were combined.

For the three and nine months ended June 30, 2004, we funded our operations principally from operating cash flows. Cash flow from operations came primarily from collections of receivables and favorable operating results. Our operating cash flows showed significant improvement during the three and nine months ended June 30, 2004 as compared with the three and nine months ended June 30, 2003. We borrowed $1.5 million against our revolving credit line for working capital purposes in the nine months ended June 30, 2004. We repaid $1.8 and $5.5 million of the revolving credit line during the three and nine months ended June 30, 2004. We repaid $4.5 million and $7.0 million of our term loan in the three and nine months ended June 30, 2004. The repayments were funded primarily with cash from operations and the proceeds of employee stock option exercises. Subsequent to June 30, 2004, we repaid the remaining $8.0 million of term loan debt that was outstanding on our balance sheet as of June 30, 2004. These repayments were also funded primarily with cash from operations and proceeds of employee stock option exercises. As of July 26, 2004, we had no outstanding balances on either the term loan portion of our bank credit facility or our revolving credit facility. With the repayment, the term loan is no longer available as a potential funding source. Our $12.5 million revolving credit facility remains available as a source of potential funding if needed, subject to the borrowing base.

During the three and nine months ended June 30, 2004 we incurred costs related to compliance with Sarbanes-Oxley regulations. While these costs were not significant during this period, we anticipate that these costs will become significant in future periods. The cost of compliance with the Sarbanes-Oxley regulations may cause a significant increase in our general and administrative expenses in the next twelve to eighteen months.

Results of Operations

Three and Nine Months Ended June 30, 2004 Compared to Three and Nine Months Ended June 30, 2003

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Our results of operations for the three and nine months ended June 30, 2004 and the three months ended June 30, 2003 include the results of Frontstep. Our results for nine months ended June 30, 2003 include the results of Frontstep

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from the February 18, 2003 acquisition date through June 30, 2003. The integration of the Frontstep operations into our operating structure was completed during the three months ended December 31, 2003.

For the three months ended June 30, 2004, we reported net income of $2.2 million, or $0.08 per share (diluted), compared to a net income of $3.0 million, or $0.12 per share (diluted), for the three months ended June 30, 2003. For the three months ended June 30, 2004, total revenue decreased $5.3 million or 11.2% while operating expenses decreased $7.2 million or 15.8% from the year earlier quarter.

For the nine months ended June 30, 2004, we reported net income of $6.6 million, or $0.25 per share (diluted), compared to net income of $3.0 million, or $0.13 per share (diluted) for the nine months ended June 30, 2003. For the nine months ended June 30, 2004, total revenue increased $12.6 million or 10.9% while operating expenses increased $3.5 million or 3.0% compared to the nine months ended June 30, 2003.

Effective October 1, 2003, we amended our vacation policy for employees in North America to require these employees to utilize their vacation benefits in the period earned or such benefits will be forfeited. We expect this will result in certain expense reductions throughout fiscal 2004 as accrued vacation is consumed or forfeited. The amount of accrued vacation relating to our employees in North America was $1.9 million at October 1, 2003 and $1.3 million at June 30, 2004. The remaining vacation benefit accrual at September 30, 2004 will be forfeited and will most likely result in a benefit in the form of a reduction in expense in our statement of operations.

The following table presents our statements of operations data as a percentage of total revenue for the three and nine months ended June 30, 2004 and June 30, 2003:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2004	2003	2004	2003
Revenue:				
License	24.2 %	28.8 %	26.0 %	27.8 %
Support services	65.1	59.4	63.7	63.2
Implementation and consulting services	10.7	11.8	10.3	9.0
Total revenue	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of license revenue	10.3	10.7	10.6	11.4

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Cost of support services revenue	19.3	18.7	19.0	18.6
Cost of implementation and consulting services revenue	13.0	13.3	12.1	11.4
Selling and marketing	23.9	30.9	26.8	32.9
Product development	7.9	11.1	8.4	11.6
General and administrative	11.6	11.0	12.6	12.1
Restructuring charge	5.3	0.7	2.0	0.5
Total operating expenses	91.3	96.4	91.5	98.5
Income from operations	8.7	3.6	8.5	1.5
Interest income	0.0	0.1	0.1	0.2
Interest expense	(0.5)	(0.7)	(0.5)	(0.5)
Income before income tax expense (benefit)	8.2	3.0	8.1	1.2
Income tax expense (benefit)	3.1	(3.3)	2.9	(1.3)
Net income	5.1 %	6.3 %	5.2 %	2.5 %

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Total Revenue

The following table shows license, support services and implementation and consulting services revenue for the three and nine months ended June 30, 2004 and the percentage change for the three and nine months ended June 30, 2003 (in thousands):

	Three Months Ended			Nine Months Ended		
	June 30, 2004	Change %	June 30, 2003	June 30, 2004	Change %	June 30, 2003
Software sales revenue:						
Contract activity	$ 10,833	(10.5)	$ 12,109	$31,391	10.7	$28,349
Recognized deferred license revenue, net [(1)]	(703)	(148.5)	1,449	2,088	(47.8)	3,997
Total license revenue	10,130	(25.3)	13,558	33,479	3.5	32,346
Service revenue:						
Support services	27,184	(2.9)	27,984	82,077	11.7	73,454
Implementation and consulting services	4,474	(19.2)	5,535	13,264	27.4	10,412
Total revenue	$ 41,788	(11.2)	$47,077	$128,820	10.8	$116,212

(1) Reflects total time-based license revenue deferred in the periods presented less the total of license revenue recognized in the periods presented that was previously deferred. See note (3) for discussion of revenue recognition.

Total revenue for the three months ended June 30, 2004 decreased by $5.3 million as compared with the three months ended June 30, 2003. The revenue decline was due principally to a decrease in the demand for iSeries software solutions as well a decrease in revenue from our Progress platform based Syteline 6 due to the introduction of Syteline 7 within our distribution channels. MAPICS Syteline 7 is our initial release of an offering redeveloped for the latest Microsoft.Net technology. As a result of the activities to mature the offering during its first year of productive use by customers, translated versions of Syteline 7 for EMEA and Asia Pacific were not generally available until the quarter ended June 30, 2004.

Total revenue for the nine months ended June 30, 2004 increased by $12.6 million as compared with the nine months ended June 30, 2003. The increase in total revenue for the nine months ended June 30, 2004 was principally due to the revenue from the Syteline solutions acquired in the Frontstep acquisition being included in the nine months ended June 30, 2004 and only included from February 18, 2003 to June 30, 2003 during the nine months ended June 30, 2003. Excluding Frontstep, our total revenues for the nine months ended June 30, 2004

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decreased by $12.0 million or 12.4%. This decrease is due to the fact that most new customer transactions are licensing our Syteline 7 solution as discussed above.

Software Sales Revenue

License Revenue: Total license revenue decreased $3.4 million during the three months ended June 30, 2004, as compared to the three months ended June 30, 2003. The decrease is attributable to a decrease of $1.3 million in contract activity and a $2.2 million decrease in net deferred license revenue recognized related to our MAPICS ERP for iSeries products. The decrease in contract activity for our MAPICS ERP for iSeries products is the result of increased sales and marketing activities for our Syteline 7 solution as most new customer transactions are licensing this solution. We also experienced a slight decline in contract activity due to a decrease in demand for our Progress platform based Syteline 6 product related to the introduction of Syteline 7 redeveloped for the latest Microsoft technology and associated product transition issues as described above. The decrease in net deferred license revenue recognized is from our MAPICS ERP for iSeries license agreements, which are typically deferred and amortized ratably over a twelve-month period. This $2.2 million decrease in net deferred license revenue recognized is attributable to lower contract activity for our MAPICS ERP for iSeries license agreements over the past twelve-months as compared to the prior year.

Total license revenue increased $1.1 million for the nine months ended June 30, 2004 as compared to the nine months ended June 30, 2003. The increase in license revenue is attributable to an increase of $3.0 million in contract activity primarily from an increase in contract activity of $7.7 million for products acquired in the Frontstep acquisition offset by a decrease of $4.6 million in contract activity for the MAPICS ERP for iSeries products. We believe this decline in the contract activity for the MAPICS ERP for iSeries products is due to a decrease in demand for iSeries software solutions. In addition, we have devoted a greater focus of our sales and marketing efforts on the acquired

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product offerings and as a result, we have experienced some decline in our ERP for iSeries contract activity. The increase in total revenue from increased contract activity was offset slightly by lower net deferred license revenue recognized in the nine months ended June 30, 2004 as compared with the nine months ended June 30, 2003. Net deferred license revenue is recognized primarily from our MAPICS ERP for iSeries license agreements, which are typically deferred and amortized ratably over a twelve-month period. The lower net deferred revenue recognized is due to lower contract activity for the MAPICS ERP for iSeries product over the past twelve months as compared to the prior year.

For the three and nine months ended June 30, 2004, we executed 293 and 914 transactions with an average contract price of $37,000 and $34,300 respectively. This compares to 390 and 718 transactions in the three and nine months ended June 30, 2003 with an average contract price of $31,000 and $39,500, respectively. The decrease in the number of transactions for the three months ended June 30, 2004 is due to the delays in the Syteline 7 product transition as noted in our discussion of changes in total revenues above. The increase in the number of transactions for the nine months ended June 30, 2004 is due to the inclusion of transactions from the acquired Frontstep product lines. The average contract price increased for the three months ended June 30, 2004 as compared with the three months ended June 30, 2003 as a result of fewer Syteline transactions due to the new Syteline 7 product transition delays mentioned earlier. Syteline products typically have smaller transaction sizes concentrated in geographic areas with lower average selling prices. The average contract price decreased in the nine months ended June 30, 2004 as compared with the nine months ended June 30, 2003 due to an increase in Syteline transactions resulting from the addition of a full nine months of the Frontstep product lines in the nine months ended June 30, 2004 as compared with the same period in the prior year. In addition, there was a greater volume of sales of add-on products, which carry a lower average contract price, to existing customers in the nine months ended June 30, 2004.

Services Revenue

Support Services: Our support services revenue consists of annual license fees and annual support fees, which are typically paid in advance. The annual fees entitle the customer to receive twelve months of support services, as available. We record these annual fees as services revenue and recognize this revenue ratably over the term of the agreement. Support services revenue decreased by $0.8 million for the three months ended June 30, 2004 as compared with the three months ended June 30, 2003 due to a $2.9 million decrease in support service revenue for MAPICS ERP for iSeries products partially offset by an increase of $2.1 million in Syteline product support service revenue. The decrease in MAPICS ERP for iSeries support services revenue was primarily the result a decline in the MAPICS ERP for iSeries support base principally due to reductions in supported users and applications for our iSeries products. The product transition licensing delays related to the Syteline 7 product, as mentioned above, also had a slight impact on the Syteline support services revenue for the three months ended June 30, 2004.

Support services revenue increased $8.6 million for the nine months ended June 30, 2004 as compared with the nine months ended June 30, 2003. The increase was primarily due to the inclusion of support services revenue from our acquired Frontstep products. Excluding the acquired Frontstep products, support services revenue for the nine months ended June 30, 2004 declined $8.0 million compared to the nine months ended June 30, 2003. The decline is principally due to a lower MAPICS ERP for iSeries support base principally caused by reductions in supported users and applications for our iSeries products.

Implementation and Consulting Services: Our implementation and consulting services revenue is generated by our professional services organization, which may provide our customers with consulting and implementation services relating to our products and the products of our solution partners. Implementation and consulting revenue for the three months ended June 30, 2004 decreased by $1.1 million as compared with the three months ended June 30, 2003. The decrease in revenue is primarily due to the decrease in license contract activity, which typically drives implementation and consulting service activity.

For the nine months ended June 30, 2004, implementation and consulting revenues increased $2.9 million compared to the nine months ended June 30, 2003. The improvement in revenue is due to the inclusion of Frontstep revenue and increasing sales of our Syteline offering, which drives additional service engagements. The increase in implementation and consulting services revenue for the nine months ended June 30, 2004 was slightly offset by the decrease in the three months ended June 30, 2004 associated with the decrease in license volume

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mentioned above. Implementation and consulting services revenues improved across all geographic areas in the nine months ended June 30, 2004 as compared to the nine months ended June 30, 2003 as a result of the inclusion of the Frontstep implementation and consulting services revenue.

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Geographic Revenue Information

Our operations are conducted principally in (1) North America, (2) the Europe, Middle East and Africa region, or EMEA, (3) Asia Pacific and (4) Latin America. The following table shows the percentage of software license revenue, support services revenue, implementation and consulting services revenue and total revenue contributed by each of our primary geographic areas for the three and nine months ended June 30, 2004 and 2003:

	License Revenue Three Months Ended June 30,		Support Revenue Three Months Ended June 30,		Implementation and Consulting Revenue Three Months Ended June 30,		Total Revenue Three Months Ended June 30,	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
North America	67.7 %	64.1 %	73.4 %	76.9 %	64.0 %	62.3 %	71.0 %	71.5 %
EMEA	17.8	22.7	19.4	16.7	25.7	29.7	19.7	20.0
Asia Pacific	11.7	10.4	5.3	4.5	10.3	8.0	7.4	6.6
Latin America	2.8	2.8	1.9	1.9	–	–	1.9	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	License Revenue Nine Months Ended June 30,		Support Revenue Nine Months Ended June 30,		Implementation and Consulting Revenue Nine Months Ended June 30,		Total Revenue Nine Months Ended June 30,	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
North America	67.7 %	66.7 %	75.2 %	77.7 %	65.1 %	69.6 %	72.2 %	73.9 %
EMEA	19.2	20.7	17.8	16.4	23.6	23.5	18.8	18.2
Asia Pacific	9.5	8.3	5.3	3.7	11.3	6.9	7.0	5.3
Latin America	3.6	4.3	1.7	2.2	–	–	2.0	2.6

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Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

For the three and nine months ended June 30, 2004, total revenue mix as a percentage of total revenue by geographic area changed slightly as compared with the three and nine months ended June 30, 2003. Total revenue from Asia Pacific increased 0.8% and 1.7% during the three and nine months ended June 30, 2004 as compared to the three and nine months ended June 30, 2003. We believe that a contributing factor to the increase in Asia Pacific revenue is the continued economic growth in the region, which is contributing to and being fueled by the continuing trend of increased multinational manufacturing presence and outsourcing to this region. The decline in EMEA license revenue as a percentage of total license revenue for the three months ended June 30, 2004 is due to the new product transition delays as noted in our discussion of changes in total revenue. These delays also impacted EMEA implementation and consulting revenue as a percentage of total implementation and consulting revenue. This delay had a less significant impact on the Asia Pacific percentage change in revenue for license revenue and implementation and consulting revenue due to the general increase in activity in the region. Another factor contributing to the changes in percentage of total revenues are currency fluctuations. The Euro, British Pound Sterling, Japanese Yen and Australian Dollar were approximately 6.1%, 9.8%, 9.2% and 3.4% higher against the U.S. Dollar at June 30, 2004 than at June 30, 2003.

Additional information about our operations in these geographic areas is presented in note (12) of the notes to our condensed consolidated financial statements in this report.

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Operating Expenses

Cost of Revenue

The following table shows cost of license revenue from software sales, cost of support service revenue and cost of implementation and consulting service revenue for the three and nine months ended June 30, 2004 as compared to the three and nine months ended June 30, 2003 (in thousands):

	Three Months Ended			Nine Months Ended		
	June 30, 2004	Change %	June 30, 2003	June 30, 2004	Change %	June 30, 2003
Software sales revenue:						
Cost of license revenue from software sales	$4,320	(13.9)	$5,016	$13,702	3.7	$13,215
Services revenue:						
Cost of support services revenue	8,077	(8.4)	8,815	24,417	12.8	21,641
Cost of implementation and consulting services revenue	5,451	(12.7)	6,242	15,588	17.8	13,231
Total cost of revenue	$17,848	(11.1)	$20,073	$53,707	11.7	$48,087

Cost of License Revenue

Cost of license revenue decreased $0.7 million for the three months ended June 30, 2004 compared to the three months ended June 30, 2003. The decrease was due primarily to a decrease of $1.1 million in royalty expense. Royalty expense decreased by $0.6 million related to our MAPICS ERP for iSeries product line and $0.5 million related to our Syteline product line. The decrease in iSeries license royalties was due to the decline in license contract activity over the preceding twelve months. The decrease in Syteline license royalties was due to the transition of new customers to the new Syteline 7 solution, which has a lower overall royalty rate, and to a lesser extent, a slight decline in license contract activity. The decrease was partially offset by an increase in capitalized software amortization of $0.4 million as compared with the same period of the prior year. We performed a net realizable value test for all of our products lines at the end of fiscal 2003 and found our future support services revenue to be sufficient to cover our estimable amortization over a five-year life. The MAPICS ERP for iSeries and MAPICS Syteline ERP products are being amortized over a five-year life. However, software is subject to rapid technological obsolescence and, as a result, future amortization periods for computer software costs could be shortened as a result of changes in technology in the future. Based on the current technology and market trends of our products, we prospectively changed the estimated remaining economic lives to a three-year life from a five-year life for certain product offerings that no longer generate significant license revenue. The increase in capitalized software amortization for the three months ended June 30, 2004 was due to this prospective change in the estimated remaining economic lives of these products.

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Cost of license revenue increased $0.5 million for the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003. The increase was partly due to royalties and amortization related to the acquired Frontstep products. Amortization of capitalized software increased by $2.3 million in the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003. The increase was the result of the prospective change in the estimated remaining economic lives of certain software products mentioned above. Partially offsetting these increases was a $1.8 million decrease in royalty expense. Royalty expense related to our MAPICS ERP for iSeries product line decreased by $2.3 million offset slightly by a $0.5 million increase in royalties related to the Syteline product line. The decrease in royalty expense for the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003 was primarily the result of the decrease in license volume on the MAPICS ERP for iSeries product, offset slightly by an increase in license volume related to the Syteline product line. Royalties on the Syteline product are generally lower per dollar of license revenue than are royalties on the MAPICS ERP for iSeries product line. We expect cost of license revenue to vary from period to period based on the mix of products licensed between internally developed products and royalty bearing products and the timing of computer software amortization costs.

Cost of Support Services Revenue

Cost of support services revenue decreased $0.7 million for the three months ended June 30, 2004 as compared with the three months ended June 30, 2003. The decrease in cost of support services revenue was related primarily to a $0.5 million decrease in personnel costs due to a reduction in the number of staff necessary to support the combined product lines, and a $0.2 million decrease in other direct cost of support services revenue.

Cost of support services revenue increased $2.8 million for the nine months ended June 30, 2004. The increase in cost of support services revenue was due primarily to the inclusion of Frontstep cost of support services revenue in the nine months ended June 30, 2004 compared to the nine months ended June 30, 2003. The increase was comprised of a $1.4 million increase in compensation expense for additional support personnel to support additional customers and related support revenue as a result of the Frontstep acquisition, $0.6 million in royalty costs associated with the addition

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of support revenue related to the Frontstep acquisition, $0.4 million in amortization related to a maintenance contract intangible asset and $0.4 million in other direct support costs.

Cost of Implementation and Consulting Services Revenue

Cost of implementation and consulting services revenue decreased $0.8 million for the three months ended June 30, 2004 as compared with the three months ended June 30, 2003. The decrease was comprised of a $0.5 million decrease in implementation and consulting service personnel costs due to a reduction in implementation and consulting services revenue and the number of professionals needed to provide implementation and consulting services, and a $0.3 million decrease in other direct costs of implementation and consulting services revenue.

Cost of implementation and consulting services revenue increased $2.4 million for the nine months ended June 30, 2004 as compared with the nine months ended June 30, 2003. The increase in cost of implementation and consulting services revenue was due to the inclusion of Frontstep cost of implementation and consulting services revenue in the nine months ended June 30, 2004. The increase was comprised primarily of a $1.6 million increase in personnel costs related to the addition of Frontstep service professionals and associated service contracts, and additional service professionals needed due to improved revenue during the period. The increase was also comprised of an increase of $0.8 million in fees for professional service contractors used on certain engagements.

Other Operating Expenses

The following table shows other operating expenses for the three and nine months ended June 30, 2004 as compared to the three and nine months ended June 30, 2003 (in thousands):

	Three Months Ended			Nine Months Ended		
	June 30, 2004	Change %	June 30, 2003	June 30, 2004	Change %	June 30, 2003
Other operating expenses:						
Selling and marketing	$9,973	(31.5)	$14,549	$34,576	(9.6)	$38,237
Product development	3,288	(37.0)	5,221	10,875	(19.6)	13,531
General and administrative	4,843	(6.10)	5,158	16,188	15.3	14,035
Total other operating expenses	$18,104	(27.4)	$24,928	$61,639	(6.3)	$65,803

Selling and Marketing Expenses

Selling and marketing expenses decreased by $4.6 million in the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 and decreased by 7.0% as a percentage of total revenue over the same period. A principal reason for the decrease was a $1.9 million decrease in selling and marketing personnel costs as a result of staff reductions due to the synergies gained from the combination of the Frontstep and MAPICS sales and marketing organizations. Fewer professionals were needed to sell and market the combined product

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offerings. Another contributing factor for the decrease in selling and marketing expense was the reduction in license contract activity. The decrease also included $1.1 million in reduced commission expense due to a higher percentage of revenue generated by our direct sales channel, which has lower variable costs rather than our affiliate channel. Additionally, the decrease included a $0.7 million reduction in direct marketing costs, and $0.8 million in reduced general selling and marketing expenditures.

For the nine months ended June 30, 2004, selling and marketing expense decreased by $3.7 million as compared with the nine months ended June 30, 2003 and decreased by 6.1% as a percentage of revenue over the comparable prior year period. This decrease was comprised of, a $2.8 million decrease in commission expense due to a higher percentage of revenue generated by our direct sales channel, which has lower variable costs rather than our affiliate channel. The decrease also included a $2.1 million decrease in direct marketing costs as we focused our marketing programs on our existing customer base, a $0.7 million increase in personnel costs for the addition of selling and marketing personnel as a result of the Frontstep acquisition, primarily in North America and Asia Pacific, and a $0.5 million increase in general selling and marketing spending related to the use of consultants for third party product education. With regard to our affiliate network and the associated commissions paid, we believe that affiliate commissions will fluctuate from period to period based on our product mix and the levels of sales by our affiliates and by our direct sales organization.

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Product Development Expenses

The following table shows information about our product development expenses during the three and nine months ended June 30, 2004 and 2003 (in thousands):

	Three Months Ended			Nine Months Ended		
	June 30, 2004	Change %	June 30, 2003	June 30, 2004	Change %	June 30, 2003
Product development costs	$5,324	(22.4)	$6,862	$17,279	2.4	$16,880
Software translation costs	875	97.1	444	2,240	212.4	717
Total product development spending	6,199	(15.2)	7,306	19,519	10.9	17,597
Less:						
Capitalized product development costs	(2,370)	30.7	(1,814)	(7,181)	90.9	(3,762)
Capitalized software translation costs	(541)	99.6	(271)	(1,463)	381.3	(304)
Total capitalized costs	(2,911)	39.6	(2,085)	(8,644)	112.6	(4,066)
Total product development expenses	$3,288	(37.0)	$5,221	$10,875	(19.6)	$13,531

Total product development expenses decreased $1.9 million in the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 and decreased 3.2% as a percentage of total revenues from the comparable prior year period. The decrease in product development expenses was the result of a $1.1 million decrease in product development spending, a $0.6 million increase in capitalization of product development costs associated with products that have reached technological feasibility and a $0.2 million increase in capitalization of software translation costs primarily associated with translating the Syteline product into various languages in Europe and Asia Pacific. The decrease in product development spending is primarily related to a reduction in staff due to a discontinuation of development activities on one of our product offerings that no longer generate significant license revenue and other personnel related items. The increase in capitalized software costs are due to the release of the new Syteline 7 product offering as well as releases of extension products to our core ERP applications. Development was still ongoing in the comparable prior year period.

For the nine months ended June 30, 2004, total product development expenses decreased $2.7 million as compared to the nine months ended June 30, 2003 and decreased 3.2% as a percentage of total revenue from the comparable prior year period. The decrease was due to an

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increase in total capitalization costs of $4.6 million, partially offset by a $1.9 million increase in product development spending. For the nine months ended June 30, 2004, the increase in capitalization was primarily a result of projects related to the Frontstep acquired products and the addition of several other projects for new releases. Software capitalization as a percentage of total product development spending also increased to 47.0% and 44.3% in the three and nine months ended June 30, 2004 as compared with 28.5% and 23.1% for the three and nine months ended June 30, 2003. These increases were also due to an increase in the number of acquired Frontstep products and several other projects that have reached technological feasibility as compared to the year earlier periods. Software capitalization rates generally are affected by the nature and timing of development activities and vary from period to period.

The $1.1 million decrease in product development spending in the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 was due to a decrease of $0.9 in product development personnel costs due to a reduction in the number of in-house developers and increased reliance on our outsource development contract, a decrease of $0.4 million in outsourced development costs due to the new Syteline 7 product offering having reached technological feasibility, and a $0.2 million decrease in other product development activities, offset partially by an increase of $0.4 million in expense associated with translation activities. For the nine months ended June 30, 2004, product development spending increased $1.9 million compared with the nine months ended June 30, 2003. The increase was primarily due to an increase of $1.5 million in expense for translation activities, an increase of $0.3 million in outsourced development costs, and an increase of $0.1 million in other product development costs.

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General and Administrative Expenses

General and administrative expenses decreased $0.3 million for the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 but increased 0.6% as a percentage of total revenue due to the decrease in total revenue from the prior year. The decrease principally consists of a $1.1 million reduction in personnel costs due to a reduction in general and administrative staff levels, offset partially by a $0.6 million increase in foreign exchange losses due to the strengthening of foreign currencies, namely the Euro and the British Pound Sterling against the U.S. Dollar, and a $0.2 million increase in other general and administrative expense.

For the nine months ended June 30, 2004, general and administrative expenses increased $2.2 million as compared with the nine months ended June 30, 2003. The increase was primarily due to a $1.0 million increase in tax, audit and legal fees associated with the completion of a Form 8-K/A, containing financial information for the Frontstep acquisition, that we filed with the Securities and Exchange Committee during the quarter ended December 31, 2003, a $0.8 million increase in foreign exchange losses due to the strengthening of foreign currencies, namely the Euro and the British Pound Sterling against the U.S. Dollar, and a $0.4 million increase in other general and administrative expenses.

Restructuring Charge

In fiscal 2002, we announced a five-year agreement with an offshore information technology services company to perform a variety of our ongoing product development activities. The agreement was a contributing factor in a planned reduction of our worldwide workforce by approximately 12% by June 30, 2002. The restructuring charge of $4.7 million during fiscal 2002 included $3.7 million related to the abandonment of excess office space and $1.0 million related to employee severance and related costs for approximately 65 employees, primarily product development and support personnel. At June 30, 2004, we had $2.4 million remaining in our restructuring and exit costs reserve relating to fiscal 2002 activities.

During fiscal 2003, we recorded exit costs of $8.0 million relating to the Frontstep acquisition, of which $6.2 million were included in the cost of the acquisition and recorded in the purchase price allocation in accordance with Emerging Issues Task Force (EITF) 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination.” We recorded the remaining $1.8 million in exit costs as restructuring costs in our statement of operations.

The total exit cost of $6.2 million during fiscal 2003 that was included in the Frontstep purchase price allocation included $3.3 million in abandonment of office space and related costs and $2.4 million in employee severance and related costs for approximately 85 employees from all areas of Frontstep. Additionally, exit costs included obligations remaining pursuant to a $0.5 million consulting agreement that we subsequently terminated on February 21, 2003. During the nine months ended June 30, 2004, we recorded a net adjustment of $1.0 million to decrease the restructuring reserve for abandonment of office space as a result of securing buy-out agreements for two vacated properties for which we had previously reserved in the purchase price of Frontstep.

We accounted for the remaining $1.8 million of exit costs during fiscal 2003 as restructuring costs in our statement of operations under the provisions of Statement of Financial Accounting Standards (SFAS) No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” These costs included $2.1 million in employee severance and related costs for approximately 90 employees from all areas of the Company and a recovery of $0.3 million of a previous accrual for vacated space. At June 30, 2004, we have $0.6 million remaining in our restructuring and exit costs reserve relating to fiscal 2003 activities.

During the three and nine months ended June 30, 2004, we recorded exit costs of $2.2 and $2.6 million primarily related to employee severance and related costs for approximately 70 employees from all areas in our North America and EMEA regions, of which $2.6 million was included in restructuring costs on our statement of operations and accounted for under the provisions of SFAS No. 112, “Employers’ Accounting for Postemployment Benefits”. The work force reduction during the three and nine months ended June 30, 2004 was done primarily to reduce costs. At June 30, 2004, we had $2.0 million remaining in our restructuring and exit costs reserve relating to activities during the nine months ended June 30, 2004.

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The major components of the restructuring and exit costs reserve at June 30, 2004 were as follows (in thousands):

	Cost of Abandonment of Excess Space	Severance	Other	Total
Fiscal 2002 Restructuring Activities				
Balance at September 30, 2003	$ 2,789	$ –	$–	$2,789
Less: cash payments	(398)	–	–	(398)
Balance at June 30, 2004−fiscal 2002 activities	$ 2,391	$ –	$–	$2,391
Fiscal 2003 Restructuring Activities				
Balance at September 30, 2003 – included in purchase price of Frontstep	$ 2,004	$ 427	$188	$2,619
Exit costs	(1,030)	–	–	(1,030)
Less: cash payments	(589)	(215)	(188)	(992)
Less: fixed asset writedown	(37)	–	–	(37)
Balance at June 30, 2004	$ 348	$ 212	$–	$560
Balance at September 30, 2003 – included in restructuring cost	$ –	$ 881	$–	$881
Exit costs	–	11	–	11
Less: cash payments	–	(864)	–	(864)

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Balance at June 30, 2004	$ –	$ 28	$–	$28
Balance at June 30, 2004−fiscal 2003 activities	$ 348	$ 240	$–	$588
Nine Months Ended June 30, 2004 Restructuring Activities				
Balance at September 30, 2003	$ –	$ –	$–	$–
Exit costs	64	2,646	–	2,710
Less: cash payments	–	(674)	–	(674)
Less: fixed asset write-down	(64)	–	–	(64)
Balance at June 30, 2004	$ –	$ 1,972	$–	$1,972
Total restructuring reserve at June 30, 2004	$ 2,739	$ 2,212	$–	$4,951

We expect future cash expenditures related to these restructuring activities to be approximately $5.0 million. We expect to pay approximately $3.0 million during the next twelve months, and we therefore have included this amount in current liabilities. We expect to pay the remaining $2.0 million by fiscal 2007.

As shown in the table above, our restructuring and exit costs reserve at June 30, 2004 is comprised of the estimated excess lease and related costs associated with vacated office space and costs accrued for employee severance and related costs associated with work force reductions. We could incur additional restructuring charges if operating results require us to further reduce our work force. Additionally, we could incur additional restructuring charges or reverse prior charges in the event that the underlying assumptions used to develop our estimates of excess lease costs change, such as the timing and the amount of any sublease income. Depending on market conditions for office space and our ability to secure a suitable subtenant and sublease for the space, which to date we have not secured for all space, we may revise our estimates of the excess lease costs and the timing and amount of sublease income and, as a result, incur additional charges or credits to our restructuring and exit costs reserve as appropriate.

Other Income and Expense

Interest income was $15,000 and $99,000 for the three and nine months ended June 30, 2004, a decrease of $38,000 and $98,000 from the three and nine months ended June 30, 2003. The decrease in interest income is related primarily to a decrease in investable cash and lower interest rates in the three and nine months ended June 30, 2004 as compared with the three and nine months ended June 30, 2003.

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Interest expense was $0.2 million for the three months ended June 30, 2004, a decrease of $0.1 million as compared with the three months ended June 30, 2003. Interest expense was $0.6 million for the nine months ended June 30, 2004, an increase of $0.1 million as compared with the nine months ended June 30, 2003. Interest expense principally consists of 1) interest on our new credit facility based on our lender' s base rate or LIBOR plus a predetermined margin and 2) amortization of debt issuance costs.

Income Tax Expense (Benefit)

The reported income tax expense for the nine months ended June 30, 2004 was calculated based on our projected annual effective tax rate of 36.5%. For the three months ended June 30, 2004, our reported income tax was calculated based upon an overall effective tax rate of 37.5%. The reported income tax expense for the three and nine months ended June 30, 2004 differs from the expected income tax expense calculated by applying the federal statutory rate of 35.0% to our income before income tax expense primarily due to the impact of state and foreign income taxes.

The reported income tax benefit for the three and nine months ended June 30, 2003 includes a $2.1 million tax benefit. This tax benefit resulted from changes in income taxes payable due to the resolution of federal income tax uncertainties related to tax net operating losses (NOLs) retained by MAPICS in connection with our 1997 spin-off of Marcam Solutions, Inc. Accordingly, we recorded this income tax benefit and a corresponding decrease in income taxes payable. We still retain additional uncertain favorable income tax attributes in connection with the 1997 separation of Marcam Corporation into two companies, and additional income tax benefits related to these tax attributes may be realized in future periods if and when they become certain. Excluding the $2.1 million tax benefit discussed above, the reported income tax expense for the three and nine months ended June 30, 2003 was calculated based on our projected effective tax rate of 37.0% and 36.9%. The reported income tax expense excluding the $2.1 million benefit differs from the expected income tax expense calculated by applying the federal statutory rate of 35.0% to our income before income tax expense principally due to the impact of state and foreign income taxes.

At June 30, 2004, we estimate that we had domestic federal NOL carryforwards of $37.7 million and research and experimentation and other credit carryforwards of $9.2 million. At June 30, 2004, we also had $12.2 million foreign NOL carryforwards. The domestic NOL carryforwards and tax credits at June 30, 2004 expire between fiscal 2004 and fiscal 2023. The utilization of a significant portion of the domestic NOL carryforwards and tax credits is limited on an annual basis due to various changes in the ownership of MAPICS and previously acquired companies. We do not believe that these limitations will significantly impact our ability to utilize MAPICS, Frontstep' s and Pivotpoint' s NOL carryforwards and MAPICS and Pivotpoint' s tax credits before they expire. However, we estimate that these limitations will impact our ability to utilize Frontstep' s tax credits. As a result, a significant portion of these credits is included in our valuation allowance in connection with the purchase price allocation of Frontstep. We also have a valuation allowance for certain of our foreign NOL carryforwards. There have been no changes in the valuation allowance for the three and nine months ended June 30, 2004 from the amount reported at September 30, 2003. We believe these NOL carryforwards and tax credits will continue to result in cash savings in future periods as we use them to offset income taxes payable. We have recorded the net deferred tax assets at the amount we believe is more likely than not to be realized.

Liquidity and Capital Resources

Historically, we have funded our operations and capital expenditures primarily with cash generated from operating activities, supplemented as necessary by borrowings under our bank credit facility. Changes in net cash provided by operating activities generally reflect the changes in earnings plus the effect of changes in working capital. Changes in working capital, especially trade accounts receivable, trade accounts payable and accrued expenses, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

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The following tables show information about our cash flows during the nine months ended June 30, 2004 and June 30, 2003 and selected balance sheet data as of June 30, 2004 and September 30, 2003 (in thousands).

	Summary of Cash Flows	
	Nine Months Ended June 30,	
	2004	2003
Net cash provided by operating activities	$ 18,199	$ 8,912
Net cash used for investing activities	(9,620)	(8,564)
Net cash used for financing activities	(5,889)	(1,528)
Effect of exchange rate changes on cash	69	121
Net increase (decrease) in cash and cash equivalents	$ 2,759	$ (1,059)

	Balance Sheet Data	
	June 30, 2004	September 30, 2003
Cash and cash equivalents	$24,119	$ 21,360
Working capital (deficit)	(38,079)	(40,670)

Operating Activities

Net cash provided by operations was $18.2 million for the nine months ended June 30, 2004 as compared with $8.9 million for the nine months ended June 30, 2003. The $18.2 million in cash provided by operations was due to a $22.9 million positive impact on operating cash flows from non-cash items and a $5.6 million favorable impact from collections of accounts receivable, offset by a $10.2 million negative impact on operating cash flows associated with changes in other operating assets and liabilities. Significant non-cash items include $11.4 million in depreciation and amortization expenses, a $2.7 million decrease in deferred tax assets due to changes in temporary differences, $6.6 million from net income and a $1.8 million addition to the bad debt provision primarily related to an increase in general sales volume for the nine month period.

Changes in operating assets slightly offset the positive impact of non-cash items. Significant changes in operating assets and liabilities affecting cash flows after inclusion of asset and liability additions from the Frontstep acquisition and the net impact of changes in foreign currency exchange rates included a $10.4 million decrease in accounts payable and accrued liabilities due to the payment of liabilities related

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to normal operations, a $1.7 million decrease in deferred license and service revenue due to the recognition of deferred license and service revenue, and a $0.4 million decrease in the restructuring reserve due to payment of office space and severance related accruals. These decreases in operating cash were partially offset by operating cash inflows consisting of a $5.6 million decrease in accounts receivable because of collections of outstanding balances and $2.3 million due to the recognition of prepaid expense, deferred royalties, deferred commissions and other non-current assets.

Investing and Financing Activities

Net cash used for investing activities of $9.6 million for the nine months ended June 30, 2004 related to the capitalization of $8.6 million in computer software costs associated with products that have reached technological feasibility and $1.0 million in purchases of fixed assets. The $4.5 million increase in capitalized software in the nine months ended June 30, 2004 as compared to the nine months ended June 30, 2003 related principally to the addition of the Syteline product line and other strategic extension products.

Net cash used by financing activities was $5.9 million for the nine months ended June 30, 2004. Net cash used by financing activities consisted of cash inflows of $4.8 million from employee exercises of stock options, $0.6 million in employee stock purchases and $1.5 million in borrowings against our revolving line of credit, offset by a $0.3 million repurchase of our stock in the open market, a $7.0 million repayment of our long-term debt, and a $5.5 million repayment representing the total outstanding balance of our revolving credit facility. We experienced significant cash inflow from employee exercises of stock options for the nine months ended June 30, 2004 after we filed our Form 8-K/A containing certain pro forma financial information related to the Frontstep acquisition. Prior to that filing, optionees were not allowed to sell shares in the open market because the registration statement covering those shares was deemed suspended because the pro forma financial information had not been filed.

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During the month of July 2004, we repaid the remaining $8.0 million that was outstanding as of June 30, 2004. In addition, with the repayment of the outstanding balance, the term loan portion of the bank credit facility is no longer available as a funding source. Our $12.5 million revolving credit facility remains available as a source of funding, if needed, subject to the borrowing base. Certain of the debt covenants regarding the bank credit facility have been amended to reflect the repayment of the outstanding balances on the term loan portion of our bank credit facility. At June 30, 2004, the interest rate on our term loan, including the lender' s margin, was 3.66%. At June 30, 2004, we were in compliance with our debt covenants.

On July 31, 2002, we announced that our board of directors authorized the repurchase of up to $10.0 million of our outstanding common stock. Purchases may be made from time to time, depending on market conditions, in private transactions as well as in the open market at prevailing market prices. We repurchased 33,300 shares of our common stock in the open market for $0.3 million during the nine months ended June 30, 2004. We repurchased a minimal amount of shares of our outstanding common stock during the nine months ended June 30, 2003.

We do not have any current plans or commitments for any significant capital expenditures.

We believe that cash and cash equivalents on hand as of June 30, 2004, together with cash flows from operations and available borrowings under our revolving credit facility will be sufficient to fund our operations for at least the next 12 months. This forward-looking statement, however, is subject to all of the risks and uncertainties detailed in "ITEM 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Future Performance" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003. If cash generated from operations during this period is less than we expect or if we need additional financing after June 30, 2005, we may need to increase our revolving credit facility or undertake new equity or debt offerings. We may be unable to obtain such financing on favorable terms, if at all.

Off-Balance Sheet Financing Arrangements

We do not have any off-balance sheet arrangements or financing arrangements with related parties, persons who were previously related parties, or any other parties who might be in a position to negotiate arrangements with us other than on an arms-length basis.

Contractual Obligations and Contingent Liabilities and Commitments

Debt: The debt included in our condensed consolidated balance sheets is related to the term loan portion of our bank credit facility. We did not borrow against our revolving credit facility during the quarter ended June 30, 2004, and as of June 30, 2004 we had no outstanding balance on our revolving credit facility. During July 2004 we repaid the remaining $8.0 million term loan balance. As a result of the repayment, the term loan is no longer available for future borrowings.

See "Item 1. *Financial Statements"* in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003 for further discussion regarding our commitments and contingencies.

Application of Critical Accounting Policies

See "Item 7. *Management' s Discussion and Analysis of Financial Condition and Results of Operations – Application of Critical Accounting Polices,"* in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003 for discussion regarding the application of critical accounting policies.

Recently Issued or Adopted Accounting Pronouncements

There were no accounting pronouncements issued during the nine months ended June 30, 2004 that were applicable to our operations.

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ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

Except as discussed in the following paragraphs, we do not engage in trading market risk sensitive instruments nor do we purchase, whether for investment, hedging or purposes “other than trading,” instruments that are likely to expose us to market risk, whether foreign currency exchange rate, interest rate, commodity price or equity price risk. We have not issued any debt instruments, entered into any forward or futures contracts, purchased any options or entered into any swaps, except as discussed in the following paragraphs.

Interest Rate Sensitivity

As of June 30, 2004, we did not have an outstanding balance on our revolving credit facility. The $12.5 million revolving credit facility is available to us as a funding source if needed, subject to the borrowing base. As of July 26, 2004 we repaid the remaining outstanding balance of our debt. As a result of this repayment, the term loan portion of our bank credit facility is no longer available to us as a funding source. As such, adverse changes in the LIBOR rate from June 30, 2004 rates would not have a material affect our results of operations, financial condition, or cash flows.

Foreign Currency Exchange Rate Sensitivity

Some of our operations generate cash denominated in foreign currencies. Consequently, we are exposed to certain foreign currency exchange rate risks. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we distribute products. When the U.S. dollar strengthens against a foreign currency, the value of our sales in that currency converted to U.S. dollars decreases. When the U.S. dollar weakens, the value of our sales in that currency converted to U.S. dollars increases.

From time to time, we may enter into forward exchange contracts or purchase options to minimize the effect of changes in exchange rates on our financial position, results of operations, and cash flows. We incurred a net foreign currency transaction loss of $0.2 million in the three months ended June 30, 2004 compared with a $0.4 million foreign currency transaction gain in the three months ended June 30, 2003. For the nine months ended June 30, 2004, we had a nominal foreign currency transaction loss of $0.2 million compared to a foreign currency transaction gain of $0.6 million for the nine months ended June 30, 2003. The foreign currency transaction losses in the three months ended June 30, 2004 were mostly due to transactions within EMEA with the Euro weakening during the quarter ended June 30, 2004. The loss for the nine months ended June 30, 2004 was due mostly to transactions in EMEA and Asia Pacific where rates have declined slightly since the beginning of 2004. We did not have any open forward exchange contracts or options or other trading financial instruments with foreign exchange risk at June 30, 2004 or June 30, 2003. At June 30, 2004, we had the following non-trading other financial instruments denominated in currencies other than the U.S. dollar (in thousands of U.S. dollars):

Cash and cash equivalents	$4,619
Trade accounts receivable [(a)]	$11,777
Trade accounts payable	$2,681

(a) Approximately $8.7 million of this amount is denominated in euros, pounds sterling or yen.

As our foreign operations increase, our business, financial condition, and results of operations could be adversely affected by future changes in foreign currency exchange rates. For further information see “Item 7. Management’ s Discussion and Analysis of Financial Condition and Results of Operations−Factors Affecting Future Performance−Our international operations subject us to a number of risks that

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could substantially hinder our future growth and current results" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

Inflation

Although we cannot accurately determine the amounts attributable thereto, we have been affected by inflation through increased costs of employee compensation and other operating expenses. To the extent permitted by the marketplace for our products and services, we attempt to recover increases in costs by periodically increasing prices. Additionally, most of our customer agreements provide for annual increases in charges.

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ITEM 4: Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of June 30, 2004, the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the Evaluation Date in timely alerting our management, including our Chief Executive Officer and our Chief Financial Officer, to material changes in information required to be included in our periodic Securities and Exchange Commission filings.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are not required at this time to provide the information specified in Item 308(a) and (b) of the SEC's Regulation S-K regarding an annual report by management on our internal control over financial reporting or an attestation report by our independent accountants with regard thereto.

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PART II: OTHER INFORMATION

ITEM 1: Legal Proceedings

From time to time, we are involved in legal proceedings incidental to the conduct of our business. The outcome of these claims cannot be predicted with certainty. We do not believe that the legal matters to which we are currently a party are likely to have a material adverse effect on our results of operation or financial condition.

ITEM 2: Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The following table provides information about purchases we made of our common stock in the open market during the three months ended June 30, 2004. All purchases were made pursuant to a plan announced on July 31, 2002 under which we have been authorized by our board of directors to repurchase up to $10.0 million of our outstanding common stock. Purchases may be made from time to time, depending on market conditions, in private transactions or in the open market at prevailing market prices. The plan does not have a termination date. Through June 30, 2004, we have purchased 43,800 shares under the plan at an aggregate cost of $321,000. We are not aware of any purchases of our common stock from third parties by or on behalf of any affiliated purchaser of ours during the quarter ended June 30, 2004

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
April 2004	–	–	–	$ 9,936,000
May 2004	33,300	$ 7.73	33,300	9,679,000
June 2004	–	–	–	9,679,000

ITEM 5: Other Information

Quarterly Stock Options Disclosures

At June 30, 2004, we had stock options or shares of common stock outstanding under eight stock option plans and an employee stock purchase plan, described below.

The 1998 Long-Term Incentive Plan. The MAPICS, Inc. 1998 Long-Term Incentive Plan, or 1998 LTIP, allows us to issue up to 6,000,000 shares of common stock through various stock-based awards to our directors, officers, employees and consultants. The stock-based awards can be in the form of (a) incentive stock options, or ISOs, or non-qualified stock options; (b) stock appreciation rights; (c) performance units; (d) restricted stock; (e) dividend equivalents; and (f) other stock based awards. In general, the exercise price specified in the agreement relating to each ISO granted under the 1998 LTIP is required to be not less than the fair market value of the common stock as of the date of grant.

Restricted stock are shares of common stock that we granted outright without cost to the employee. The shares, however, are restricted in that they may not be sold or otherwise transferred by the employee until they vest, generally after the end of three years. If the employee is

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terminated prior to the vesting date for any reason other than death or retirement, the restricted stock generally will be forfeited and the restricted stock will be returned to us. After the shares have vested, they become unrestricted and may be transferred and sold like any other shares of common stock.

The Directors Plan. The MAPICS, Inc. 1998 Non-Employee Director Stock Option Plan allows us to issue non-qualified stock options to purchase up to 460,000 shares of common stock to eligible members of our board of directors who are neither our employees nor our officers. In general, the exercise price specified in the agreement relating to each non-qualified stock option granted under the Directors Plan is required to be the fair market value of the common stock at the date of grant. Subject to specific provisions, stock options granted under the Directors Plan become exercisable in various increments over a period of one to four years, provided that the optionee has continuously served as a member of

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the board of directors through the vesting date. The stock options granted under the Directors Plan expire ten years from the date of grant.

The Directors Incentive Plan. The 1998 Non-Employee Directors Stock Incentive Plan provides for the issuance of common stock, deferred rights to receive common stock and non-qualified stock options to purchase up to 160,000 shares of common stock to eligible members of our board of directors who are neither our employees nor our officers.

The 1987 Plan. Prior to its expiration on December 31, 1996, the Marcam Corporation 1987 Stock Plan allowed us to grant ISOs to our employees and non-qualified stock options and stock awards to our officers, employees and consultants. In general, the exercise price specified in the agreement relating to each ISO granted under the 1987 Plan was required to be not less than the fair market value of the common stock as of the date of grant. Subject to specific provisions, stock options granted under the 1987 Plan were fully exercisable on the date of grant or became exercisable thereafter in installments specified by the board of directors. The stock options granted under the 1987 Plan expire on dates specified by the board of directors not to exceed a period of ten years from the date of grant.

The 1994 Plan. Prior to its discontinuation in February 1998, the Marcam Corporation 1994 Stock Plan allowed us to grant ISOs to our employees and non-qualified stock options and stock awards to our officers, employees and consultants. In general, the exercise price specified in the agreement relating to each ISO granted under the 1994 Plan was required to be not less than the fair market value of the common stock as of the date of grant. The 1994 Plan required non-qualified stock options to be granted with an exercise price that was not less than the minimum legal consideration required under applicable state law. Subject to specific provisions, stock options granted under the 1994 Plan were fully exercisable on the date of grant or became exercisable after the date of grant in installments specified by the board of directors. The stock options granted under the 1994 Plan expire on dates specified by the board of directors not to exceed a period of ten years from the date of grant.

The 1992 Plan. The Frontstep Amended and Restated Non-Qualified Stock Option Plan for Key Employees was approved on February 18, 2003 in connection with the acquisition of Frontstep. The 1992 Plan provides that we are authorized to issue 238,974 shares of common stock to holders of options under a prior Frontstep plan. The options of the original Frontstep plan were converted based on the same conversion ratio used for the exchange of Frontstep stock into MAPICS common stock. No additional options will be granted under the 1992 Plan. Substantially all of the options under the 1992 Plan are fully vested and expire on the original scheduled expiration date or 90 days after the employee is no longer employed by us. Upon the surrender of the options, they are no longer available for reissuance.

The 1999 Plan. The Frontstep Second Amended and Restated 1999 Non-Qualified Stock Option Plan for Key Employees was approved on February 18, 2003 in connection with the acquisition of Frontstep. The 1999 Plan provides that we are authorized to issue 182,945 shares of common stock to holders of options under a prior Frontstep plan. The options of the original Frontstep plan were converted based on the same conversion ratio used for the exchange of Frontstep stock into MAPICS common stock. No additional options will be granted under the 1999 Plan. All options under the 1999 Plan are fully vested and expire on the original scheduled expiration date or 90 days after the employee is no longer employed by us. Upon the surrender of the options, they are no longer available for reissuance.

The 2000 ESPP. The MAPICS, Inc. 2000 Employee Stock Purchase Plan, or 2000 ESPP, was approved during fiscal 2000 and provides that we are authorized to issue up to 500,000 shares of common stock to our full-time employees, nearly all of whom are eligible to participate. The 2000 ESPP is a qualified plan under Section 423 of the Internal Revenue Code. Under the terms of the 2000 ESPP, employees, excluding those owning 5 percent or more of the common stock, can choose every six months to have up to 10 percent of their base and bonus earnings withheld to purchase common stock, subject to limitations. The purchase price of the common stock is 85 percent of the lower of its beginning-of-period or end-of-period market price.

Additional Stock Option Grants. During prior fiscal years, the board of directors authorized the issuance of stock options to purchase 25,260 shares of common stock, which we granted outside of the existing stock option plans.

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Except for the look-back options issued under the 2000 ESPP, all stock options granted under our stock-based compensation plans, as well as those stock options granted outside our stock-based compensation plans, were granted at exercise prices not less than the fair market value of the common stock at the date of grant.

Option Grants As of June 30, 2004

The following table provides information regarding option grants to the named executive officers as a percentage of total options granted and total shares outstanding during fiscal 2002, fiscal 2003 and the nine months ended June 30, 2004:

	Fiscal 2002	Fiscal 2003	Fiscal 2004
Net grants during the period as a % of outstanding shares	5.1 %	4.1 %	1.7 %
Grants to named executive officers [1] during the period as a % of total options granted	23.8	5.8	42.2
Grants to named executive officers during the period as a % of outstanding shares	1.2	0.2	0.7
Cumulative options held by named executive officers as a % of total options outstanding	24.6	24.5	28.3

(1) As defined in the captions “Proposal 1−Election of Directors−Director Compensation,” “Executive Compensation,” “Report of the Compensation Committee of the Board of Directors” and “Stock Performance Graphs” in the proxy statement.

Summary of Option Activity
As of June 30, 2004

The following table reflects the activity and historical weighted average exercise prices of our stock options for the indicated periods from October 1, 2002 through June 30, 2004:

	Number of Shares Under Options	Weighted Average Exercise Price
Outstanding at September 30, 2002	5,270,116	$ 9.25
Granted [1]	1,062,438	12.25
Exercised	(22,350)	4.11

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	Shares	Weighted Average Exercise Price
Canceled/expired	(832,358)	14.28
Outstanding at September 30, 2003	5,477,846	9.12
Granted [2]	470,376	10.55
Exercised	(674,929)	7.21
Canceled/expired	(277,041)	11.37
Outstanding at June 30, 2004	4,996,252	$ 9.38

[1] Includes 542,258 options assumed as part of the Frontstep acquisition.

[2] Includes 7,251 rights to deferred shares awarded to directors

In-the-Money and Out-of-the-Money Option Information

	As of June 30, 2004					
	Exercisable		Unexercisable		Total	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
In-the-Money	2,616,620	$ 7.36	1,181,535	$ 7.78	3,798,155	$ 7.49
Out-of-the-Money[1]	1,134,534	15.23	63,563	19.19	1,198,097	15.44
Total options outstanding	3,751,154	9.74	1,245,098	8.36	4,996,252	9.38

[1] Out-of-the-Money options are those options with an exercise price equal or above the closing price of $10.56 per share at June 30, 2004

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Option Grants to Named Executive Officers
Year to Date, As of June 30, 2004

The following table provides information with regard to stock option grants during fiscal 2004 to the named executive officers pursuant to our 1998 LTIP during the first nine months of fiscal 2004. All options identified become exercisable on November 28, 2004 unless forfeited. Shares are subject to forfeiture if we do not attain specific financial targets for the second half of fiscal 2004. All options expire ten years from the date of grant. On June 30, 2004, Mr. Reilly retired from MAPICS and under the terms of the 1998 LTIP, all of the unvested option shares granted to Mr. Reilly became immediately vested.

Name	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees In Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%($)	10%($)
Richard C. Cook	75,000	17.12 %	$ 9.99	5/27/14	$466,313	$1,186,330
Peter E. Reilly	52,500	11.98	9.99	5/27/14	326,419	830,431
Michael J. Casey	40,000	9.13	9.99	5/27/14	248,700	632,709
Martin D. Avallone	17,500	3.99	9.99	5/27/14	108,806	276,810

Amounts reported in the last two columns represent hypothetical amounts that may be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation of the common stock over the term of the options. The numbers shown in these two columns are calculated based on Securities and Exchange Commission rules and do not reflect our estimate of future stock price growth. Actual gains, if any, on stock option exercises and common stock holdings depend on the timing of such exercises and the future performance of the common stock. We do not guarantee that the rates of appreciation assumed in these two columns can be achieved or that the amounts reflected will be received by the named executive officers. The two columns do not take into account any appreciation of the price of the common stock from the date of grant to the current date.

Aggregated Option Exercises and Remaining Option Values
Year to Date, As of June 30, 2004

The following table sets forth information regarding:

the number of shares of common stock received upon any exercise of options by the named executive officers during fiscal 2004;

the net value realized upon any exercise (the difference between the option exercise price and the sale price);

the number of unexercised options held at June 30, 2004; and

the aggregate dollar value of unexercised options held at June 30, 2004.

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Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at June 30, 2004(#) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at June 30, 2004 Exercisable/ Unexercisable
Richard C. Cook	30,000 [(a)]	62,485 [(a)]	500,850/151,250	$1,510,782/$369,519
Peter E. Reilly	–	–	337,500/–	1,413,100/–
Michael J. Casey	67,787	259,828	64,713/172,500	244,581/549,375
Martin D. Avallone	–	–	145,200/40,000	274,718/104,510

(a) Does not include the cancellation of an expiring option for 20,000 shares and an associated $92,910 cash payment to Mr. Cook on November 24, 2003. At the time of the cancellation, Mr. Cook was not allowed to sell the shares in the

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open market because the registration statement underlying those shares was deemed suspended due to the fact that we had not yet filed certain pro forma financial information related to the Frontstep acquisition. Mr. Cook agreed to surrender this option to us in exchange for payment of the difference between the trailing 20-day average closing price of our common stock as reported on the NASDAQ National Market and the exercise price of the stock option. The proceeds have been reported as other compensation to Mr. Cook.

Equity Compensation Plan Information

The following table gives information about the common stock that may be issued upon the exercise of options and rights under all of our existing equity compensation plans as of June 30, 2004.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders:			
MAPICS, Inc. Amended and Restated 1998 Long-Term Incentive Plan	3,533,726	$ 8.85	1,363,268
MAPICS, Inc. Amended and Restated 1998 Non-Employee Directors Stock Option Plan	292,250	10.09	162,000
MAPICS, Inc. Amended and Restated 1998 Non-Employee Directors Stock Incentive Plan	57,042 (1)	9.37	61,638
Marcam Corporation 1987 Stock Plan	49,087	7.72	–
Marcam Corporation 1994 Stock Plan	922,944	9.90	–

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Frontstep, Inc. Non-Qualified Stock Option Plan for Key Employees (1992)	68,694	16.41	–
Frontstep, Inc. 1999 Non-Qualified Stock Option Plan for Key Employees	58,814	14.33	–
MAPICS, Inc. 2000 Employee Stock Purchase Plan	N/A	N/A	183,360
Equity Compensation Plans Not Approved by Shareholders	13,695	7.88	–
Total	4,996,252		1,770,266

(1) The amount shown includes 33,510 rights to deferred shares.

In connection with our 1992 acquisition of Bryce Business Systems, we issued options to acquire a total of 25,260 shares of our common stock to the owners of Bryce. The issuance of the options and related option shares was approved by our board of directors but was not required to be submitted to our shareholders for approval. Options for 10,365 of those shares were granted on October 1, 1992 at an exercise price of $15.39 per share and expired on September 30, 2002 unexercised. Options for the remaining 14,895 shares were granted on August 29, 1995 at an exercise price of

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$7.88 per share, of which options for 13,695 shares remain unexercised. These options are fully vested and expire on August 28, 2005. The underlying shares remain available for issuance if the options are exercised.

ITEM 6: Exhibits and Reports on Form 8-K

(a) Exhibits

10.1	Amended and Restated Change in Control Employment Agreement by and between MAPICS, Inc. and Richard C. Cook dated as of June 15, 2004
10.2	Amended and Restated Change in Control Employment Agreement by and between MAPICS, Inc. and Martin D. Avallone dated as of June 15, 2004
10.3	Retirement Letter Agreement with Peter E. Reilly dated June 18, 2004
10.4	Amended SunTrust Credit Facility dated July 23, 2004
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* This exhibit is furnished to the Securities and Exchange Commission and is not deemed to be filed with the Securities and Exchange Commission as part of this report.

(b) Reports on Form 8-K

On May 5, 2004, we filed a Current Report on Form 8-K reporting under Items 9 and 12 that on April 29, 2004 we issued a press release regarding on our financial results for the quarter ended March 31, 2004.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 12, 2004

MAPICS, Inc.

By:

Michael J. Casey

Michael J. Casey
Vice President of Finance, Chief
Financial Officer, and Treasurer (Duly
Authorized Officer and Principal
Financial and Accounting Officer)

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EXHIBIT 10.1

AMENDED AND RESTATED
CHANGE OF CONTROL EMPLOYMENT AGREEMENT
AS OF JUNE 15, 2004

AGREEMENT by and between MAPICS, Inc. (the "Company") and Richard C. Cook (the "Executive"), dated as of the ______ day of March, 1998.

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive' s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs during the Change of Control Period and if the Executive' s employment with the Company has been terminated either by the Company without Cause or by the Executive for Good Reason (as such terms are defined in Section 5) within one year prior to the date on which the Change of Control occurs, and unless it is reasonably demonstrated by the Company that such termination of employment (i) was not at the request of a third party who has taken steps reasonably calculated to effect the Change of Control and (ii) did not otherwise arise in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years

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from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by a Person who is on the date of this Agreement the beneficial owner of 25% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Company, (iii) any acquisition by the Company, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date of this Agreement whose election, or nomination for election by the Company' s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company' s assets either directly or through one or more subsidiaries) in

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substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive' s position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) the Executive' s services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive' s reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) engage in other business activities that do not represent a conflict of interest with the full execution of his duties to the Company, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the

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extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive base salary at the rate of $325,000 per year ("Annual Base Salary"), less normal withholdings, payable in equal monthly or more frequent installments as are customary under the Company' s payroll practices from time to time. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive' s highest annual bonus for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive' s family, as the case may be, shall be eligible for

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participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive' s employment shall terminate automatically upon the Executive' s death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive' s employment. In such event, the Executive' s employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive' s duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive' s duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive' s legal representative.

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(b) Cause. The Company may terminate the Executive’ s employment during the Employment Period with or without Cause. For purposes of this Agreement, “Cause” shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive’ s duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive’ s duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’ s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive’ s employment may be terminated by the Executive for Good Reason or for no reason. For purposes of this Agreement, “Good Reason” shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive’ s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company' s requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company' s requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive' s employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive' s employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive' s employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination or any later date specified in such notice, (iii) if the Executive' s employment is terminated by reason of death or

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Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive' s employment other than for Cause or Disability, or the Executive shall terminate employment for Good Reason, then in consideration of Executive' s services rendered prior to such termination and of Executive' s covenants contained in Section 10 hereof:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive' s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred, and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon and subject to any prior election by the Executive to receive such deferred amounts in installments) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to three times the sum of (1) the Executive' s Annual Base Salary and (2) $200,000 (such amount representing the approximate average of the annual bonus earned by Executive in Company' s fiscal years 2001 (if present), 2002, and 2003);

(ii) for three years after the Executive' s Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive' s family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive' s employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes re-employed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the

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Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;

(iii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) notwithstanding any provision of this Agreement to the contrary, the Executive shall forfeit his right to receive, or, to the extent such amounts have previously been paid to the Executive, shall repay in full to the Company within thirty (30) days of a final determination of the Executive' s liability therefor as set forth below, the amount described in Section 6(a)(i)(B) of this Agreement if at any time during the period of two years after the Date of Termination he violates the Restrictive Covenants set forth in Section 10 hereof.

(b) Death. If the Executive' s employment is terminated by reason of the Executive' s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive' s legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive' s estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include without limitation, and the Executive' s estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable of the following: (1) of the benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date, or (2) similar benefits in effect on the date of the Executive' s death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive' s employment is terminated by reason of the Executive' s Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of the following: (1) disability and other benefits generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any,

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as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date, or (2) disability and other benefits in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive' s employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive' s continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company' s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as explicitly provided herein, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

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9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $100,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to the Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Coopers & Lybrand L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm' s determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of

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Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any

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administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company' s control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company' s complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Restrictions on Conduct of the Executive. The Executive and the Company understand and agree that the purpose of the provisions of this Section 10 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate the Executive' s post-employment competition with the Company *per se*, nor is it intended to impair or infringe upon the Executive' s right to work, earn a living, or acquire and possess property from the fruits of his labor. The Executive hereby acknowledges that the post-employment restrictions set forth in this Section 10 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement. Therefore, subject to the limitations of reasonableness imposed by law upon the restrictions set forth herein by the time and geographical area described below, the Executive shall be subject to the restrictions set forth in this Section 10.

(a) Definitions. The following capitalized terms used in this Section 10 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

"Competitive Services" means providing enterprise resource planning software applications for discrete and batch-process mid-size manufacturing enterprises (i.e., enterprises having annual revenue of $20 million to $500 million).

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"Confidential Information" means any confidential or proprietary information possessed by the Company or its affiliated entities or relating to its or their business, including without limitation, any confidential customer lists, details of client or consultant contracts, current and anticipated customer requirements, pricing policies, price lists, market studies, business plans, operational methods, marketing plans or strategies, product development techniques or plans, unannounced computer software programs, computer software program source code, data and documentation, data base technologies, computer program structures and architectures, inventions and ideas, past, current and planned research and development, compilations, devices, methods, techniques, processes, financial information and data, business acquisition plans, new personnel acquisition plans and any other information that would constitute a "trade secret(s)" under the common law or statutory law of the State of Georgia.

"Determination Date" means the date of termination of the Executive' s employment with the Company for any reason whatsoever or any earlier date (during the Employment Period) of an alleged breach of the Restrictive Covenants by the Executive.

"Person" means any individual or any corporation, partnership, joint venture, association or other entity or enterprise.

"Principal or Representative" means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

"Protected Customers" means customers of the Company that purchased Competitive Services from the Company within one (1) year prior to the Determination Date.

"Protected Employees" means employees of the Company who were employed by the Company at any time within six (6) months prior to the Determination Date.

"Restricted Period" means the period extending two (2) years from the termination of the Executive' s employment with the Company for any reason whatsoever.

"Restricted Territory" means the following territory, in which the Executive engages in the provision of Competitive Services on behalf of the Company on the date of this Agreement: State of Georgia.

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"Restrictive Covenants" means the restrictive covenants contained in Section 10 hereof.

(b) Restrictive Covenants.

(i) Restriction on Disclosure and Use of Confidential Information. The Executive understands and agrees that the Confidential Information constitutes a valuable asset of the Company and its affiliated entities, and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that the Executive shall not, directly or indirectly, at any time during the Restricted Period reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and the Executive shall not, directly or indirectly, at any time during the Restricted Period use or make use of any Confidential Information in connection with any business activity other than that of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company' s rights or the Executive' s obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

(ii) Nonsolicitation of Protected Employees. The Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that during the Restricted Period the Executive shall not directly or indirectly on the Executive' s own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

(iii) Nonsolicitation of Protected Customers. The Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that, during the Restricted Period, the Executive shall not, without the prior written consent of the Company, directly or indirectly, on the Executive' s own behalf or as a Principal or Representative of any Person or otherwise, solicit a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom the Executive had Material Contact on the Company' s behalf during the twelve (12) months immediately preceding the Date of Termination. For purposes of this Agreement, the Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company' s behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Confidential Information about the customer as a result of his association with the Company.

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(iv) Noncompetition with the Company. The Executive understands and agrees that, during the Restricted Period and within the Restricted Territory, he shall not, directly or indirectly, on his own or on behalf of any Person, be affiliated with as a Principal or Representative any Person engaged, in whole or in part, in the provision of Competitive Services in a capacity where Executive' s duties or responsibilities for such Person will include strategic planning, policymaking or management; provided, however, that the provisions of Section 10 shall not be deemed to prohibit the ownership by the Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of securities of any corporation having a class of securities registered pursuant to the Exchange Act.

(c) Exceptions from Disclosure Restrictions. Anything herein to the contrary notwithstanding, the Executive shall not be restricted from disclosing or using Confidential Information that: (a) is or becomes generally available to the public other than as a result of an unauthorized disclosure by the Executive or his agent; (b) becomes available to the Executive in a manner that is not in contravention of applicable law from a source (other than the Company or its affiliated entities or one of its or their officers, employees, agents or representatives) that is not bound by a confidential relationship with the Company or its affiliated entities or by a confidentiality or other similar agreement; (c) was known to the Executive on a non-confidential basis and not in contravention of applicable law or a confidentiality or other similar agreement before its disclosure to the Executive by the Company or its affiliated entities or one of its or their officers, employees, agents or representatives; or (d) is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, the Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Executive.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the following rights and remedies, which shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

(A) the right and remedy to enjoin, preliminarily and permanently, the Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(B) the right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals,

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increments or other benefits derived or received by the Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

(ii) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, are invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

(iii) Attorneys' Fees. In any action relating to the enforcement of the Restrictive Covenants, the prevailing party in such action shall be entitled to be paid any and all costs and expenses incurred by him or it in enforcing or establishing his or its rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in trial, bankruptcy or appellate proceedings.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than-by a written agreement executed by the parties hereto or their respective successors and legal representatives.

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(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Richard C. Cook
2291 Littlebrook Lane
Dunwoody, Georgia 30338

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If to the Company:

MAPICS, Inc.
5775-D Glenridge Drive
Atlanta, Georgia 30328
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive' s or the Company' s failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive' s employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. However, absent termination of employment of the Executive, this Agreement may not be terminated by the Company during the Change of Control Period and before the Effective Date. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, including without limitation any then-current employment agreement between the Company and the Executive.

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IN WITNESS WHEREOF, the Executive has hereunto set the Executive' s hand and, pursuant to the authorization from its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf by its undersigned officer thereunto, duly authorized, all as of the day and year first above written.

____

MAPICS, INC.

By:____

Title:

____

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EXHIBIT 10.2

AMENDED AND RESTATED
CHANGE OF CONTROL EMPLOYMENT AGREEMENT
AS OF JUNE 15, 2004

AGREEMENT by and between MAPICS, Inc. (the "Company") and Martin Avallone (the "Executive"), dated as of the _______day of March, 1998.

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive' s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs during the Change of Control Period and if the Executive' s employment with the Company has been terminated either by the Company without Cause or by the Executive for Good Reason (as such terms are defined in Section 5) within one year prior to the date on which the Change of Control occurs, and unless it is reasonably demonstrated by the Company that such termination of employment (i) was not at the request of a third party who has taken steps reasonably calculated to effect the Change of Control and (ii) did not otherwise arise in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years

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from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purposes of this Agreement, a “Change of Control” shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by a Person who is on the date of this Agreement the beneficial owner of 25% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Company, (iii) any acquisition by the Company, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date of this Agreement, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date of this Agreement whose election, or nomination for election by the Company’ s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’ s assets either directly or through one or more subsidiaries) in

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substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive' s position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) the Executive' s services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive' s reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) engage in other business activities that do not represent a conflict of interest with the full execution of his duties to the Company, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive' s responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the

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extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive' s responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive base salary at the rate of $230,000 per year ("Annual Base Salary"), less normal withholdings, payable in equal monthly or more frequent installments as are customary under the Company' s payroll practices from time to time. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive' s highest annual bonus for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive' s family, as the case may be, shall be eligible for

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participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive' s employment shall terminate automatically upon the Executive' s death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive' s employment. In such event, the Executive' s employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive' s duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive' s duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive' s legal representative.

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(b) Cause. The Company may terminate the Executive' s employment during the Employment Period with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive' s duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive' s duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive' s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive' s employment may be terminated by the Executive for Good Reason or for no reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive' s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company' s requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company' s requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive' s employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive' s employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive' s or the Company' s rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive' s employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive' s employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination or any later date specified in such notice, (iii) if the Executive' s employment is terminated by reason of death or

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Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive' s employment other than for Cause or Disability, or the Executive shall terminate employment for Good Reason, then in consideration of Executive' s services rendered prior to such termination and of Executive' s covenants contained in Section 10 hereof:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive' s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred, and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon and subject to any prior election by the Executive to receive such deferred amounts in installments) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to two times the sum of (1) the Executive' s Annual Base Salary and (2) $55,000 (such amount representing the approximate average of the annual bonus earned by Executive in Company' s fiscal years 2001 (if present), 2002, and 2003);

(ii) for two years after the Executive' s Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive' s family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive' s employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes re-employed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the

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Executive shall be considered to have remained employed until two years after the Date of Termination and to have retired on the last day of such period;

(iii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) notwithstanding any provision of this Agreement to the contrary, the Executive shall forfeit his right to receive, or, to the extent such amounts have previously been paid to the Executive, shall repay in full to the Company within thirty (30) days of a final determination of the Executive' s liability therefor as set forth below, the amount described in Section 6(a)(i)(B) of this Agreement if at any time during the period of two years after the Date of Termination he violates the Restrictive Covenants set forth in Section 10 hereof.

(b) Death. If the Executive' s employment is terminated by reason of the Executive' s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive' s legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive' s estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include without limitation, and the Executive' s estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable of the following: (1) of the benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date, or (2) similar benefits in effect on the date of the Executive' s death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive' s employment is terminated by reason of the Executive' s Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of the following: (1) disability and other benefits generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any,

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as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date, or (2) disability and other benefits in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive' s employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive' s continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company' s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as explicitly provided herein, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

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9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $100,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to the Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm' s determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of

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Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any

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administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company' s control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company' s complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Restrictions on Conduct of the Executive. The Executive and the Company understand and agree that the purpose of the provisions of this Section 10 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate the Executive' s post-employment competition with the Company *per se*, nor is it intended to impair or infringe upon the Executive' s right to work, earn a living, or acquire and possess property from the fruits of his labor. The Executive hereby acknowledges that the post-employment restrictions set forth in this Section 10 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement. Therefore, subject to the limitations of reasonableness imposed by law upon the restrictions set forth herein by the time and geographical area described below, the Executive shall be subject to the restrictions set forth in this Section 10.

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(a) Definitions. The following capitalized terms used in this Section 10 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

"*Competitive Services*" means providing enterprise resource planning software applications for discrete and batch-process mid-size manufacturing enterprises (i.e., enterprises having annual revenue of $20 million to $500 million).

"*Confidential Information*" means any confidential or proprietary information possessed by the Company or its affiliated entities or relating to its or their business, including without limitation, any confidential customer lists, details of client or consultant contracts, current and anticipated customer requirements, pricing policies, price lists, market studies, business plans, operational methods, marketing plans or strategies, product development techniques or plans, unannounced computer software programs, computer software program source code, data and documentation, data base technologies, computer program structures and architectures, inventions and ideas, past, current and planned research and development, compilations, devices, methods, techniques, processes, financial information and data, business acquisition plans, new personnel acquisition plans and any other information that would constitute a "trade secret(s)" under the common law or statutory law of the State of Georgia.

"*Determination Date*" means the date of termination of the Executive' s employment with the Company for any reason whatsoever or any earlier date (during the Employment Period) of an alleged breach of the Restrictive Covenants by the Executive.

"*Person*" means any individual or any corporation, partnership, joint venture, association or other entity or enterprise.

"*Principal or Representative*" means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

"*Protected Customers*" means customers of the Company that purchased Competitive Services from the Company within one (1) year prior to the Determination Date.

"*Protected Employees*" means employees of the Company who were employed by the Company at any time within six (6) months prior to the Determination Date.

"*Restricted Period*" means the period extending two (2) years from the termination of the Executive' s employment with the Company for any reason whatsoever.

"*Restricted Territory*" means the following territory, in which the Executive engages in the provision of Competitive Services on behalf of the Company on the date of this Agreement: State of Georgia.

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"Restrictive Covenants" means the restrictive covenants contained in Section 10 hereof.

(b) Restrictive Covenants.

(i) Restriction on Disclosure and Use of Confidential Information. The Executive understands and agrees that the Confidential Information constitutes a valuable asset of the Company and its affiliated entities, and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that the Executive shall not, directly or indirectly, at any time during the Restricted Period reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and the Executive shall not, directly or indirectly, at any time during the Restricted Period use or make use of any Confidential Information in connection with any business activity other than that of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company' s rights or the Executive' s obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

(ii) Nonsolicitation of Protected Employees. The Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that during the Restricted Period the Executive shall not directly or indirectly on the Executive' s own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

(iii) Nonsolicitation of Protected Customers. The Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to the Executive' s own use. Accordingly, the Executive hereby agrees that, during the Restricted Period, the Executive shall not, without the prior written consent of the Company, directly or indirectly, on the Executive' s own behalf or as a Principal or Representative of any Person or otherwise, solicit a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom the Executive had Material Contact on the Company' s behalf during the twelve (12) months immediately preceding the Date of Termination. For purposes of this Agreement, the Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company' s behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Confidential Information about the customer as a result of his association with the Company.

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(iv) Noncompetition with the Company. The Executive understands and agrees that, during the Restricted Period and within the Restricted Territory, he shall not, directly or indirectly, on his own or on behalf of any Person, be affiliated with as a Principal or Representative any Person engaged, in whole or in part, in the provision of Competitive Services in a capacity where Executive' s duties or responsibilities for such Person will include strategic planning, policymaking or management; provided, however, that the provisions of Section 10 shall not be deemed to prohibit the ownership by the Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of securities of any corporation having a class of securities registered pursuant to the Exchange Act.

(c) Exceptions from Disclosure Restrictions. Anything herein to the contrary notwithstanding, the Executive shall not be restricted from disclosing or using Confidential Information that: (a) is or becomes generally available to the public other than as a result of an unauthorized disclosure by the Executive or his agent; (b) becomes available to the Executive in a manner that is not in contravention of applicable law from a source (other than the Company or its affiliated entities or one of its or their officers, employees, agents or representatives) that is not bound by a confidential relationship with the Company or its affiliated entities or by a confidentiality or other similar agreement; (c) was known to the Executive on a non-confidential basis and not in contravention of applicable law or a confidentiality or other similar agreement before its disclosure to the Executive by the Company or its affiliated entities or one of its or their officers, employees, agents or representatives; or (d) is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, the Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Executive.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event the Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the following rights and remedies, which shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

(A) the right and remedy to enjoin, preliminarily and permanently, the Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(B) the right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals,

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increments or other benefits derived or received by the Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

(ii) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, are invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

(iii) Attorneys' Fees. In any action relating to the enforcement of the Restrictive Covenants, the prevailing party in such action shall be entitled to be paid any and all costs and expenses incurred by him or it in enforcing or establishing his or its rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in trial, bankruptcy or appellate proceedings.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than-by a written agreement executed by the parties hereto or their respective successors and legal representatives.

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(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Martin Avallone
229 Nacoochee Drive
Atlanta, Georgia 30305

If to the Company:

MAPICS, Inc.
5775-D Glenridge Drive
Atlanta, Georgia 30328
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive' s or the Company' s failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive' s employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. However, absent termination of employment of the Executive, this Agreement may not be terminated by the Company during the Change of Control Period and before the Effective Date. From and after the Effective Date, this Agreement shall supersede any other

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agreement between the parties with respect to the subject matter hereof, including without limitation any then-current employment agreement between the Company and the Executive.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive' s hand and, pursuant to the authorization from its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf by its undersigned officer thereunto, duly authorized, all as of the day and year first above written.

____

MAPICS, INC.

By: ____

Title: ________________________________

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EXHIBIT 10.3

Personal and Confidential

June 18, 2004

Mr. Peter E. Reilly
2220 Blackheath Trace
Alpharetta, Georgia 30005

Dear Pete:

This letter sets forth our agreement regarding your retirement and resignation from MAPICS, Inc. (the "Company").

1. You will step down as Chief Operating Officer for the Company effective June 30, 2004 (the "Retirement Date") at which time you will no longer be considered an employee or named executive officer of the Company. You also hereby resign from any directorship positions, officer positions or subscriptions you hold with the Company, its subsidiaries and affiliates or other organizations on the Company' s behalf effective as of such Retirement Date. You will assist the Company in a reasonable transition of your work and perform such other reasonable transition-related duties as assigned by the Chief Executive Officer or his designee.

2. Through the Retirement Date you will receive a gross base salary of $10,000 semi-monthly and remain eligible to participate in the current benefits plans. Your benefits costs and deductions for this period will be appropriately deducted and all applicable taxes withheld. You will not be eligible for any cash bonus for your or the Company' s performance during the third or fourth fiscal quarter of the Company' s 2004 fiscal year or thereafter.

As of the Retirement Date, your salary will cease and any entitlement you have or might have under any other Company-provided bonus plan or benefit plan, program or practice shall be immediately forfeited except as required by federal or state law or as otherwise expressed in this letter. You agree that you have utilized all vacation owing and shall not be entitled to any further payments reflecting vacation whether or not it is accrued. The Change of Control Agreement dated October 1, 1999, as amended ("CiC Agreement") between you and the Company is hereby terminated as of the date of this

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letter agreement. You hereby agree that your termination shall not be considered as "in connection with or anticipation of the Change of Control" as described in the CiC Agreement and you hereby waive all rights and benefits as described in the CiC Agreement and release the Company from all claims related thereto. The Retirement Date shall be treated as your "qualifying event" under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and you will receive COBRA information under separate cover.

As soon as reasonably practicable, the Company shall assign to you its interest in the current Company laptop personal computer and cell phone that you use and you shall be responsible for all liabilities associated with those assets thereafter. You shall return all other MAPICS assets and materials to MAPICS, including without limit, those files contained on the referenced laptop personal computer.

3. On or before June 30, 2004 and provided you are otherwise in compliance with the terms of this letter agreement, you will be paid a gross severance payment of $300,000.

4. As of the date of this letter agreement the 30,000 shares of restricted stock granted to you on August 19, 2003, shall be forfeited and you agree that the associated Restricted Stock Award Agreement between you and the Company related to that grant is hereby immediately terminated. Attached as Exhibit 1 hereto is a list of stock options granted to you during your employment and still outstanding ("Options"). The terms of the Option Plan documents and your award certificates/agreement shall apply to said Options. In the event of conflict, the terms of this letter agreement shall take precedence over any Option Plan documents. You shall comply with all applicable securities laws, including those regarding insider trading.

5. Release By You. As a material inducement to the Company to enter into this letter agreement you, for yourself and your representatives, agents, servants, executors, administrators, estates, heirs, successors and assigns, except as otherwise provided herein, hereby fully, forever, irrevocably and unconditionally release, remise and discharge the Company and its corporate affiliates, the Company' s officers, directors, stockholders, agents and employees, both individually and in their official capacities, from any and all claims, charges, complaints, money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs) of every kind and nature which you ever had or now have against the Company and its corporate affiliates, the Company' s officers, directors, stockholders, agents and employees, both individually and in the official capacities, whether based on any federal or state law or regulation regarding either employment or employment discrimination, including but not limited to, all claims under Title VII of the Civil Rights Act of 1964, 42, U.S.C. 12000e et seq.; the Age Discrimination in Employment Act, 29 U.S.C. 1621 et seq.; the Americans with Disabilities Act, 29 U.S.C 1621 et seq.; wrongful discharge claims; any contract claims, whether oral or written, express or implied; any claims for back wages, salary, draws, commissions, bonuses, vacation pay, expenses, compensation, or severance pay, or any other statutory or common law claims and damages.

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6. Release By the Company. As a material inducement to you to enter into this letter agreement the Company, for itself and for its corporate affiliates and officers, directors, stockholders, agents and employees, both individually and in their official capacities, except as otherwise provided herein, hereby fully, forever, irrevocably and unconditionally release, remise and discharge you and your representatives, agents, servants, executors, administrators, heirs, successors and assigns from any and all claims, charges, complaints, money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities and expenses (including attorneys' fees and costs) of every kind and nature which the Company ever had or now have against you or your representatives, agents, servants, executors, administrators, heirs, successors and assigns, whether based on any federal or state law or regulation or common law including without limitation any claims arising from any of your authorized acts while you are or were an employee of the Company; any contract claims whether oral or written, express or implied; any claims for contribution or indemnification, or any other statutory or common law claims and damages; provided, however, that the foregoing shall in no way release you from any claims arising from your breach of section 8 of this letter agreement.

7. In addition, by your acceptance hereof, you acknowledge and agree that:

a) You have been informed that if you are 40 years of age or older, you have or might have specific rights and/or claims under the Age Discrimination in Employment Act. In consideration of the compensation described in this letter agreement, you specifically waive such rights and/or claims to the extent such rights and/or claims arose prior to the date this letter agreement was executed.

b) You were advised by the Company of your right to consult with an attorney prior to executing this letter agreement.

c) You were further advised when you were presented by the Company with the original draft of this letter agreement that you had at least 21 days within which to consider its terms and consult with or seek advice from an attorney or any other person of your choosing.

d) By initialing below, you hereby acknowledge that you were informed and understand that you had at least 21 days within which to consider this letter agreement, have consulted with an attorney regarding this letter agreement or have chosen not to consult with an attorney, and have considered carefully every provision of this letter agreement, and that after having engaged those actions, prefer to and have requested that you enter into this letter agreement prior to the expiration of the 21 day period discussed above.

______________________ ______________________

Initial Date

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8. You agree that you will not disclose or deliver to anyone, including employees of the Company, except as authorized by the Company, or use in any way other than in the Company' s business, any information or material relating to the business of the Company (including information or materials received by the Company or its subsidiaries from others) and intended by the Company to be kept in confidence by its recipients. As used in this letter agreement, the term "information" includes all information concerning the technical, administrative, management, financial or marketing activities (such as design, manufacturing and procurement specifications, procedures, manufacturing processes, information processing processes, or programs, marketing plans and strategies, plans for future development, customer and employee names, customer contact information or customer financial data, or other data and cost and financial data) and the term "materials" includes all physical embodiments of information (such as drawings, specification sheets, recording media for machine information processing systems, documentation of all types, contracts, reports, customer lists, employee lists, manuals, quotations, proposals, correspondence and samples). You shall promptly return all materials in your possession or control. You further agree that you will not disclose to any third party except your immediate family members and legal and tax advisors, the existence or terms and conditions of this letter agreement. You may also disclose the existence and general terms of this letter agreement to prospective employers and professional recruiters who agree to treat it in confidence and to not further disclose it to any third party. In consideration of the severance payment described in section 3, for a period of twelve (12) months from the date of this letter agreement, you further agree: a) not to, directly or indirectly, on your own behalf or that of another, solicit or induce any employee of the Company to terminate his/her employment relationship with the Company or to enter into an employment relationship with another; b) directly or indirectly, on your own behalf or that of another, solicit a customer of the Company with whom you have had contact with during the period 12 months prior to your Retirement Date, for the purpose of marketing, selling or licensing competitive software or services; c) directly or indirectly, on your own behalf or that of another, solicit a sales affiliate of the Company with whom you have had contact with during the period 12 months prior to your Retirement Date, for the purpose of establishing a relationship for the marketing, selling or licensing competitive software or services; and d) not to, directly or indirectly, be employed by or provide services in any way to those competitive entities identified in Exhibit 2 hereto (which is attached and incorporated herein by this reference), except as otherwise expressly agreed to in advance by the Company. In the event of any breach by you of this section, in addition to any other remedies available to the Company at law or in equity, you hereby agree to immediately pay back to the Company the full amount of severance payment described in section 3 above.

9. You acknowledge that irreparable injury might result to the business and property of the Company in the event of your breach of any of the terms contained in this letter agreement. You further understand and agree that, in the event of such breach or the substantial likelihood of such breach, monetary damages shall be difficult to calculate and that the Company shall be entitled to receive injunctive relief in order to protect fully its interest and property.

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10. The invalidity or unenforceability of any provision hereof or the invalidity or unenforceability of any provision hereof as applied to a particular occurrence or circumstance shall not affect the validity or enforceability of any other provision hereof or any other application of any such provision. If one or more of the provisions contained herein shall for any reason be held to be excessively broad as to scope, activity, or subject matter so as to be unenforceable at law, such provision(s) shall be construed and reformed by the appropriate judicial body by limiting or reducing it (or them) so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear.

11. This agreement shall be governed by, and construed in accordance with, the laws of Georgia, without giving effect to the principles of conflicts of law thereof.

12. This letter agreement and its Exhibits represents the complete and exclusive agreement and understanding relating to the termination of your employment and supersedes any and all prior agreements or understandings, oral or written, between the Company and you with respect to the subject matter.

13. You represent that you have read this letter agreement, fully understand the terms and conditions and are voluntarily executing this letter agreement. In entering this letter agreement, you do not rely on any representation, promise or inducement made by the Company, with the exception of the consideration described in this letter agreement.

14. This letter agreement may be executed in any number of counterparts, each of which shall constitute an original, but which taken together shall constitute one instrument.

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15. You may revoke this letter agreement for a period of seven days following its execution, and this letter agreement shall not be effective or enforceable until this revocation period has expired.

Sincerely,

MAPICS, Inc.

By: ______________________________

Richard C. Cook
Chief Executive Officer

AGREED TO AND ACCEPTED:

By: ______________________________

Peter E. Reilly

Date: ______________________________

CC: Marty Avallone

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Exhibit 1

Options

Attach AST Stockplan printout of Reilly stock options as of March 31, 2004. As of that date, options on 285,000 shares were outstanding. This number does not include the 52,500 Options granted on May 28, 2004.

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Exhibit 2

Competitive Entities

Epicor
IFS
QAD
GEAC
Made 2 Manage
Lilly
Manugistics
I2
Oracle
Intentia
American Software
Agility
Logility
SSA Global Technologies
Peoplesoft
SAP

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THIRD AMENDMENT TO REVOLVING CREDIT AND TERM LOAN AGREEMENT

THIS THIRD AMENDMENT TO REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "***Amendment***"), is made and entered into as of July 23, 2004, by and among MAPICS, INC., a Georgia corporation (the "***Borrower***"), the several banks and other financial institutions from time to time party hereto (collectively, the "***Lenders***") and SUNTRUST BANK, in its capacity as Administrative Agent for the Lenders (the "***Administrative Agent***").

W I T N E S S E T H:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to a certain Revolving Credit and Term Loan Agreement, dated as of February 18, 2003, as amended by that certain First Amendment to Revolving Credit and Term Loan Agreement, dated as of July 2, 2003 and that certain Second Amendment to Revolving Credit and Term Loan Agreement, dated as of July 31, 2003 (as amended to date and as may be further amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent amend certain provisions of the Credit Agreement, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

1. **Amendments**.

(a) Section 1.1 of the Credit Agreement is hereby amended by replacing the definition of Excess Availability in its entirety with the following definition:

> "Excess Availability shall mean, at any time, (a) the Borrowing Base at such time *minus* (b) (i) the Revolving Credit Exposure at such time, *minus* (ii) all cash and Permitted Investments of the Borrower and its Subsidiaries as determined in accordance with GAAP in excess of $10,000,000, to the extent such excess cash and Permitted Investments are maintained in domestic accounts with the Administrative Agent, any Lender or any of their Affiliates over which the Administrative Agent has a first priority perfected security interest, *minus* (c) the amount by which (i) the aggregate amount of trade payables of Frontstep and its Subsidiaries that are past due by more than 120 days exceeds (ii) $6,500,000."

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(b) Section 6.4 of the Credit Agreement is hereby amended by replacing subsection (ii) of such Section in its entirety with the following:

"at all times on or prior to September 30, 2004, a minimum cash balance as determined on a consolidated basis in accordance with GAAP of at least the principal amount of the Term Loan then outstanding."

(c) Section 7.5 of the Credit Agreement is hereby amended by replacing subsection (ii) of such Section in its entirety with the following:

7.5 Restricted Payments. The Borrower will not, and will not permit its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any dividend on any class of its Capital Stock, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of, any shares of its Capital Stock or Indebtedness subordinated to the Obligations of the Borrower or any Guarantee thereof or any options, warrants, or other rights to purchase such Capital Stock or such Indebtedness, whether now or hereafter outstanding (each, a "Restricted Payment"), except for (i) dividends payable by the Borrower solely in shares of any class of its common stock, (ii) Restricted Payments made by any Subsidiary to the Borrower or to another Subsidiary Loan Party, (iii) Restricted Payments made by any Foreign Subsidiary to any Material Foreign Subsidiary, and by any Subsidiary that is not a Material Foreign Subsidiary to another Subsidiary that is not a Material Foreign Subsidiary, (iv) Restricted Payments with respect to Indebtedness subordinated to the Obligations in a manner approved by the Required Lenders, to the extent permitted by the subordination provisions applicable thereto, and (v) cash dividends paid on, and cash redemptions or repurchases of, the common stock of the Borrower in an aggregate amount not to exceed $10,000,000 during any Fiscal Year (excluding any repurchase made from employees of the Borrower related to the Borrower' s stock option plan or executive compensation plan), so long as no Default or Event of Default has occurred and is continuing. Nothing in this Section 7.5, nor anything else contained in this Agreement or any other Loan Documents shall prohibit payment of amounts (whether in cash, stock or other property) required to be paid by the Borrower under Section 2.9 of the Agreement and Plan of Merger dated March 1, 2000, by and among the Borrower, Athens Merger Corp., Ames Associates, Inc., RM Systems, Inc., Robert Raney, Richard Castellot, James Mitchell and Richard Ames; provided, however, the amount of cash payments paid by the Borrower after the date hereof shall not exceed $700,000 in the aggregate.

2. **Conditions to Effectiveness of this Amendment**. Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrower shall have no rights under this Amendment, the Administrative Agent shall have received executed counterparts to this Amendment from the Borrower, each of the Guarantors and the Required Lenders.

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3. **Representations and Warranties**. To induce the Lenders and the Administrative Agent to enter into this Amendment, each Loan Party hereby represents and warrants to the Lenders and the Agent that:

(a) The execution, delivery and performance by such Loan Party of this Amendment (i) are within such Loan Party' s power and authority; (ii) have been duly authorized by all necessary corporate and shareholder action; (iii) are not in contravention of any provision of such Loan Party' s certificate of incorporation or bylaws or other organizational documents; (iv) do not violate any law or regulation, or any order or decree of any Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Loan Party or any of its Subsidiaries is a party or by which such Loan Party or any such Subsidiary or any of their respective property is bound; (vi) do not result in the creation or imposition of any Lien upon any of the property of such Loan Party or any of its Subsidiaries; and (vii) do not require the consent or approval of any Governmental Authority or any other person;

(b) This Amendment has been duly executed and delivered for the benefit of or on behalf of each Loan Party and constitutes a legal, valid and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general; and

(c) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

4. **Reaffirmations and Acknowledgments**.

(a) Reaffirmation of Guaranty. Each Guarantor consents to the execution and delivery by the Borrower of this Amendment and jointly and severally ratify and confirm the terms of the Subsidiary Guaranty Agreement with respect to the indebtedness now or hereafter outstanding under the Credit Agreement as amended hereby and all promissory notes issued thereunder. Each Guarantor acknowledges that, notwithstanding anything to the contrary contained herein or in any other document evidencing any indebtedness of the Borrower to the Lenders or any other obligation of the Borrower, or any actions now or hereafter taken by the Lenders with respect to any obligation of the Borrower, the Subsidiary Guaranty Agreement (i) is and shall continue to be a primary obligation of the Guarantors, (ii) is and shall continue to be an absolute, unconditional, joint and several, continuing and irrevocable guaranty of payment, and (iii) is and shall continue to be in full force and effect in accordance with its terms. Nothing contained herein to the contrary shall release, discharge, modify, change or affect the original liability of the Guarantors under the Subsidiary Guaranty Agreement.

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(b) Acknowledgment of Perfection of Security Interest. Each Loan Party hereby acknowledges that, as of the date hereof, the security interests and Liens granted to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents are in full force and effect, are properly perfected and are enforceable in accordance with the terms of the Credit Agreement and the other Loan Documents.

5. **Effect of Amendment**. Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

6. **Governing Law**. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of Georgia and all applicable federal laws of the United States of America.

7. **No Novation**. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

8. **Costs and Expenses**. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

9. **Counterparts**. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

10. **Binding Nature**. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

11. **Entire Understanding**. This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

[Signature Pages To Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

MAPICS, INC.

By:____

Name:

Title:

GUARANTORS:

MAPICS U, INC.

By:____

Name:

Title:

PIVOTPOINT, INC.

By:____

Name:

Title:

MINX SOFTWARE INCORPORATED

By:____

Name:

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Title:

THRU-PUT CORPORATION

By: ______________________________________

Name:

Title:

FRONTSTEP, INC.

By: ______________________________________

Name:

Title:

[SIGNATURE PAGE TO THIRD AMENDMENT TO REVOLVING CREDIT AND TERM LOAN AGREEMENT]

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FRONTSTEP SOLUTIONS GROUP, INC.

By:____________________________________

Name:

Title:

FRONTSTEP DISTRIBUTION.COM, INC.

By:____________________________________

Name:

Title:

[SIGNATURE PAGE TO THIRD AMENDMENT TO REVOLVING CREDIT AND TERM LOAN AGREEMENT]

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LENDERS:

SUNTRUST BANK, individually and as
Administrative Agent

By:____

Name:

Title:

FIFTH THIRD BANK

By:____

Name:

Title:

KEY CORPORATE CAPITAL INC.

By:____

Name:

Title:

[SIGNATURE PAGE TO THIRD AMENDMENT TO REVOLVING CREDIT AND TERM LOAN AGREEMENT]

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EXHIBIT 31.1

MAPICS, Inc.

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard C. Cook, Director, President and Chief Executive Officer of MAPICS, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MAPICS, Inc. for the quarter ended June 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal controls over financial reporting.

Date: August 12, 2004

/s/ Richard C. Cook

Richard C. Cook
Director, President
and Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to MAPICS, Inc. and will be retained by MAPICS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 31.2

MAPICS, Inc.

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Casey, Vice President of Finance, Chief Financial Officer and Treasurer of MAPICS, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MAPICS, Inc. for the quarter ended June 30, 2004;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal controls over financial reporting.

Date: August 12, 2004

/s/ Michael J. Casey

Michael J. Casey
Vice President of Finance,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to MAPICS, Inc. and will be retained by MAPICS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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EXHIBIT 32.1

MAPICS, Inc.

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MAPICS, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard C. Cook, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard C. Cook

Richard C. Cook

Director, President and
Chief Executive Officer
August 12, 2004

In connection with the Quarterly Report of MAPICS, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Casey, Vice President of Finance, Chief Financial Officer and Treasurer of the Company, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Casey

Michael J. Casey

Vice President of Finance,
Chief Financial Officer and Treasurer
August 12, 2004

A signed original of this written statement required by Section 906 has been provided to MAPICS, Inc. and will be retained by MAPICS, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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