

EPICOR SOFTWARE CORP
Form DEF 14A
April 27, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities and Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate Box:

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

EPICOR SOFTWARE CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Notice of 2006 Annual Meeting of Stockholders
and Proxy Statement**

Meeting Date:

May 30, 2006

Epicor Software Corporation

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

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Epicor Software Corporation

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

To our shareholders:

You are hereby cordially invited to attend the 2006 Annual Meeting of Stockholders of Epicor Software Corporation. The Annual Meeting will be held on May 30, 2006, at 10:00 a.m. local time, at the Irvine Marriott Hotel located at 18000 Von Karman Ave., Irvine, CA 92612. The expected actions to be taken at the Annual Meeting are described in the attached Proxy Statement and Notice of Annual Meeting of Stockholders. Included with the Proxy Statement is a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on March 31, 2006, as amended by Amendment No. 1 on Form 10-K/A, filed on April 14, 2006. We encourage you to read the Form 10-K, as amended. It includes our audited financial statements and information about our operations, markets and products.

Stockholders of record as of April 17, 2006 may vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the meeting, please complete, sign, date, and return the accompanying proxy card in the enclosed postage-paid envelope or, if available, vote via the Internet or by telephone. Returning the proxy card or voting via the Internet or by telephone will ensure your representation at the meeting but does NOT deprive you of your right to attend the meeting and to vote your shares in person. The Proxy Statement explains more about the proxy voting. Please read it carefully. We look forward to seeing you at the Annual Meeting.

Sincerely,

L. George Klaus

Chairman of the Board and

Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: May 30, 2006

Time: 10:00 a.m. PDT

Place: The Irvine Marriott Hotel located at 18000 Von Karman Ave., Irvine, CA 92612

Matters to be voted on:

- Election of the Company's five nominee directors, L. George Klaus, Michael Kelly, Thomas F. Kelly, Harold D. Copperman, and Robert H. Smith;
- Ratification of McGladrey & Pullen LLP as independent auditors for the fiscal year ending December 31, 2006; and
- Any other matters that may properly be brought before the meeting.

Any of the above matters may be considered at the annual meeting at the date and time specified above or an adjournment or postponement of such meeting.

By order of the Board of Directors

L. George Klaus

Chairman and CEO

April 27, 2006

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD OR VOTING INSTRUCTION CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR, IF AVAILABLE, VOTE BY TELEPHONE OR USING THE INTERNET AS INSTRUCTED ON THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION CARD.

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EPICOR SOFTWARE CORPORATION

PROXY STATEMENT FOR 2006

ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of the Board of Directors of Epicor Software Corporation (Epicor or the Company), for use at the Annual Meeting of Stockholders to be held on May 30, 2006 at 10:00 a.m. local time, and at any postponement or adjournment thereof. The Annual Meeting will be held at the Irvine Marriott Hotel located at 18000 Von Karman Ave., Irvine, CA 92612. The purposes of the Annual Meeting are set forth in the accompanying Notice of Annual Meeting of Stockholders.

These proxy solicitation materials and the enclosed Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the fiscal year ended December 31, 2005, including financial statements, were first mailed on or about May 2, 2006 to all stockholders entitled to vote at the meeting. Our principal executive offices are located at 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612, and our telephone number is (949) 585-4000.

GENERAL INFORMATION ABOUT THE MEETING

Who May Vote

Stockholders of record at the close of business on April 17, 2006 (Record Date) are entitled to notice of and to vote at the Annual Meeting of Stockholders. The Company has one (1) class of equity securities outstanding, designated Common Stock, \$.001 par value (Common Stock). At the Record Date, 55,899,458 shares of Common Stock, which includes 1,085,557 shares of Common Stock held by the Company as treasury shares, were issued and outstanding.

Voting Rights of Common Stock

Each share of Common Stock outstanding at the record date will be entitled to one (1) vote with respect to each proposal herein and any other matter that properly may come before the Annual Meeting of Stockholders. A total of 54,813,901 votes, which excludes 1,085,557 treasury shares, are eligible to be cast at the Annual Meeting.

Voting Your Proxy

If a broker, bank or other nominee holds your shares, you will receive instructions from them that you must follow in order to have your shares voted.

Internet and telephone voting may be available in the instructions from your broker, bank or other nominee. If a bank, broker or other nominee holds your shares and you wish to attend the meeting and vote in person, you must obtain a legal proxy from the record holder of the shares giving you the

right to vote the shares.

If you hold your shares in your own name as a holder of record, you may instruct the proxy holders how to vote your common stock by using the toll free telephone number, the Internet voting site listed on the proxy card, or by signing, dating and mailing the proxy card in the postage paid envelope that we have provided. Of course, you may also choose to attend the meeting and vote your shares in person. Specific instructions for using the telephone and

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Internet voting systems are on the proxy card. The telephone and Internet voting systems will be available until 11:59 p.m. (Central Time) on May 29, 2006. Whichever of these methods you select to transmit your instructions, the proxy holders will vote your shares in accordance with those instructions. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors.

Matters to be Presented

We are not aware of any matters to be presented other than those described in this Proxy Statement. If any matters not described in the Proxy Statement are properly presented at the meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the meeting is adjourned, the proxy holders can vote your shares on the new meeting date as well, unless you have revoked your proxy instructions, as described below under Changing Your Vote.

Changing Your Vote

To revoke your proxy instructions if you are a holder of record, you must (i) advise our Corporate Secretary in writing before the proxy holders vote your shares, (ii) deliver later proxy instructions before the proxy holders vote your shares, or (iii) attend the meeting and vote your shares in person. If your shares are held by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or nominee.

Cost of This Proxy Solicitation

We will pay the cost of this proxy solicitation. We may, on request, reimburse brokerage firms and other nominees for their expenses in forwarding proxy materials to beneficial owners. In addition to soliciting proxies by mail, we expect that our directors, officers and employees may solicit proxies in person or by telephone or facsimile. None of these individuals will receive any additional or special compensation for doing this, although we will reimburse these individuals for their reasonable out-of-pocket expenses.

How Votes are Counted

The Annual Meeting will be held if a majority of the outstanding shares of Common Stock entitled to vote are represented in person or by proxy at the meeting. If you have returned valid proxy instructions or attend the meeting in person, your Common Stock will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters at the meeting.

Abstentions and Broker Non-Votes

Shares that are voted WITHHELD or ABSTAIN are treated as being present for purposes of determining the presence of a quorum and as entitled to vote on a particular subject matter at the Annual Meeting. If you hold your shares through a broker, bank or other nominee and you do not provide instructions on how to vote, your broker or other nominee may have authority to vote your shares on certain matters, including Proposals 1 and 2. If you hold your common stock through a bank, broker or other nominee, the broker may be prevented from voting shares held in your account on some proposals (not including Proposals 1 and 2) (a broker non-vote) unless you have given voting instructions to the bank, broker or nominee. Shares that are subject to a broker non-vote are counted for purposes of determining whether a quorum exists but not for purposes of determining whether a proposal has passed.

Our Voting Recommendations

When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in

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accordance with the instructions of the stockholder. However, if no specific instructions are given, the shares will be voted in accordance with the following recommendations of our Board of Directors:

FOR the election of the Director nominees to the Board of Directors;

FOR ratification of McGladrey & Pullen, LLP as our independent auditors for fiscal year ending December 31, 2006

Deadline for Receipt of Stockholder Proposals

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the Securities and Exchange Commission (SEC) and our bylaws. Stockholder proposals that are intended to be included in our Proxy Statement and form of Proxy relating to the meeting for our 2007 Annual Meeting of Stockholders under rules set forth in the Securities Exchange Act of 1934, as amended (the Securities Exchange Act) must be received by us no later than January 2, 2007 to be considered for inclusion.

If a stockholder intends to submit a proposal or nomination for director for our 2007 Annual Meeting of Stockholders that is not to be included in Epicor's Proxy Statement and form of Proxy relating to the meeting, the stockholder must give us notice in accordance with the requirements set forth in Epicor's bylaws between 45 days and 90 days prior to the meeting, unless less than 55 days notice of the 2007 Annual Meeting of Stockholders is given, in which case stockholder notice must be received by Epicor no later than the 10th day following the date that notice of such meeting is given to stockholders. Epicor's bylaws require that certain information and acknowledgments with respect to the proposal and the stockholder making the proposal be set forth in the notice. A copy of the relevant bylaw provision is available upon written request to Epicor Software Corporation, 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612, Attention: Corporate Secretary. You can also access our SEC filings, including our Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, on our website at www.epicor.com.

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Currently, there are five (5) members of the Board of Directors. Accordingly, at the Annual Meeting of Stockholders, five (5) directors are to be elected by the holders of Common Stock. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's five (5) nominees named below. All nominees are currently directors of the Company. If any Company nominee is unable or declines to serve as a director at the time of the Annual Meeting of Stockholders, the proxies will be voted for a nominee designated by the present Board of Directors to fill the vacancy. The Company is not aware of any nominee who will be unable to or will decline to serve as a director. The term of office for each person elected as a director will continue until the next Annual Meeting of Stockholders or until the earlier of his death, resignation or removal.

Name	Age	Position	Director Since
L. George Klaus	65	Chairman of the Board and Chief Executive Officer	1996
Michael Kelly*	58	Director	2005
Thomas F. Kelly*	53	Director	2000
Harold D. Copperman	59	Director	2001
Robert H. Smith	69	Lead Director	2003

*Messrs. Thomas Kelly and Michael Kelly are unrelated to each other.

The Board of Directors recommends a vote FOR the election of all of the nominees listed above.

L. George Klaus

George Klaus has been a Director of the Company and has served as Chief Executive Officer of the Company since February 1996 and Chairman of the Board since September 1996. Mr. Klaus also served as President of the Company from February 1996 through November 1999 and from June 2001 to July, 2005. From July 1993 through October 1995, Mr. Klaus served as President, Chief Executive Officer and Chairman of the Board of Frame Technology, Inc., a software company that produces software tools for authoring, managing and distributing business-critical documents. Mr. Klaus is also a member of the Information and Computer Science CEO Advisory Board for the University of California, Irvine.

Michael Kelly

Michael Kelly joined Epicor's board in September 2005 with over 30 years of global experience in banking, finance, technology, and public accounting. Mr. Kelly is currently chairman and CEO of Kinsale Associates, a merchant bank. Prior to that time he was CEO of Cape Semiconductor Inc., a fabless semiconductor company providing analog and mixed signal solutions to a variety of industries. Prior to joining Cape, Mr. Kelly was vice-chairman and senior managing director of Broadview International, LLC, an international technology investment banking firm and a division of Jefferies Inc. At Broadview, in addition to his focus on key technology sectors including semiconductors, telecom and capital equipment, Mr. Kelly was responsible for Broadview's operations and activities in Asia. Previously, Mr. Kelly was a managing director of Flemings, an international investment bank; a partner with Touche Ross, a national CPA firm; and an executive with Granger Associates, an international telecommunications company. Mr. Kelly

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currently serves Chairman of the board of Adept Technology, Inc., a controls for factory automation company. Kelly holds a Bachelor of Arts degree in accounting, a Master of Business Administration and is a certified public accountant.

Thomas F. Kelly

Thomas Kelly has been a Director of the Company since January 2000. Since January 2006, Mr. Kelly has been President and CEO of Encentuate, Inc., an enterprise access security company. Prior to that, from September 2004 through December 2005, Mr. Kelly was associated with Trident Capital as an EIR (Entrepreneur in Residence). In such EIR capacity, from March through September 2005, Mr. Kelly also held the title of Chief Executive Officer and member of the Board of Directors of Transware Limited and its holding company parent, Eastchase Limited. Transware provides localization and translation services to enterprises and e-learning content suppliers, supporting translation in 80 languages. Prior to that, he was Chairman and Chief Executive Officer of BlueStar Solutions, Inc., an enterprise resource planning software hosting company, from January 2001 to September 2004, at which time BlueStar was acquired by ACS, Inc. From July 1998 through December 2000, Mr. Kelly was Chairman and Chief Executive Officer of Blaze Software, Inc., a provider of rules-based e-business software that enables personalized interaction across an enterprise's electronic contact points. From March 1996 through March 1998, Mr. Kelly was employed at Cirrus Logic, Inc. as Executive Vice President and Chief Financial Officer, and then subsequently Chief Operating Officer. From September 1993 through December 1995, Mr. Kelly served as Executive Vice President and Chief Financial Officer of Frame Technology Corporation, a software company that produces software tools for authoring, managing and distributing business-critical documents. Mr. Kelly is also a director of FEI Company (NASDAQ: FEIC), a manufacturer of particle and ion beam imaging and analysis solutions for the semiconductor and science markets and a director of Sendmail, Inc., a private email security company.

Harold D. Copperman

Harold Copperman has been a director of the Company since July 2001. Mr. Copperman is currently the CEO and President of HDC Ventures, Inc., a management and investment group focusing on enterprise systems, software and services. From 1993 through 1999, Mr. Copperman served as Senior Vice President and Group Executive of the Products Divisions at Digital Equipment Corporation where he was responsible for the company's six computer systems business units and worldwide manufacturing and distribution. Mr. Copperman was formerly a director of America Online, Inc. (1989-1993) and 800 Software (1992-1993) and currently sits on the Boards of Avocent Corporation (NASDAQ: AVCT), AXS-One Inc. (AMEX: AXO) and a number of other private companies in the information technology business.

Robert H. Smith

Mr. Smith has been a director of the Company since May 2003. Mr. Smith has over forty years of experience in financial management with leading technology companies. From 1963 at the onset of his career at Honeywell, Inc., Mr. Smith has held a number of executive positions in operations, finance and administration with Memorex Corporation and Control Data Corporation. In 1982, Mr. Smith joined R. R. Donnelley & Sons Company (NYSE: DNY), a leading provider of financial printing and communications as executive vice president, finance and chief financial officer. Mr. Smith

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went on to become president of Maxwell Graphics in 1986. In 1996, Mr. Smith joined Novellus Systems, Inc., as executive vice president, finance and administration and chief financial officer. Mr. Smith also served on the board of directors of Novellus until his retirement in 2002. Since 1990, Mr. Smith has been a member of the board of directors of Cirrus Logic, Inc. (NASDAQ: CRUS), serves on the company's compensation committee, and also serves as chairman of the audit committee. In 2003, Mr. Smith joined the board of directors of PLX Technology (NASDAQ: PLXT) a provider of high-speed connectivity equipment in the semiconductor industry and also joined the board of Virage Logic (NASDAQ: VIRL), a single source provider of semiconductor IP platforms. In 2005, Mr. Smith joined the Board of ON Semiconductor (Nasdaq: ONNN) a leading global supplier of power and data-management semiconductors and standard semiconductor components.

Vote Required

The five (5) nominees for director receiving the highest number of affirmative votes from holders of shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE COMPANY'S FIVE (5) NOMINEE DIRECTORS.** Unless otherwise marked, proxies solicited by the Company will be voted FOR the election of the Company's five (5) nominee directors.

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The following sets forth certain information regarding executive officers of the Company. Information pertaining to Mr. Klaus, who is both a director and an executive officer of the Company, may be found in the section above.

Name	Age	Position	Executive Officer Since
Mark Duffell	44	President and Chief Operating Officer	July 2004
Michael Piraino	52	Executive Vice-President and Chief Financial Officer	May 2003

Mark Duffell

Since July 2005, Mark Duffell has served as Epicor's President and Chief Operating Officer. Prior to July 2005, he served as Epicor's Executive Vice President and general manager for the Enterprise Solutions Group and International Operations. Mr. Duffell joined Epicor Software Corporation in 1996 and brought nearly a decade of International sales management experience to the company. In his previous position as executive vice president and general manager of the Enterprise Solutions Group and the International operations, Mr. Duffell was responsible for all aspects of Epicor's Enterprise Solutions Group in the Americas and all International Operations. Before overseeing Epicor's International business affairs he served as vice president of EMEA and then of North American sales.

Prior to joining Epicor, Mr. Duffell was a regional director (Western Europe) for Frame Technology International where he implemented and managed direct and indirect sales and marketing programs that drastically increased the sales revenue for his region.

Mr. Duffell graduated with a first class honors degree in production engineering from Kingston University.

Michael Piraino

Michael Piraino joined Epicor Software Corporation as Senior Vice-President and Chief Financial Officer in May, 2003, bringing 28 years experience in senior executive and financial roles. In July 2005, he was promoted to Executive Vice President. Mr. Piraino spent more than nine years at Deloitte & Touche LLP, and has held senior finance positions at a number of public companies including Winn Enterprises, Total Pharmaceutical Care, and Syncor International. Prior to joining Epicor, Mr. Piraino founded CEO Resources L.L.C., a premier executive resource management company providing small to medium high-growth companies with interim CEO services, corporate finance and M&A advisory services and integration strategies. Before that, he held the position of president and COO at Enfrastructure, a full-service business and technology infrastructure provider for high-growth companies.

Mr. Piraino joined Emergent Information Technologies (renamed SM&A Corporation, NASDAQ: WINS) in 1998 as its president and COO, and was appointed to CEO in April 2000. Before joining SM&A, Mr. Piraino held the concurrent positions of CFO and EVP of corporate development at Data Processing Resources, a publicly held company, which provided IT staffing services and solutions to a diverse group of global Fortune 500 clients. Mr. Piraino holds a Bachelor of Science degree in accounting from Loyola University of Los Angeles. He is a certified public accountant. He currently serves on the Board of Buy.com.

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BOARD OF DIRECTORS MEETINGS AND COMMITTEES

The Board of Directors held eight (8) meetings during fiscal year 2005. Each director attended or participated telephonically in 75% or more of the aggregate of (i) the total number of the meetings of the Board of Directors (held during the period for which such director was a director) and (ii) the total number of meetings of all committees on which such director served (held during the period for which such director served as a committee member) during fiscal year 2005.

Board Independence

The Board of Directors has determined that each of its current directors, including all nominee directors, except the Chief Executive Officer, has no material relationship with Epicor and is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect.

Committees of the Board of Directors

The Board of Directors has Audit, Nominating and Corporate Governance, and Compensation Committees. Each of these committees has adopted a written charter. All members of the committees are appointed by the Board of Directors, and are independent directors. The following describes each committee and its function, its current membership and the number of meetings held during fiscal year 2005.

Audit Committee

The Audit Committee currently consists of Messrs. Tom Kelly, Smith, and Copperman, each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. Mr. Dixon was also a member of the Audit Committee through September 2005. The Board of Directors has determined that Mr. Tom Kelly is an audit committee financial expert as defined in SEC rules. The Audit Committee held five (5) meetings during fiscal year 2005. Mr. Kelly serves as Chairman of the Audit Committee.

The Board of Directors has adopted a written charter for the Audit Committee, which is available on Epicor's website at www.epicor.com under Investors and Corporate Governance. In addition, the Audit Committee charter was attached to the Company's proxy statement in 2004 as Appendix B.

The Audit Committee oversees the accounting, financial reporting and audit processes; makes recommendations to the Board of Directors regarding the selection of independent auditors; reviews the results and scope of audit and other services provided by the independent auditors; reviews the accounting principles and auditing practices and procedures to be used in preparing our financial statements; and reviews our internal controls and procedures to ensure compliance with the Sarbanes-Oxley Act of 2002.

The Audit Committee works closely with management and our independent auditors. The Audit Committee also meets with our independent auditors in an executive session, without the presence of our management, on a quarterly basis, following completion of their quarterly reviews and annual audit and prior to our earnings announcements, to review the results of their work. The Audit Committee also meets with our independent auditors to approve the annual scope of the audit services to be performed.

The Audit Committee Report is included herein on page 29.

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Nominating and Corporate Governance Committee The Nominating and Corporate Governance Committee consists of Messrs. Tom Kelly, Copperman and Smith, each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. Mr. Smith serves as chair of the Nominating and Corporate Governance Committee and also as the Lead Director.

The Nominating and Corporate Governance Committee held nine (9) meetings during fiscal year 2005. The Board of Directors has adopted the Nominating and Corporate Governance Committee charter; which is available on Epicor's website at www.epicor.com under Investors and Corporate Governance.

The Nominating and Corporate Governance Committee considers and periodically reports on matters relating to the identification, selection and qualification of the Board of Directors and candidates nominated to the Board of Directors and its committees; develops and recommends governance principles applicable to the Company and the Board of Directors; oversees the evaluation of the Board of Directors and management; and oversees and sets compensation for the Board of Directors.

The Nominating and Corporate Governance Committee considers properly submitted stockholder recommendations for candidates for membership on the Board of Directors as described below under Identification and Evaluation of Nominees for Directors. In evaluating such recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors and to address the membership criteria set forth under Director Qualifications. Any stockholder recommendations proposed for consideration by the Nominating and Corporate Governance Committee should include the candidate's name and qualifications for membership on the Board of Directors and should be addressed to our Corporate Secretary. In addition, procedures for stockholder direct nomination of directors are discussed above under the section Deadline for Receipt of Stockholder Proposals and are discussed in detail in our bylaws, which will be provided to you upon written request.

Director Qualifications

The Nominating and Corporate Governance Committee uses a variety of criteria to evaluate the qualifications and skills necessary for members of our Board of Directors. Under these criteria, members of the Board of Directors should have the highest professional and personal ethics and values, consistent with longstanding Epicor values and standards. They should have broad experience at the policy-making level in business, government, education, technology or public interest. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a reasonable number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all stockholders.

Identification and Evaluation of Nominees for Directors

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event

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that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board of Directors, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee considers properly submitted stockholder recommendations for candidates for the Board of Directors. In evaluating such recommendations, the Nominating and Governance Committee uses the qualifications standards discussed above and seeks to achieve a balance of knowledge, experience and capability on the Board of Directors.

There is one nominee for election to the Board this year who has not stood for election to the Board by the shareholders, Michael Kelly. Mr. Kelly, who is not related to Board member Tom Kelly, joined the Board in September 2005 following Donald Dixon's resignation from the Board. He first came to the attention of the Board through its Chairman and CEO George Klaus, who had previously known Mr. Kelly in connection with Mr. Kelly's employment with Broadview International, LLC, an international technology investment banking firm and a division of Jefferies Inc. The Board considered Mr. Kelly and his qualifications and voted him to the Board in September 2005. Since that time, Mr. Kelly has served actively on the Board and the Compensation Committee. Mr. Kelly's background and qualifications are identified in the section entitled "Michael Kelly" on page 4, herein

Compensation Committee

The Compensation Committee consists of Messrs. Tom Kelly, Michael Kelly and Smith each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. Mr. Dixon was also a member of the Compensation Committee through September 15, 2005. The Compensation Committee held five (5) meetings during fiscal year 2005 and acted by unanimous consent on several occasions. The Compensation Committee also met in January 2006, following the end of fiscal year 2005, to review fiscal year 2005 compensation and set fiscal year 2006 compensation. Mr. Smith serves as Chair of the Compensation Committee.

The Compensation Committee oversees and makes recommendation to the Board of Directors regarding our compensation and benefits policies; and oversees, evaluates and approves compensation plans, policies and programs for our executive officers.

The Compensation Committee Report is included herein on page 25.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2005, no member of the Compensation Committee was an officer or employee of Epicor, and no member of the Compensation Committee has been at any time in the past an officer of Epicor. During fiscal year 2005, no member of the Compensation Committee or executive officer of Epicor served as a member of the Board of Directors or Compensation Committee of any entity that has an executive officer serving as a member of our Board of Directors or Compensation Committee.

Annual Meeting Attendance

The Company's policy is to invite, but not require directors to attend annual meetings of Epicor stockholders. One (1) director attended the 2005 annual meeting of stockholders.

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Communicating with the Board of Directors

Epicor's policy is that shareholders may communicate with the Board of Directors, by submitting an email to bod@epicor.com, or by writing to us at Epicor Software Corporation, Attention: Board of Directors, 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612. Stockholders who would like their submission directed to a member of the Board of Directors may so specify, and the communication will be forwarded. All other stockholder communications related to the Board and the Company's business are forwarded directly to the entire Board of Directors by the General Counsel of the Company.

Code of Ethics

The Board of Directors has adopted a Worldwide Code of Business Conduct and Code of Ethics, which is applicable to the Company, including the Chief Executive Officer, Chief Financial Officer and all officers of the Company. The Board has also adopted separate Corporate Governance Guidelines, which contains provisions specifically applicable to directors.

We will provide a copy of the Worldwide Code of Business Conduct and Code of Ethics and/or the Corporate Governance Guidelines upon request made by email to investorrelations@epicor.com or in writing to Epicor Software Corporation, Attention: Investor Relations, 18200 Von Karman Avenue, Suite 1000, Irvine, California 92612. Epicor will disclose any amendment to the Worldwide Code of Business Conduct and Code of Ethics or the Corporate Governance Guidelines or waiver of a provision of the Worldwide Code of Business Conduct and Code of Ethics or the Corporate Governance Guidelines, including the name of the officer to whom the waiver was granted, on our website at www.epicor.com, on the Investor Relations page.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as of April 17, 2006 regarding the beneficial ownership of the Common Stock of the Company by (i) each person known by management to be the beneficial owner of more than 5% of any class of the Company's capital stock (based upon reports filed by such persons with the Securities and Exchange Commission), (ii) each director of the Company, (iii) each of the persons named in the Summary Compensation Table, and (iv) all current directors and executive officers of the Company as a group:

Name and Address of Beneficial Owner ()(+)	Common Stock Amount and Nature of Beneficial Ownership	Percentage of Class**
LeRoy C. Kopp	4,279,542(1)	7.8%
Kopp Investment Advisors, LLC		
Kopp Holding Company, LLC		
Kopp Holding Company		
7701 France Avenue South Suite 500		
Edina, MN 55435		
Richard H. Pickup	4,209,516(2)	7.7%
DRP Charitable Remainder Unitrust		
TMP Charitable Remainder Unitrust		
Pickup Family Trust		
Dito Devcar Corporation		
TB Fund, LLC		
Plus Four Equity Partners, LP		
TD Investments, LLC		
Dito Caree, LP		
Dito Devcar, LP		
Dito Devcar Foundation		
Pickup CRUT II		
Alcova Ridge Dr.		
Las Vegas, NV 89134		

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L. George Klaus	2,902,546(3)	5.2%
Robert H. Smith	19,950(4)	*
Michael Kelly	16,250(5)	*
Thomas F. Kelly	55,950(6)	*
Harold D. Copperman	74,950(7)	*
Michael A. Piraino	218,750(8)	*
Mark Duffell	222,148(9)	*
All current directors and executive officers as a group (7 persons)	3,510,544	6.4%

* Less than 1%

** Based on 54,813,901 shares of Epicor Common Stock outstanding on the Record Date, which does not include 1,085,557 shares of Common Stock held by the Company as treasury stock.

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Unless otherwise indicated, the address for each beneficial owner listed in this table is c/o Epicor Software Corporation, 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

- + Unless otherwise indicated, the person named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

- (1) This Information is based solely upon a Schedule 13G/A filed January 20, 2006

- (2) This Information is based solely upon a Schedule 13D/A filed February 8, 2006

- (3) Includes 500,000 shares of common stock subject to options held by Mr. Klaus that are vested and/or exercisable within sixty (60) days following the Record Date.

- (4) Includes 19,950 shares of common stock subject to options that are vested and/or exercisable within sixty (60) days following the Record Date.