EPICOR SOFTWARE CORP
Form S-4
April 14, 2004
**Table of Contents**

**As filed with the Securities and Exchange Commission on April 14, 2004**

**Registration No. 333-**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM S-4

# REGISTRATION STATEMENT

***Under***

***The Securities Act of 1933***

# EPICOR SOFTWARE CORPORATION

**(Exact name of Registrant as specified in its charter)**

| | | |
|---|---|---|
| **Delaware** | **7372** | **33-0277592** |
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**195 Technology Drive**

**Irvine, California 92618-2402**

**(949) 585-4000**

**After April 19, 2004:**

**18200 Von Karman Avenue**

**Suite 1000**

**Irvine, California 92612**

**(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)**

**L. George Klaus**

**Chairman of the Board, President and**

**Chief Executive Officer**

**Epicor Software Corporation**

**195 Technology Drive**

**Irvine, California 92618-2402**

**(949) 585-4000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

**Larry W. Sonsini**
**Katharine A. Martin**

**Steve L. Camahort**

**Bradley L. Finkelstein**

**Wilson Sonsini Goodrich & Rosati**

**Professional Corporation**

**650 Page Mill Road**

**Palo Alto, CA 94304**

**(650) 493-9300**

**Andreas F. Kemi**
**Interim Chief Executive Officer**

**Scala Business Solutions N.V.**

**Prinsengracht 739-741**

**1017 JX Amsterdam**

**The Netherlands**

**+31 20 427-4361**

**Scott V. Simpson**
**Ann Beth Bejgrowicz**

**Skadden, Arps, Slate, Meagher & Flom (UK) LLP**

**40 Bank Street**

**Canary Wharf**

**London, E14 5DS, England**

**+44 20 7519-7000**

**Approximate date of commencement of proposed sale of the securities to the public:** Upon completion of the exchange offer described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

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

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

## CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|---|---|---|---|
| Common Stock, par value $0.001 per share[1] | 4,430,877[2] | $ 51,516,655.85[3] | $ 6,527.16 |

(1) The shares of common stock being registered hereby will be accompanied by the Registrant s Series A Junior Participating preferred stock purchase rights. Until the occurrence of certain prescribed events, such rights will not be exercisable, will be evidenced by the certificates representing the Registrant s common stock, and will attach to and trade only together with the common stock.

(2) Based upon the maximum number of shares of common stock, par value $0.001 per share, and associated preferred stock purchase rights, of the Registrant that may be issued in connection with the exchange offer described herein. This Registration Statement shall also cover any additional shares of common stock and associated preferred stock purchase rights of the Registrant that become issuable by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without Registrant s receipt of consideration that results in an increase in the number of shares of common stock and accompanying preferred stock purchase rights of the Registrant outstanding.

(3) Pursuant to paragraphs (c), (f)(1) and (f)(3) of Rule 457 and estimated solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price equals, (i) the product of (A) $3.91, the United States dollar equivalent of the average of the high and low sales prices per ordinary share, nominal value of EUR 0.45 per share, of Scala Business Solutions N.V., as reported on the Official Segment of the stock market of Euronext Amsterdam N.V. on April 2, 2004, multiplied by (B) 24,684,550, representing the number of ordinary shares of Scala outstanding on March 31, 2004 (including 1,532,225 ordinary shares of Scala issuable upon exercise of options outstanding); less (ii) the amount of cash to be paid by the Registrant in exchange for ordinary shares of Scala or approximately $44,999,934.65.

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

Table of Contents

**The information in this prospectus may be changed. Epicor may not sell these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or country where the offer or sale is not permitted.**

**Subject to Completion, dated April 14, 2004**

**PROSPECTUS**

Epicor Software Corporation is offering to exchange cash and shares of Epicor common stock for all outstanding ordinary shares of Scala Business Solutions N.V.

The exchange offer period will commence at , Central European Time, on , 2004 and will, unless extended, expire at 3:00 p.m., Central European Time, on , 2004. ***You may not withdraw any shares once tendered into the exchange offer, except that if we extend the exchange offer period, you may withdraw shares tendered during the original exchange offer period, at any time prior to the expiration of the extended exchange offer period.***

On November 13, 2003, Pacific Standard Time (and November 14, 2003, Central European Time), we entered into an agreement with Scala called the merger protocol, to acquire all of the outstanding ordinary shares of Scala. The merger protocol was amended and restated on April 14, 2004. The managing board and the supervisory board of Scala have each unanimously recommended that Scala shareholders tender their shares into the exchange offer as the managing and supervisory boards believe that the consideration is fair to, and in the best interests of, Scala, its shareholders and all other stakeholders.

We are offering to exchange for each Scala ordinary share that is validly tendered and not properly withdrawn:

- 0.1795 shares of Epicor common stock (and accompanying preferred stock purchase rights); and

- $1.8230 in cash, subject to adjustment as described in more detail in this prospectus.

Our obligation to complete the exchange offer is subject to a number of conditions, including, among other things, a requirement that the total number of Scala ordinary shares tendered into the exchange offer constitutes at least 95% of the outstanding Scala ordinary shares. We describe these conditions in the section of this prospectus entitled The Merger Protocol Conditions to Epicor s Obligation to Declare the Exchange Offer Unconditional.

Scala will hold an extraordinary general meeting of shareholders on , 2004 at , Central European Time, at in Amsterdam, the Netherlands, for purposes of discussion of the exchange offer, as required by section 9q of the 1995 Decree on the Supervision of the Securities Trade (Netherlands) (*Besluit toezicht effectenverkeer 1995*), as amended from time to time.

Epicor common stock is listed on the Nasdaq National Market under the trading symbol EPIC. On , 2004, the closing price of Epicor common stock was $ per share. Scala ordinary shares are listed on the Official Segment of the stock market of Euronext Amsterdam N.V., or Euronext Amsterdam, under the trading symbol SCALA.

On , 2004 the noon buying rate in New York City for cable transfers in Euros as certified for customs purposes by the Federal Reserve Bank of New York was $ per Euro.

**The section entitled Risk Factors beginning on page 26 of this prospectus contains a description of risks that you should consider in deciding whether to tender Scala ordinary shares into the exchange offer.**

**This prospectus is not a prospectus as referred to in article 3 paragraph 2 sub b of the 1995 Act on the Supervision of the Securities Trade (Netherlands) (*Wet toezicht effectenverkeer 1995*). The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), or the AFM, has granted Epicor a dispensation from the requirement pursuant to article 3 paragraph 1 of the aforementioned Act.**

**Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of Epicor common stock to be issued in the exchange offer or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus is dated , 2004.

**TABLE OF CONTENTS**

TABLE OF CONTENTS

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## TABLE OF CONTENTS

**(continued)**

Table of Contents

**This prospectus incorporates important business and financial information about Epicor from documents that Epicor has filed with the United States Securities and Exchange Commission (SEC) but that have not been included in or delivered with this prospectus. For a listing of documents incorporated by reference into this prospectus, please see the section entitled Incorporation of Certain Information by Reference beginning on page 127 of this prospectus.**

**Copies of the reports, proxy and information statements and other information filed by Epicor with the Securities and Exchange Commission may be inspected and copied at the Public Reference Room maintained by the Securities and Exchange Commission at:**

**450 Fifth Street, N.W.**

**Washington, D.C. 20549**

**You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a Website that contains reports, proxy and information statements and other information regarding Epicor. The address of the Securities and Exchange Commission web site is http://www.sec.gov.**

**Epicor will provide you with copies of this information relating to Epicor, without charge, upon written or oral request to:**

**Epicor Software Corporation**

**195 Technology Drive**

**Irvine, California 92618-2402**

**Attention: Valerie Brodie, Vice President, Investor Relations**

**Telephone Number: (949) 585-4293**

**After April 19, 2004:**

**Epicor Software Corporation**

**18200 Von Karman Avenue**

**Suite 1000**

**Irvine, California 92612**

**Attention: Valerie Brodie, Vice President, Investor Relations**

**Telephone Number: (949) 585-4293**

**In addition, you may obtain copies of this information by making a request through Epicor s investor relations website, http://www.epicor.com/company/investor/, or by sending an e-mail to vbrodie@epicor.com.**

iv

Table of Contents

**QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER**

***Q:*** ***What are Epicor and Scala proposing? (see page 63)***

**A:** We have entered into an agreement with Scala called the merger protocol pursuant to which we are making this exchange offer to acquire all of the outstanding Scala ordinary shares. A copy of the amended and restated merger protocol is attached to this prospectus as Annex A.

***Q:*** ***What would I receive in exchange for my Scala ordinary shares? (see page 63)***

**A:** In the exchange offer, we are offering to exchange for each Scala ordinary share:

0.1795 shares of Epicor common stock (and accompanying preferred stock purchase rights); and

$1.8230 in cash, subject to adjustment as described in more detail below.

***Q:*** ***Under what circumstances is the cash portion of the exchange offer consideration subject to adjustment? (see page 63)***

**A:** If the product of the average closing stock price on the Nasdaq National Market for shares of Epicor common stock during the 10 trading day period ending two full trading days prior to the expiration of the exchange offer and 0.1795 is less than $1.8327, the cash portion of the exchange offer consideration will be increased by the amount by which such product is less than $1.8327, up to a maximum of $0.3665.

***Q:*** ***How can I find out the final amount I will receive in the exchange offer? (see page 63)***

**A:** We will publish the final exchange ratio in a press release, an advertisement in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam and in one or more daily newspapers with nation-wide distribution in the Netherlands immediately after the close of the Nasdaq trading day that is two full Nasdaq trading days prior to the expiration of the exchange offer. We will also file a current report on Form 8-K with the SEC containing the final exchange ratio on the Nasdaq trading day that is one full Nasdaq trading day prior to the expiration of the exchange offer. You can also direct your questions to your bank or broker with whom you hold your Scala ordinary shares.

You may also call (    )    -    toll free in the United States or (    )    -    outside the United States to obtain the final exchange ratio starting at the close of the Nasdaq trading day that is two full Nasdaq trading days prior to the expiration of the exchange offer. These telephone numbers will also be available throughout the period in which the exchange offer remains open to provide callers with the exchange ratio on each day during the exchange offer as if the exchange ratio had been determined on that date.

***Q:*** ***How long will it take to complete the exchange offer? (see page 65)***

**A:** The exchange offer is scheduled to commence at    on    , 2004 and, unless extended, is scheduled to expire at 3:00 p.m., Central European Time, on    , 2004. Subject to the satisfaction or waiver of the offer conditions contained in the merger protocol, we will declare the offer unconditional within five Euronext Amsterdam trading days after the exchange offer expires. When we declare the offer unconditional, our obligation to accept and pay for all shares tendered becomes irrevocable. We will pay for the Scala ordinary shares tendered into the exchange offer on the settlement date, which is no later than three Euronext Amsterdam trading days after the offer is declared unconditional.

***Q: Do the Scala managing and supervisory boards support the exchange offer? (see page 56)***

**A:** Yes. The Scala managing and supervisory boards each unanimously support the exchange offer and recommend that you tender your Scala ordinary shares into the exchange offer.

***Q: Will Scala hold a meeting of shareholders to discuss the exchange offer?***

**A:** Yes. In compliance with section 9q of the 1995 Decree on the Supervision of the Securities Trade (Netherlands), Scala will hold an extraordinary general meeting of shareholders on , 2004 at , Central European Time, at in Amsterdam, the Netherlands that will be convened in accordance with Scala s articles of association.

The agenda for the Scala extraordinary general meeting of shareholders will include the following matters:

- opening;
- discussion of the exchange offer in accordance with section 9q of the 1995 Decree on the Supervision of the Securities Trade (Netherlands);
- resignation of the current members of the Scala supervisory board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date of the exchange offer and discharge for the performance by the current members of the Scala supervisory board of their duties as members of the Scala supervisory board for the period from May 15, 2003 through the date of the Scala extraordinary general meeting of shareholders;
- appointment of L. George Klaus as the sole member of the Scala supervisory board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date of the exchange offer;
- appointment of Richard Borg, John Brims, Mark Duffell, John Ireland, Andreas F. Kemi and Michael Piraino as members of the Scala managing board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date of the exchange offer; and
- closing.

***Q: Have any Scala shareholders agreed to tender their shares into the exchange offer? (see page 82)***

**A:** Yes. Some shareholders of Scala have agreed to tender their Scala ordinary shares into the exchange offer and have entered into tender agreements with us. These shareholders are individual directors of Scala on the managing and supervisory boards who hold 294,542 Scala ordinary shares and options to purchase 277,200 Scala ordinary shares, representing in the aggregate approximately 0.25% of the outstanding Scala ordinary shares as of March 31, 2004.

Pursuant to the tender agreements, these shareholders and holders of share options have agreed that until the exchange offer is declared unconditional or the merger protocol is terminated, they will not transfer or otherwise dispose of their Scala ordinary shares or discuss, negotiate, or make any offer or agreement relating to their Scala ordinary shares with anyone other than Epicor. A copy of this form of tender agreement is attached to this prospectus as Annex B.

***Q: Does Epicor currently own any Scala ordinary shares?***

**A:** No. As of the date of this prospectus, other than the right to acquire the Scala ordinary shares covered by the tender agreements from members of the Scala managing and supervisory boards, Epicor does not beneficially own any Scala ordinary shares.

***Q: What percentage of Epicor common stock will Scala shareholders own after the exchange offer?***

**A:** If Epicor acquires all of the outstanding Scala ordinary shares pursuant to the exchange offer, former shareholders of Scala would in aggregate own approximately 9.25% of the outstanding shares of Epicor common stock, based upon 47,443,000 shares of Epicor common stock and 24,449,000 Scala ordinary shares (including share options exercisable for Scala ordinary shares) outstanding on December 31, 2003 and not taking into account stock options, warrants or convertible securities of Epicor, but assuming conversion of the outstanding Series C and Series D convertible preferred stock of Epicor into common stock.

***Q: How can I learn about the exchange offer?***

A: You can learn about the exchange offer by reading this prospectus and the Dutch offering memorandum *(biedingsbericht)*, which will be made publicly available by Epicor in the Netherlands. Under the Dutch securities laws, we are required to make an offering memorandum publicly available in the Netherlands that contains information about Epicor and Scala and the terms of the offer. Copies of this prospectus and the Dutch offering memorandum are available, free of charge, from ABN AMRO Bank N.V. and from Scala upon request.

***Q: How do I participate in the exchange offer? (see page 67)***

**A:** You are urged to read this entire prospectus and the Dutch offering memorandum carefully, and to consider how the exchange offer affects you. Then, if you wish to tender your Scala ordinary shares, you should contact the bank or broker who administers your Scala ordinary shares and instruct it to tender your Scala ordinary shares into the exchange offer. Your bank or broker will then notify ABN AMRO Bank N.V., our paying and exchange agent, on or prior to the expiration of the exchange offer of the number of Scala ordinary shares tendered by its respective clients that it has in its administration and bind itself in writing to deliver these shares by completing and returning the application form to ABN AMRO Bank N.V.

Please read this prospectus carefully for more information about the procedures for tendering your shares, the possible adjustment to the cash portion of the exchange offer consideration, timing of the exchange offer and your rights to withdraw your Scala ordinary shares from the exchange offer during any extension of the exchange offer period.

***Q: Do I have to pay any brokerage fees or commissions?***

**A:** If you tender your Scala ordinary shares in the exchange offer, you will not incur any brokerage fees or commissions in connection with your tender or settlement.

***Q: Are there any conditions to Epicor s acceptance of the Scala ordinary shares tendered into the exchange offer? (see page 74)***

**A:** Yes. There are a number of conditions that need to be satisfied or waived before Epicor will accept the Scala ordinary shares tendered into the exchange offer, including, among other things, a requirement that the total number of shares tendered into the exchange offer constitutes at least 95% of the outstanding Scala ordinary shares. If less than 80% of the outstanding Scala ordinary shares are tendered into the exchange offer, Epicor can only waive this condition with the agreement of Scala. Please read this prospectus carefully for more information regarding Epicor s obligation to accept Scala ordinary shares tendered into the exchange offer.

Table of Contents

***Q: What happens to my Scala share options? (see page 78)***

**A:** If you hold options to purchase Scala ordinary shares, you will receive at least 14 calendar days notice prior to the expiration of the exchange offer from Scala and/or the trustee of the Scala Share Option Scheme. Unless prohibited by a specific country s laws or otherwise agreed, you will generally be entitled, within 14 calendar days of such notice and subject to certain limitations, to exercise all of your Scala share options (whether or not they are vested) conditional upon the exchange offer being declared unconditional. Any Scala share options under the Scala Share Option Scheme that are not conditionally exercised as described above will terminate and cease to exist. Upon exercise of your share options, you may, at your election, also tender into the exchange offer the Scala ordinary shares you receive pursuant to the option exercise by contacting Scala in accordance with the instructions that you receive from Scala. If you do not tender into the exchange offer the Scala ordinary shares you received upon the exercise of your share options, you will continue to own your Scala ordinary shares. Please see the question below for more details regarding what happens if you choose not to tender your ordinary shares into the exchange offer.

***Q: What happens if the exchange offer is completed and I have not tendered my Scala ordinary shares? (see page 78)***

**A:** You will continue to own your Scala ordinary shares. After the completion of the exchange offer, we intend to, among other things, de-list the Scala ordinary shares from Euronext Amsterdam, such that there will no longer be a public market for Scala ordinary shares. We can only commence such a delisting procedure once we have obtained 95% or more of the issued and outstanding Scala ordinary shares. After the completion of the exchange offer, the value of your Scala ordinary shares may decline and you may be unable to sell your Scala ordinary shares readily or at all after the completion of the exchange offer.

In addition, we intend to effectuate a corporate restructuring of Scala, which we refer to as the post-closing restructuring, in order to acquire the remaining Scala ordinary shares. The post-closing restructuring may include, without limitation:

- the commencement of a buy-out procedure by us of Scala shareholders, which is permitted under Dutch law only if we own 95% or more of the outstanding Scala ordinary shares;
- the sale and transfer by Scala, or any of its subsidiaries, to us, or any of our affiliates, of all or a portion of the assets of Scala (including capital stock of a group company) or its subsidiaries;
- the transfer of employees from Scala or a Scala group company to us or any of our affiliates, and the transfer of employees from us or any of our affiliates to Scala or any Scala subsidiary;
- the merger of a Scala group company into Scala or us or any of our affiliates;
- the effectuation by Scala and one or more of our Dutch subsidiaries of a legal merger within the meaning of Section 2:309 of the Dutch Civil Code, as described in the section entitled The Exchange Offer Post-Closing Legal Merger ;
- the amendment of the articles of association of Scala, for instance, in order to make them more in accordance with the articles of association and by-laws customarily used for Epicor and its affiliates;
- the transformation of Scala into a private company with limited liability (which we can only effectuate once the Scala ordinary shares have been de-listed from Euronext Amsterdam); or

any one or more combinations of the foregoing actions.

Under Dutch law, once we have declared the exchange offer unconditional we are prohibited for a period of three years from the availability of the offer documentation from acquiring any Scala ordinary shares not tendered into the exchange offer on terms that are more favorable than the exchange offer consideration, except for regular market purchases of Scala ordinary shares on Euronext Amsterdam or the acquisition of Scala ordinary shares pursuant to the buy-out procedure.

**Table of Contents**

***Q: Is Epicor s financial condition relevant to my decision to tender my Scala ordinary shares into the exchange offer?***

**A:** Yes. Since Scala ordinary shares accepted in the exchange offer will be partially exchanged for shares of Epicor common stock, you should consider Epicor s financial condition before you decide to tender your Scala ordinary shares into the exchange offer. In considering Epicor s financial condition, you should review carefully the information in this prospectus and the documents incorporated by reference into this prospectus because they contain detailed business, financial and other information about Epicor.

***Q: Who can help answer my questions?***

**A:** If you have any questions about the exchange offer or on how to tender your Scala ordinary shares, you should contact your bank or broker.

Copies of this prospectus and the Dutch offering memorandum are available at:

ABN AMRO Bank N.V.

Department Equity Capital Markets HQ 7006

Gustav Mahlerlaan 10

1082 PP Amsterdam

tel.: +31 20 383 6707

fax: +31 20 628 0004

email: prospectus@nl.abnamro.com

and

Scala Business Solutions N.V.

Prinsengracht 739-741

1017 JX Amsterdam

tel. :+31 20 427 4361

fax:+31 20 423 3100

email: epicoroffer@scala.net

You may also call ( ) - toll free in the United States or ( ) - outside the United States to obtain the final exchange ratio starting at the close of the Nasdaq trading day that is two full Nasdaq trading days prior to the expiration of the exchange offer. These telephone numbers will also be available throughout the period in which the exchange offer remains open to provide callers with the exchange ratio on each day during the exchange offer as if the exchange ratio had been determined on that date.

Table of Contents

## SUMMARY

The following is a summary of the information contained in this prospectus. This summary may not contain all of the information about the exchange offer that is important to you. For a more complete description of the exchange offer, we encourage you to read carefully this entire prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this prospectus, which includes important business and financial information about Epicor. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions in the section entitled Incorporation of Certain Information by Reference beginning on page 127 of this prospectus.

**The Exchange Offer and the Merger Protocol** (see pages 51 and 73)

Epicor and Scala have agreed to the exchange offer under the terms of an agreement called the merger protocol. The merger protocol was entered into on November 13, 2003, Pacific Standard Time (and November 14, 2003, Central European Time), and amended and restated on April 14, 2004. A copy of the amended and restated merger protocol is attached to this prospectus as Annex A and is described in this prospectus. Upon the terms and subject to the conditions to the exchange offer described in the merger protocol, we will offer to exchange for each Scala ordinary share that is validly tendered and not properly withdrawn, 0.1795 shares of Epicor common stock (and accompanying preferred stock purchase rights) and $1.8230 in cash, subject to adjustment as described more fully in this prospectus.

**Parties to the Exchange Offer**

| | |
|---|---|
| **Epicor Software Corporation** | We are relocating our headquarters on April 19, 2004 to: |
| 195 Technology Drive | 18200 Von Karman Avenue |
| Irvine, California 92618-2402 | Suite 1000 |
| (949) 585-4293 | Irvine, California 92612 |

Epicor designs, develops, markets and supports enterprise and eBusiness software solutions for use by mid-sized companies as well as divisions and subsidiaries of larger corporations worldwide. Epicor s business solutions are focused on the midmarket, which generally includes companies between $10 million and $500 million in annual revenues. Epicor s solutions are designed to help companies focus on their customers, suppliers, partners, and employees, through enterprise-wide management of resources and information. Epicor believes this collaborative focus differentiates Epicor from conventional enterprise resource planning (ERP) vendors, whose primary focus is improving internal business processes and efficiencies. By automating and integrating information and critical business processes across their entire value chain, midmarket companies can improve not just their bottom line, but also their top line, allowing them to compete more effectively in today s increasingly global economy.

Epicor s products integrate back office applications for manufacturing, distribution and accounting with front office applications for sales, marketing and customer service and support. Epicor also provides integrated eCommerce capabilities that allow companies to leverage the power of the Internet to allow their organization to further extend beyond the traditional four walls of their enterprise, and further integrate their operations with their customers, suppliers and partners.

Epicor s software products incorporate a significant number of features localized to address international market opportunities, including support for multiple languages, multiple currencies and accounting for value-added taxation (VAT) and goods and services taxation (GST).

Epicor offers consulting, training and support services to supplement the use of its software products by its customers. Midmarket companies require cost effective systems that have broad functionality, yet are rapidly implemented, easily adapted and highly configurable to their unique business requirements.

Epicor was incorporated in Delaware in November 1987 under the name Platinum Holdings Corporation. In September 1992, it changed its name to Platinum Software Corporation. In April 1999, Epicor changed its name to Epicor Software Corporation.

**Scala Business Solutions N.V.**

Prinsengracht 739-741

1017 JX Amsterdam

The Netherlands

Telephone Number: +31 20 427 4361

Scala designs, develops, markets and supports collaborative enterprise resource planning (ERP) software that is used by the small- and medium-size divisions and subsidiaries of large multinational corporations, as well as by independent stand-alone companies, in developed and emerging markets. Scala s solutions enable these companies to manage resources and information throughout their enterprise through integrating back-office applications for manufacturing, distribution and accounting with front-office applications for sales, marketing and customer service and support, helping them increase their business efficiency and productivity.

Scala provides companies with an open, flexible, easy-to-deploy and cost effective ERP system. Scala s solutions are based on a web services platform and utilize Microsoft® technologies. Scala designs its products to be compatible with current and emerging industry standards, and customizes its products to meet the individual needs of its customers worldwide. Approximately half of Scala s customers are mid-sized companies and subsidiaries or divisions of large multinational corporations, with the remaining half being smaller, local companies.

Scala s software and services support local currencies and accounting regulations, are available in more than 30 languages, and are used by customers in over 140 countries. Scala s local presence and its multi-language and multi-currency software, together with local know-how and expertise gained from over 25 years of working with multinational corporations and their subsidiaries and divisions across a wide variety of industries, allow Scala to serve customers who do business globally. Scala s software and services also enable its customers to integrate all of their ERP systems in multiple locations throughout the world, whether in a subsidiary, division or headquarters, and whether they are Scala systems or other vendors systems.

Scala has had a close relationship with Microsoft since 1993, and works together with Microsoft to develop Scala s products utilizing Microsoft technologies. All of Scala s products are designed for the Microsoft platform.

Scala is a public company with limited liability incorporated under the laws of the Netherlands. Scala was founded in Sweden in 1978 under the name Beslutsmodeller. In 1996, the company renamed itself Scala, and in 1997 Scala Business Solutions N.V. was incorporated in the Netherlands. Scala has been listed on Euronext Amsterdam since July 16, 1998.

**Adjustment of the Cash Portion of the Exchange Offer Price** (see page 63)

If the product of the average closing price on the Nasdaq National Market for shares of Epicor common stock during the 10 trading day period ending two full trading days prior to the expiration of the exchange offer and 0.1795 is less than $1.8327, the cash portion of the exchange offer consideration will be increased by the amount by which such product is less than $1.8327, up to a maximum of $0.3665.

We will publish the final exchange ratio in a press release to be issued immediately after the close of the Nasdaq trading day that is two full Nasdaq trading days prior to the expiration of the exchange offer, and in an advertisement in the Daily Official List of Euronext Amsterdam and in one or more daily newspapers with nation-wide distribution in the Netherlands. We will also file a current report on Form 8-K with the SEC containing the final exchange ratio on the Nasdaq trading day that is one full Nasdaq trading day prior to the expiration of the exchange offer. You may also contact your bank or broker who administers your Scala shares to find out the final exchange ratio.

You may also call (   )   -   toll free in the United States or (   )   -   outside the United States to obtain the final exchange ratio starting at the close of the Nasdaq trading day that is two full Nasdaq trading days prior to the expiration of the exchange offer. These telephone numbers will also be available throughout the period in which the exchange offer remains open to provide callers with the exchange ratio on each day during the exchange offer as if the exchange ratio had been determined on that date.

**Structure of the Exchange Offer** (see page 64)

We reserve the right to assign our right to delivery of the Scala ordinary shares tendered into the exchange offer to our subsidiary, Epicor Software Nederland B.V., or any other of our subsidiaries, if and when we declare the exchange offer unconditional. If we decide to assign our right to delivery, we will announce this decision through an advertisement in one or more daily newspapers with nation-wide distribution in the Netherlands and in the Daily Official List of Euronext Amsterdam. Scala shareholders who tender their Scala shares into the exchange offer will be deemed to have been validly notified of this assignment in accordance with Dutch law by way of these advertisements if and when published by Epicor.

**Recommendation of Each of the Scala Boards** (see page 74)

The Scala managing and supervisory boards have each unanimously approved the merger protocol and the exchange offer based on their determination that the consideration payable in the exchange offer is fair to and in the best interests of Scala, its shareholders and all other stakeholders and recommend that Scala shareholders tender their shares into the exchange offer.

**Reasons for the Exchange Offer**

*Scala* (see page 56). Scala s reasons for recommending the exchange offer and a number of factors considered by the Scala managing and supervisory boards in determining whether to recommend the exchange offer are described in the section entitled  The Exchange Offer  Scala s Reasons for the Exchange Offer  in this prospectus.

*Epicor* (see page 55). Epicor s reasons for entering into the merger protocol and a number of factors considered by Epicor s board of directors in determining whether to enter into the merger protocol and acquire Scala are described in the section entitled  The Exchange Offer  Epicor s Reasons for the Exchange Offer  in this prospectus.

**Opinion of Scala Financial Advisor Regarding the Exchange Offer** (see page 59)

The supervisory and managing boards of Scala have received a written opinion, dated December 11, 2003, from Fortis Bank (Nederland) N.V., to the effect that, as of the date of the opinion and based on and subject to the matters described in the opinion, the aggregate consideration to be offered to holders of Scala ordinary shares in the exchange offer was fair, from a financial point of view, to such shareholders.

The full text of Fortis Bank s opinion is attached to this prospectus as Annex C, and we urge you to read this opinion in its entirety. Fortis Bank s opinion is addressed only to the Scala managing and supervisory boards and does not constitute a recommendation to any holder of Scala ordinary shares regarding whether that shareholder should tender Scala ordinary shares into the exchange offer.

Table of Contents

**Members of the Scala Managing and Supervisory Boards Have Interests in the Exchange Offer** (see page 109)

When you consider the Scala managing and supervisory boards recommendation that shareholders tender their Scala ordinary shares into the exchange offer, you should be aware that some members of the Scala managing and supervisory boards may have interests in the exchange offer that may be different from, or in addition to, those of Scala s shareholders generally. These interests include employment arrangements with Epicor, bonus payments, appointment to Epicor s board of directors, indemnification arrangements and accelerated vesting of Scala share options. These interests are described in more detail in the section entitled Executive Officers and Directors of Scala Interests of Scala Management and Members of Scala Boards in the Exchange Offer in this prospectus.

**Scala s Boards Following the Exchange Offer** (see page 78)

All current members of the Scala supervisory board will resign conditional on the exchange offer being declared unconditional and effective as of the settlement date of the exchange offer. Upon resignation, each resigning supervisory board member will receive an additional full annual payment of EUR 25,000 and Jan-Erik Lundberg, as the chairman of the supervisory board, will receive an additional full annual payment of EUR 50,000 as compensation for loss of office.

As of the settlement date of the exchange offer, L. George Klaus shall be appointed as the sole member of the Scala supervisory board.

All current members of the Scala managing board will continue to serve on the Scala managing board. If the exchange offer is declared unconditional, Richard Borg, John Brims, Mark Duffell, John Ireland, Andreas Kemi and Michael Piraino will be appointed as members of the Scala managing board as of the settlement date of the exchange offer.

In addition, under certain circumstances, upon the purchase by Epicor of Scala ordinary shares representing not less than 51% of the outstanding Scala ordinary shares, Scala will convene an extraordinary general meeting of shareholders for the election of such number of directors to serve on each of the Scala managing and supervisory boards in order to give Epicor proportional representation on each of the boards.

**Scala Meeting of Shareholders** (see page 83)

Scala will hold an extraordinary general meeting of shareholders on , 2004 at , Central European Time, at in Amsterdam, the Netherlands in accordance with Section 9q of the 1995 Decree on the Supervision of the Securities Trade (Netherlands) and its articles of association.

The agenda for the Scala extraordinary general meeting of shareholders will include the following matters:

opening;

discussion of the exchange offer in accordance with section 9q of the 1995 Decree on the Supervision of the Securities Trade (Netherlands);

resignation of the current members of the Scala supervisory board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date of the exchange offer, and discharge for the performance by the current members of the Scala supervisory board of their duties as members of the Scala supervisory board for the period from May 15, 2003 through the date of the Scala extraordinary general meeting of shareholders;

- appointment of L. George Klaus as the sole member of the Scala supervisory board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date;

- appointment of Richard Borg, John Brims, Mark Duffell, John Ireland, Andreas F. Kemi and Michael Piraino as members of the Scala managing board, conditional upon the exchange offer being declared unconditional and effective upon the settlement date; and

- closing.

**What is Needed to Complete the Exchange Offer** (see page 75)

Our obligation to accept Scala ordinary shares tendered for exchange in the exchange offer is subject to the satisfaction of a number of conditions, which may, in some instances, be waived. These conditions are the following:

- on or before the expiration of the exchange offer, the number of Scala ordinary shares tendered into the exchange offer, together with any other Scala ordinary shares held by us, must represent at least 95% of the outstanding Scala ordinary shares;

- no third party will have obtained the right to acquire or will have agreed to acquire or take up shares to be issued by Scala or a substantial part of the assets or business of Scala or Scala s group companies;

- the managing and supervisory boards of Scala will not have resolved to revoke their unanimous favorable recommendations of the exchange offer;

- all regulatory approvals necessary for the exchange offer will have been obtained prior to the expiration of the exchange offer period;

- the exchange offer will not have been rendered impossible or materially adversely affected by any decisions of competent courts or authorities;

- prior to the expiration of the exchange offer there will have been no material facts or circumstances that were not known to Epicor as of December 12, 2003 (including, but not limited to, national and/or international extraordinary developments in financial, political and/or economic circumstances) and that would have such a very significant impact on the value of the business of Scala that we could not reasonably be expected to declare the exchange offer unconditional;

- no event will have occurred and be continuing that (i) makes it illegal or otherwise prohibits us from declaring the exchange offer unconditional in accordance with the terms of the merger protocol or from accepting the Scala ordinary shares tendered into the exchange offer, (ii) imposes material limitations on our ability to acquire, hold or exercise full rights of ownership of the Scala ordinary shares tendered into the offer, or (iii) requires divestiture by us or any of our subsidiaries of any Scala ordinary shares or of any part of our business or the business of Scala;

- Scala will not have breached the merger protocol in a material respect relevant to our determination to declare the exchange offer unconditional;

prior to the expiration of the exchange offer period, no notification has been received from the AFM that the Dutch public offer has been made in conflict with Chapter IIa of the 1995 Act on the Supervision of the Securities Trade (Netherlands) in which case the securities institutions pursuant to section 32a of the 1995 Decree on the Supervision of the Securities Trade (Netherlands) would not be allowed to cooperate with the settlement of the exchange offer and Euronext Amsterdam will not have suspended and continued to suspend Scala s listing on Euronext Amsterdam; and the registration statement on Form S-4, of which this prospectus is a part, to register shares of Epicor s common stock to be issued in connection with the exchange offer will not be the subject of any stop orders or proceedings seeking a stop order.

If all of the offer conditions are satisfied or waived, we will declare the offer unconditional within five Euronext Amsterdam trading days after the exchange offer expires.

**Required Regulatory Approvals to Complete the Exchange Offer** (see page 68)

Other than (i) the SEC declaring effective the registration statement on Form S-4, of which this prospectus is a part, (ii) the review by the AFM of the draft Dutch offering memorandum, which shall be completed prior to commencing the exchange offer, (iii) a dispensation by the AFM from the requirement to publish a specified price or exchange ratio in the Dutch offering memorandum, which was granted on December 10, 2003, (iv) a dispensation by the AFM from the requirement to publish a Dutch Bte-prospectus (a prospectus referred to in article 3 paragraph 2 sub b of the 1995 Act on the Supervision of the Securities Trade (Netherlands) that is generally required in connection with the issuance of securities in the Netherlands), which was granted on December 24, 2003, and (v) the dispensations by the AFM from the requirement to publish the Dutch offering memorandum within six weeks after December 12, 2003, which were granted on January 22, 2004 and March 30, 2004, we do not believe that any additional material governmental filings or approvals are required with respect to the exchange offer. However, governmental authorities, and in some cases, private individuals, could challenge the exchange offer at any time.

**Procedure for Tendering** (see page 67)

Scala shareholders are requested to tender their Scala ordinary shares for acceptance through their bank or broker, that either is an Admitted Institution of Euronext Amsterdam or holds shares through a bank or broker that is an Admitted Institution of Euronext Amsterdam, where their shares are administered, to ABN AMRO Bank N.V., which has been appointed as exchange and paying agent for the exchange offer. Unless the exchange offer is extended in accordance with Dutch law, such shares must have been tendered by no later than the expiration of the exchange offer period, 3:00 p.m., Central European Time, on , 2004.

The Admitted Institutions of Euronext Amsterdam, which includes banks and brokers, may only tender Scala ordinary shares for acceptance to ABN AMRO Bank N.V. in writing by duly completing and signing the application form. By tendering, the Admitted Institutions of Euronext Amsterdam declare that they fully comply with the restrictions outlined in this prospectus and the Dutch offering memorandum, have the Scala ordinary shares in their administration and that they bind themselves to deliver these shares no later than 10:00 a.m., Central European Time, on the settlement date, which will be within three Euronext Amsterdam trading days after the exchange offer is declared unconditional (*gestand gedaan*).

**Withdrawal Rights** (see page 68)

Your tender of Scala ordinary shares pursuant to the exchange offer is irrevocable, except in the event that we extend the exchange offer period. If we extend the exchange offer period, you may withdraw Scala ordinary shares tendered into the exchange offer during the original exchange offer period at any time prior to the expiration of the extended exchange offer period by contacting your bank or broker.

**Exchange of Scala Ordinary Shares; Delivery of Shares of Epicor Common Stock and Cash** (see page 67)

If the terms and conditions of the exchange offer are satisfied or waived and the offer is declared unconditional, we are required to accept for exchange all Scala ordinary shares validly tendered and not properly withdrawn and to deliver in exchange, shares of Epicor common stock and cash as set forth in the merger protocol. The payment and delivery of Epicor common stock and cash will be effected by us on the settlement date, the date which is at the latest three Euronext Amsterdam trading days after the exchange offer is declared unconditional, through ABN AMRO Bank N.V., our exchange and paying agent.

**Scala is Prohibited from Considering Other Offers** (see page 79)

Scala has agreed not to solicit, encourage or engage in discussions with other parties regarding the sale of its ordinary shares or a merger, association, acquisition or other similar transaction concerning Scala or its subsidiaries unless the merger protocol has been terminated in accordance with its terms. In addition, Scala may not enter into a transaction with anyone other than Epicor regarding the acquisition of any Scala ordinary shares or any material portion of Scala s assets unless the merger protocol has been terminated in accordance with its terms.

However, in the event of any unsolicited competing offer that, in terms of the price offered and the proposed strategy, is substantially better for Scala and its shareholders than the exchange offer, nothing in the merger protocol prohibits the members of the Scala managing and supervisory boards from considering or engaging in discussions or negotiations or making recommendations to the shareholders of Scala (and withdrawing their recommendations regarding the exchange offer) regarding such competing offer to the extent necessary to comply with their fiduciary duties and subject to certain conditions.

**Epicor and Scala May Terminate the Merger Protocol** (see page 80)

We and Scala may agree jointly to terminate the merger protocol at any time. In addition, either we or Scala may terminate the merger protocol if:

- the conditions for Epicor to accept the Scala ordinary shares tendered into the exchange offer have not been satisfied or waived by August 31, 2004;
- any applicable law or regulation makes completion of the exchange offer illegal or prohibited; or
- a final, non-appealable order of a court or other governmental body prohibits the completion of the exchange offer.

We may also terminate the merger protocol if either of the Scala managing board or supervisory board resolves to revoke its unanimous recommendation supporting the exchange offer.

**Epicor or Scala May Be Required to Pay a Termination Fee or Break-Up Fee** (see page 80)

Pursuant to the merger protocol, if the exchange offer is not consummated due to any breach of obligations under the merger protocol, the party that caused the breach will be required to pay the other party a EUR 3 million termination fee for fixed damages.

In addition, Scala will pay Epicor a break up fee of EUR 1.5 million immediately upon written and documented request to it for the costs incurred by Epicor related to the exchange offer (including internal costs, advisory fees and other out-of-pocket expenses, loss of profits and opportunity costs) if:

- a public announcement indicating that a third party is preparing, has prepared or made a public offer for the Scala ordinary shares or an indication that a third party has obtained the right to acquire or has agreed to acquire or take up shares to be issued by Scala in an amount of more than 51% of the outstanding Scala ordinary shares or a substantial part of the assets or business of Scala or Scala s group companies, and such third party transaction has been approved or recommended by Scala s managing board or supervisory board or submitted for approval by the shareholders of Scala;

the merger protocol is terminated, not due to certain breaches by Epicor, at a point in time when less than 95% of the outstanding Scala ordinary shares have been tendered in the exchange offer, because such a transaction with a third party has been announced, has not been withdrawn, is superior in value to the exchange offer and a transaction with such third party is consummated within six months of terminating the merger protocol; or

either of the Scala managing board or supervisory board has resolved to revoke its unanimous recommendation in favor of the exchange offer.

However, in the event that Scala is required to pay the EUR 3 million termination fee because the revocation by either of the Scala managing board or supervisory board of its unanimous recommendation supporting the exchange offer constitutes a breach of the merger protocol, the additional EUR 1.5 million reimbursement payment for Epicor s costs due to such revocation shall be credited against the EUR 3 million payment.

**The Exchange Offer is Taxable for United States Federal Income Tax Purposes for U.S. Holders and May be Taxable for Netherlands Income Tax Purposes for Dutch Individuals** (see pages 45 and 47)

The receipt of shares of Epicor common stock and cash in exchange for Scala ordinary shares pursuant to the exchange offer will be a taxable transaction for United States federal income tax purposes. Each U.S. holder receiving Epicor common stock and cash will recognize gain or loss equal to the difference between (1) the sum of the fair market value of the Epicor common stock and the cash received in exchange for such shareholder s shares, and (2) the shareholder s adjusted tax basis in such Scala ordinary shares. Special rules apply for non-U.S. holders.

The receipt of shares of Epicor common stock and cash in exchange for Scala ordinary shares pursuant to the exchange offer may be a taxable transaction for Dutch private or corporate income tax purposes. If taxable, each Dutch holder receiving Epicor common stock and cash will generally recognize a gain or loss equal to the difference between (1) the sum of the fair market value of the Epicor common stock and the cash received in exchange for such shareholder s shares, and (2) the book value of the tendered Scala ordinary shares for tax purposes. For certain Dutch holders being private individuals, the exchange offer itself will not be a taxable transaction. However, the offer will indirectly influence the base for a fictitious yield tax, which sets the annual taxable benefit at a fixed percentage of all the assets and liabilities of a Dutch individual, irrespective of the actual income or capital gains. Special rules apply for non-Dutch holders.

Scala shareholders are urged to consult their own tax advisors regarding the United States federal, Dutch, state, local, non-U.S. and non-Dutch, and other tax consequences of the exchange offer in light of their particular circumstances.

**Extension and Waiver of Conditions to the Exchange Offer** (see page 74)

We may unilaterally waive the condition that the number of Scala ordinary shares tendered into the exchange offer, together with such shares held by us, represent at least 95% of the outstanding Scala ordinary shares on or before the expiration of the exchange offer, provided that the number of Scala ordinary shares tendered into the exchange offer represents at least 80% of the outstanding Scala ordinary shares at the expiration of the exchange offer. If such number of Scala ordinary shares is less than 80%, we may mutually agree with Scala to decrease the number of Scala ordinary shares required to be tendered to satisfy such condition and/or extend the exchange offer period.

If the conditions related to the receipt of all regulatory approvals and the effectiveness of the registration statement on Form S-4, of which this prospectus is a part, are the only conditions to the exchange offer that have not been satisfied or waived, then the expiration of the exchange offer will be extended by us for 60 days. If certain conditions to the exchange offer relating to receipt of all regulatory approvals or the effectiveness of the registration statement on Form S-4, of which this prospectus is a part, are not satisfied on the expiration of the exchange offer, and one or more other conditions are not satisfied or waived, the date for fulfillment may be unilaterally extended by us for up to 60 days. Other than as provided above with respect to the condition in the above paragraph regarding the percentage of shares tendered into the exchange offer, if any conditions other than the conditions related to the receipt of all regulatory approvals and the effectiveness of the registration statement on Form S-4, of which this prospectus is a part, have not been satisfied or waived then the expiration of the exchange offer may be extended by us with Scala s consent.

If the exchange offer period is extended, we will make a public announcement to that effect by way of an advertisement to be published in one or more daily newspapers with nation-wide distribution in the Netherlands and in the Daily Official List of Euronext Amsterdam no later than the third Euronext Amsterdam trading day after the previously scheduled expiration date. These announcements shall be made in accordance with section 9o of the 1995 Decree on the Supervision of the Securities Trade (Netherlands) and shall contain the new expiration date of the exchange offer. Scala shareholders are entitled during the extended exchange offer period to withdraw any Scala ordinary shares tendered during the original exchange offer period.

We also have the right to waive certain other conditions to our obligation to accept all validly tendered Scala ordinary shares, including, but not limited to the conditions requiring that:

- no third party will have obtained the right to acquire or agreed to acquire or take up shares to be issued by Scala or to acquire a substantial part of the assets or business of Scala or Scala s group companies;

- the managing and supervisory boards of Scala will not have resolved to revoke their unanimous favorable recommendations of the exchange offer;

- all regulatory approvals necessary for the exchange offer will have been obtained prior to the expiration of the exchange offer period;

- Scala will not have breached the merger protocol in a material respect relevant to our determination to declare the exchange offer unconditional; and

- Scala shall not have breached the merger protocol in a material respect relevant to our acceptance of the Scala ordinary shares tendered into the exchange offer.

We will follow any extension, termination, amendment or delay, as promptly as practicable, with a public announcement in accordance with the publication requirements of the merger protocol and applicable Dutch and United States laws.

**Subsequent Offer Period** (see page 66)

We expressly reserve the right to have a subsequent offering period of not less than three US business days nor more than 15 Euronext Amsterdam trading days. A subsequent offering period is different from an extension. A subsequent offering period is an additional period of time, following the expiration date of the initial (or extended) exchange offer period, during which stockholders may tender Scala ordinary shares not tendered on or prior to the expiration date of the initial (or extended) exchange offer period. You will not have the right to withdraw any shares of Scala ordinary shares that you tender during a subsequent offering period. We will accept for exchange, and deliver Epicor

Common Stock and cash in exchange for, Scala ordinary shares that are validly tendered, within three Euronext Amsterdam trading days after the expiration of any subsequent offering period.

**Accounting Treatment of the Exchange Offer** (see page 45)

We will account for the exchange offer under the purchase method of accounting for business combinations in accordance with United States generally accepted accounting principles.

Table of Contents

**Epicor Will List Shares of Epicor Common Stock on the Nasdaq National Market** (see page 71)

We expect to prepare and file a notification form for the change in the number of shares outstanding of our common stock with the Nasdaq Stock Market in order to cause the shares of Epicor common stock issuable or required to be reserved for issuance in connection with the exchange offer to be listed on the Nasdaq National Market, effective as of the settlement date.

**Scala Shareholders Appraisal Rights** (see page 68)

Dutch law does not recognize the concept of appraisal or dissenters rights, and, accordingly, Scala shareholders have no appraisal rights for their ordinary shares under Dutch law in connection with the exchange offer. However, Dutch corporate law requires the management of a company and a majority of the shareholders to act in accordance with the principles of reasonableness and fairness when dealing with minority shareholders. See the section in this prospectus entitled The Exchange Offer Buy-out Procedure for a discussion of the judicial proceedings under Dutch law relating to the determination of the amount of consideration to be paid to the remaining minority Scala shareholders in a buy-out procedure. See also Annex D attached to this prospectus for the unofficial English translation of Section 2:92a of the Dutch Civil Code in connection with the buy-out procedure.

Table of Contents

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF EPICOR

The table below presents selected historical consolidated financial data with respect to Epicor as of the dates and for the periods indicated. The historical consolidated statements of operations data presented below for the fiscal years ended December 31, 2003, 2002 and 2001 the historical consolidated balance sheet data as of December 31, 2003 and 2002, have been derived from Epicor s audited historical consolidated financial statements, which are incorporated by reference into this prospectus. The historical consolidated statements of operations data presented below for the fiscal years ended December 31, 2000 and 1999 and the historical consolidated balance sheet data as of December 31, 2001, 2000 and 1999 have been derived from Epicor s historical audited consolidated financial statements, which are not incorporated by reference into this prospectus. The historical results are not necessarily indicative of results to be expected for any future period.

It is important for you to read the following selected historical consolidated financial data together with the consolidated financial statements and accompanying notes contained in Epicor s Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2003 and the financial statements and management s discussion and analysis of such financial statements included therein, all of which are incorporated by reference into this prospectus.

Table of Contents

**EPICOR SOFTWARE CORPORATION AND SUBSIDIARIES**

**Selected Historical Consolidated Financial Data**

**(in thousands, except per share amounts)**

| | As of or for the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2003** | **2002** | **2001** | **2000** | **1999** |
| | **(5)** | **(5)** | **(4)** | **(3)** | **(1)(2)** |
| **Historical Consolidated Statements of Operations Data:** | | | | | |
| Total revenues | $ 155,422 | $ 143,467 | $ 174,492 | $ 224,155 | $ 261,965 |
| Net income (loss) applicable to common stockholders | $ 9,053 | $ (7,264) | $ (28,730) | $ (40,735) | $ (50,633) |
| Net income (loss) applicable to common stockholders per share: | | | | | |
| Basic | $ 0.21 | $ (0.17) | $ (0.69) | $ (0.98) | $ (1.25) |
| Diluted | $ 0.18 | $ (0.17) | $ (0.69) | $ (0.98) | $ (1.25) |
| **Historical Consolidated Balance Sheets Data:** | | | | | |
| Total assets | $ 102,223 | $ 73,268 | $ 86,771 | $ 134,787 | $ 170,177 |
| Long-term obligations and redeemable preferred stock | $ 1,355 | $ 3,043 | $ 2,229 | $ 5,621 | $ 520 |
| Net stockholders equity | $ 29,410 | $ 3,786 | $ 7,171 | $ 34,067 | $ 71,806 |

(1) For the year ended December 31, 1999, net loss included restructuring charges of $9,975,000 recorded relative to the Epicor s restructuring activities, related charges aggregating $7,713,000 recorded in cost of license fees and general and administrative expenses to reflect the write down of certain operating assets, and a litigation charge of $1,800,000.

(2) For the year ended December 31, 2000, net loss included a charge of $5,337,000 recorded in cost of license fees related to the write-down of capitalized software development costs, provision for doubtful accounts of $18,480,000 and a $2,000,000 litigation charge.

(3) For the year ended December 31, 2001, net loss included gain from sales of product lines of $11,880,000, provision for doubtful accounts of $10,108,000, restructuring charges of $9,658,000 and a charge of $1,500,000 recorded in cost of revenues, related to the write-down of capitalized development costs and reduction in the carrying value of certain intangible assets. See Notes 1, 5 and 7 of Notes to Consolidated Financial Statements.

(4) For the year ended December 31, 2002, net loss included restructuring charges of $3,891,000, a $4,288,000 settlement charge, a $600,000 charge included in cost of revenues to write-down certain prepaid software royalties, and a $1,000,000 reduction in general and administrative expenses related to the favorable settlement of international payroll tax issues and a $1,200,000 income tax benefit related to adjustments for certain other international tax issues. See Notes 5, 8, 9 and 14 of Notes to Consolidated Financial Statements.

(5) For the year ended December 31, 2003, net income included restructuring charges of $937,000, a $1,100,000 reduction in operating expenses related to a decrease in the provision for doubtful accounts and a $241,000 fee paid to the holders of the preferred stock accounted for a beneficial conversion option on the preferred stock. See Notes 5 and 13 of Notes to Consolidated Financial Statements.

Table of Contents

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SCALA

The table below presents selected historical consolidated financial data with respect to Scala as of the dates and for the periods indicated. The historical consolidated statements of operations data presented below for the fiscal years ended December 31, 2003 and 2002 and the historical consolidated balance sheets data as of December 31, 2003 and 2002 have been derived from Scala s audited restated historical consolidated financial statements, prepared under U.S. GAAP, which are included elsewhere in this prospectus. The historical consolidated statement of income data presented below for the fiscal years ended December 31, 2001, 2000 and 1999 and the historical consolidated balance sheet data as of December 31, 2001, 2000 and 1999 have been derived from Scala s unaudited restated historical consolidated financial statements prepared under U.S. GAAP, which do not appear elsewhere in this prospectus. The historical results are not necessarily indicative of results to be expected for any future period.

It is important for you to read the following selected historical consolidated financial data together with the consolidated financial statements and accompanying notes and the section entitled Scala Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this prospectus.

Table of Contents

**SCALA BUSINESS SOLUTIONS N.V.**

**Summary Selected Historical Consolidated Financial Data**

**(in thousand US$, except share and per share amounts)**

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| | | Restated (1) | | | |
| | | | Unaudited | Unaudited | Unaudited |
| **Historical Consolidated Statements of Operations Data:** | | | | | |
| Total revenue | $ 69,105 | $ 74,835 | $ 68,213 | $ 71,204 | $ 97,337 |
| Income/(loss) before income taxes | $ (6,228) | $ 7,028 | $ 2,545 | $ (30,690) | $ (30,226) |
| Net income/(loss) | $ (10,664) | $ 4,990 | $ 1,475 | $ (36,315) | $ (30,293) |
| Income/(loss) per ordinary share: | | | | | |
| Basic: | | | | | |
| Net income/(loss) | $ (0.47) | $ 0.22 | $ 0.06 | $ (1.76) | $ (1.61) |
| Diluted: | | | | | |
| Net income/(loss) | $ (0.47) | $ 0.21 | $ 0.06 | $ (1.76) | $ (1.61) |
| Shares used in computing income/(loss) per common share: | | | | | |
| Basic | 22,893,888 | 22,880,215 | 22,746,542 | 20,585,513 | 18,760,256 |
| Diluted | 22,893,888 | 23,294,494 | 22,889,946 | 20,585,513 | 18,760,256 |
| **Historical Consolidated Balance Sheet Data:** | | | | | |
| Total assets | $ 43,285 | $ 51,037 | $ 49,829 | $ 51,099 | $ 86,499 |
| Total long-term liabilities | $ 23 | $ 192 | $ 549 | $ 6,732 | $ 5,160 |
| Total shareholders equity | $ 6,244 | $ 16,513 | $ 11,668 | $ 9,550 | $ 39,760 |
| Had amortization of goodwill and intangible assets been accounted for in accordance with SFAS 142 for all periods presented, the Group net income/(loss) and basic and diluted net income/(loss) per share would have been as follows: | | | | | |
| Reported net income/(loss) | $ (10,664) | $ 4,990 | $ 1,475 | $ (36,315) | $ (30,293) |
| Amortization | | | 245 | 12,629 | 15,948 |
| Adjusted net income/(loss) | (10,664) | 4,990 | 1,720 | (23,686) | (14,345) |
| Income/(loss) per ordinary share: | | | | | |
| Basic: | | | | | |
| Reported net income/(loss) | $ (0.47) | $ 0.22 | $ 0.06 | $ (1.76) | $ (1.61) |
| Amortization | | | $ 0.02 | $ 0.61 | $ 0.85 |
| Adjusted net income/(loss) | $ (0.47) | $ 0.22 | $ 0.08 | $ (1.15) | $ (0.76) |
| Diluted: | | | | | |
| Reported net income/(loss) | $ (0.47) | $ 0.21 | $ 0.06 | $ (1.76) | $ (1.61) |
| Amortization | | | $ 0.02 | $ 0.61 | $ 0.85 |
| Adjusted net income/(loss) | $ (0.47) | $ 0.21 | $ 0.08 | $ (1.15) | $ (0.76) |

(1) The audited and unaudited income statement and balance sheet data for the years ended December 31, 2002, 2001, 2000 and 1999 have been restated as described in note 2 to Scala s consolidated financial statements.

Table of Contents

## RATES OF EXCHANGE

### United States Dollar per Euro

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Year end(1) | 1.2575 | 1.0485 | 0.8901 | 0.9388 | 1.0070 |
| Average for the year(2) | 1.1275 | 0.9495 | 0.8909 | 0.9207 | 1.0588 |
| High | 1.2575 | 1.0485 | 0.9535 | 1.0335 | 1.1812 |
| Low | 1.0481 | 0.8594 | 0.8425 | 0.8270 | 1.0024 |

(1) For purposes of this table, the rate of exchange means the noon buying rate in New York City for cable transfers in Euros as certified for customs purposes by the Federal Reserve Bank of New York.

(2) For purposes of this table, average rate means the average of the exchange rates on the last day of each month during a year.

Table of Contents

## SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED

## FINANCIAL DATA

The following selected unaudited pro forma condensed combined financial data were prepared using the purchase method of accounting and were derived from the unaudited pro forma condensed combined financial statements and accompanying notes contained elsewhere in this prospectus, the separate historical financial statements and accompanying notes of Epicor incorporated by reference into this prospectus, and the separate historical consolidated financial statements and accompanying notes of Scala included elsewhere in this prospectus.

The selected unaudited pro forma condensed combined financial data is based on estimates and assumptions which are preliminary. This data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of Epicor that would have been reported had the exchange offer been completed as of the dates presented, and should not be taken as representative of future consolidated results of operations or financial condition of Epicor.

This selected unaudited pro forma condensed combined financial data should be read in conjunction with the selected historical consolidated financial data and the unaudited pro forma condensed combined consolidated financial statements and accompanying notes contained elsewhere in this prospectus, the separate historical consolidated financial statements and accompanying notes of Epicor incorporated by reference into this prospectus, and the separate historical consolidated financial statements and accompanying notes of Scala included elsewhere in this prospectus. See the section entitled Incorporation of Certain Information by Reference beginning on page 127 of this prospectus.

**EPICOR AND SCALA**

**Selected Unaudited Pro Forma Condensed Combined Financial Data**

**(in millions, except per share amounts)**

| | | Year Ended December 31, 2003 |
|---|---|---|
| **Unaudited Pro Forma Condensed Combined Statement of Operations Data:** | | |
| Total revenues | $ | 235.5 |
| Net loss from operations | $ | (7.3) |
| Net loss applicable to common stockholders | $ | (9.5) |
| Net loss per share applicable to common stockholders: | | |
| Basic | $ | (0.20) |
| Diluted | $ | (0.20) |
| Average number of shares and share equivalents: | | |
| Basic | | 47.5 |
| Diluted | | 47.5 |

**As of**

**December 31, 2003**

| | | |
|---|---|---|
| **Unaudited Pro Forma Condensed Combined Balance Sheet Data:** | | |
| Cash and cash equivalents | $ | 23.2 |
| Working capital deficit | $ | (34.1) |
| Total assets | $ | 204.2 |
| Long-term obligations | $ | 16.4 |
| Total stockholders equity | $ | 76.9 |

Table of Contents

## COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table presents comparative historical per share data regarding the net income (loss), book value and dividends of each of Epicor and Scala and unaudited combined pro forma per share data after giving effect to the exchange offer as a purchase of Scala by Epicor, assuming the exchange offer had been completed on January 1, 2003. The following data is based on 0.1795 shares of Epicor common stock to be issued in exchange for each Scala ordinary share outstanding in connection with the exchange offer. This data has been derived from and should be read in conjunction with the selected historical consolidated financial data and unaudited pro forma condensed combined financial statements contained elsewhere in this prospectus, the separate historical consolidated financial statements of Epicor and accompanying notes incorporated by reference into this prospectus and the separate historical consolidated financial statements of Scala and accompanying notes included elsewhere in this prospectus. The unaudited pro forma per share data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of Epicor that would have been reported had the exchange offer been completed as of the date presented, and should not be taken as representative of future consolidated results of operations or financial condition of Epicor.

| | As of or For the Year Ended December 31, 2003 | | | |
|---|---|---|---|---|
| | | | Pro Forma | |
| | Epicor | Scala | Epicor and Scala | Scala Equivalent[3] |
| | | | (Unaudited) | |
| Net income (loss) per share applicable to common stockholders[1]: | | | | |
| Basic | $ 0.21 | $ (0.47) | $ (0.20) | $ (0.04) |
| Diluted[2] | $ 0.18 | $ (0.47) | $ (0.20) | $ (0.04) |
| Book value per share at period end[2] | $ 0.64 | $ 0.27 | $ 1.52 | $ 0.27 |
| Cash dividends declared per share | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |

(1) The number of Epicor shares used to calculate unaudited pro forma net income per basic and diluted share was computed by adding 4.1 million shares assumed to be issued in exchange for the issued and outstanding Scala ordinary shares and approximately 257,000 shares assumed issued for Scala in-the-money options to Epicor s weighted average number of shares outstanding.

(2) The historical net book value per Epicor share is computed by dividing stockholders equity by the number of shares of Epicor common stock outstanding at December 31, 2003 of 46,230,000, which does not include any potentially dilutive preferred stock or stock options outstanding. The historical net book value per Scala share is computed by dividing stockholders equity by the number of Scala ordinary shares outstanding at December 31, 2003 of 23,017,000, which does not include any potentially dilutive stock options outstanding. The pro forma net book value per combined company share is computed by dividing the pro forma stockholders equity by the pro forma number of shares of Epicor common stock outstanding as of December 31, 2003 of 50,618,000, assuming that the exchange offer had occurred as of that date.

(3) The Scala equivalent pro forma combined per share amounts are calculated by multiplying Epicor combined pro forma share amounts by the exchange ratio in the merger of 0.1795 shares of Epicor common stock for each Scala ordinary share. The exchange ratio does not include the cash consideration.

Table of Contents

## COMPARATIVE PER SHARE MARKET PRICE DATA AND DIVIDENDS

### Share Prices

Epicor common stock trades on the Nasdaq National Market of the Nasdaq Stock Market under the symbol EPIC. Scala ordinary shares trade on the Euronext Amsterdam under the symbol SCALA.

The following table shows the high and low sales prices per share of Epicor common stock, as reported on Nasdaq and the high and low sales prices per Scala ordinary share, as reported on Euronext Amsterdam on (1) November 13, 2003, the last full trading day preceding public announcement that Epicor and Scala had entered into the merger protocol and (2) , 2004 the last full trading day for which high and low sales prices were available as of the date of this prospectus. The Scala high and low sales prices have been converted from Euros to US dollars at an exchange rate of on , 2004, the last full trading day for which the exchange rate was available as of the date of this prospectus. The table also includes the equivalent high and low sales prices per Scala ordinary share for (1) and (2) above.

| | Epicor Common Stock | | Scala Ordinary Shares | | Equivalent Price Per Share | |
|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low |
| November 13, 2003 | $ 11.05 | $ 10.25 | $ | $ | $ | $ |
| , 2004 | $ | $ | $ | $ | $ | $ |

The table below shows the high and low sales prices per Scala ordinary share, as reported on Euronext Amsterdam for each quarter in 2003 and 2002, for the first quarter in 2004 and for the second quarter in 2004 through , 2004. The Scala high and low sales prices have been converted from Euros to US dollars at an exchange rate of on , 2004, the last full trading day for which the exchange rate was available as of the date of this prospectus.

| | Scala Ordinary Shares | | U.S. Dollar Equivalent | |
|---|---|---|---|---|
| | High | Low | High | Low |
| **2002** | | | | |
| First Quarter | 4.00 | 3.14 | $ | $ |
| Second Quarter | 3.89 | 2.14 | | |
| Third Quarter | 3.00 | 1.95 | | |
| Fourth Quarter | 2.94 | 1.80 | | |
| **2003** | | | | |
| First Quarter | 2.94 | 1.89 | $ | $ |
| Second Quarter | 1.68 | 1.27 | | |
| Third Quarter | 2.22 | 1.25 | | |
| Fourth Quarter | 3.13 | 1.20 | | |
| **2004** | | | | |

| | | | | |
|---|---|---|---|---|
| First Quarter | 3.70 | 3.09 | $ | $ |
| Second Quarter (through , 2004) | | | | |

The above table shows only historical information on Scala ordinary share prices. This information may not provide meaningful information to Scala shareholders in determining whether to tender their shares into the exchange offer. Scala shareholders are urged to obtain current market quotations for Epicor common stock and

Scala ordinary shares and to review carefully the other information contained in this prospectus or incorporated by reference into this prospectus in considering whether to tender their Scala ordinary shares into the exchange offer. See the section entitled Incorporation of Certain Information by Reference beginning on page 127 of this prospectus.

**Dividends**

Neither Epicor nor Scala has paid any dividends to date. Both Epicor and Scala intend to retain any earnings for use in their businesses and do not intend to pay dividends for the foreseeable future.

Table of Contents

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions, that, if they never materialize or prove incorrect, could cause the results of Epicor and its consolidated subsidiaries, on the one hand, or Scala and its consolidated subsidiaries, on the other, to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of earnings, revenues, synergies, accretion, margins or other financial items; any statements of the plans, strategies and objectives of managing for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings, approvals and closings relating to the acquisition of Scala; any statements concerning the de-listing or buy-out procedure under Dutch law or other post-closing restructuring of Scala; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

The risks, uncertainties and assumptions referred to above include retention of customers, continuation of strategic relationships, the actions of competitors, the development of new products, the difficulty of keeping expense growth at modest levels while increasing revenues; the challenges of integration and restructuring associated with the acquisition of Scala or other planned acquisitions and the challenges of achieving anticipated synergies; the possibility that the acquisition of Scala may not close; the assumption of maintaining revenues on a combined company basis following the completion of the exchange offer; and other risks that are described in the section entitled Risk Factors, which follows on the next page, and in the documents that are incorporated by reference into this prospectus.

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, results of Epicor and Scala could differ materially from the expectations in these statements. Epicor and Scala are not under any obligation and do not intend to update their respective forward-looking statements.

Table of Contents

## RISK FACTORS

*Risks Regarding the Exchange Offer*

**The value of the Epicor common stock that you will receive as partial consideration for your Scala ordinary shares is subject to stock market fluctuation.**

As consideration for each Scala ordinary share that you tender into the exchange offer, you will receive (i) 0.1795 shares of Epicor common stock and (ii) $1.8230 in cash, subject to adjustment. The merger protocol affords you partial protection for declines in the value of Epicor common stock after November 12, 2003. The merger protocol provides that if the average closing price of Epicor common stock on Nasdaq during the 10 trading day period that is two full trading days prior to the expiration of the exchange offer is below the closing price on November 12, 2003, you will receive a commensurate increase in the cash component of the consideration to be exchanged for each Scala ordinary share tendered into the exchange offer. However, the additional cash consideration you would receive for declines in the value of Epicor common stock is subject to a maximum of $0.3665 per Scala ordinary share tendered into the exchange offer. Moreover, the trading price of Epicor common stock on the date that you receive Epicor common stock in exchange for your Scala ordinary shares could be less than the average closing price of the Epicor common stock during the relevant 10 trading day period.

The market for Epicor common stock is volatile. Please see the risk factor entitled The market for Epicor common stock is volatile and fluctuations in operating results, changes in Epicor s guidance on revenues and earnings estimates and other factors could negatively impact Epicor s stock price. Because the market price of Epicor common stock fluctuates, the overall value of the Epicor common stock that you will receive after the exchange offer is completed may be adversely affected by changes in the market price of Epicor common stock. You should obtain recent market quotations for trading prices of Epicor common stock before you tender your Scala ordinary shares into the exchange offer.

**Some members of the Scala managing and supervisory boards have interests and arrangements that could have affected their decision to support or approve the exchange offer.**

The interests of members of the Scala managing and supervisory boards in the exchange offer and their participation in arrangements that are different from, or are in addition to, those of Scala shareholders generally could have affected their decision to support or approve the exchange offer. These interests include the acceleration of share options held by members of the Scala managing and supervisory boards, the receipt, upon resignation, on the settlement date of the exchange offer by each supervisory board member of an additional full annual payment of EUR 25,000 as compensation for loss of office, the receipt, upon resignation, on the settlement date of the exchange offer by the chairman of the supervisory board of an additional full annual payment of EUR 50,000 as compensation for loss of office and the right to indemnification of the members of the supervisory board as provided in Annex B to the merger protocol. In addition, Sergey Shvedov, Jan Palmquist and Barbara Moorhouse, each a member of the Scala managing board, and Andreas F. Kemi, Scala s interim Chief Executive Officer and member of the Scala supervisory board, have entered into separate agreements with Scala and Epicor in connection with the merger protocol and the exchange offer. Pursuant to these agreements, each of these individuals is entitled to receive a $25,000 gross cash payment as consideration for their willingness (i) to continue to be employed by Scala under their existing employment agreements for a period of six months following the expiration of the exchange offer in the case of Sergey Shvedov, Jan Palmquist and Andreas F. Kemi, and for a period of five months following the expiration of the exchange offer in the case of Barbara Moorhouse and (ii) to waive all existing change of control benefits under their existing employment agreements during such limited employment periods. Furthermore, Epicor has agreed to take all requisite action, effective as of the expiration of the exchange offer, to cause its Board of Directors to be expanded to enable Andreas F. Kemi to be appointed to Epicor s Board of Directors, effective as of the settlement date of the exchange offer.

Five months after the tender closing date, upon the giving of a twelve-month notice, Barbara Moorhouse will be entitled to receive a lump sum payment equal to the sum of (i) her annual base salary of £150,000, (ii) her annual bonus payment for 2003, not to be less than a guaranteed minimum of £85,000, and (iii) the value of other benefits available to her over a twelve-month period in accordance with the terms of her employment agreement. In addition, Barbara Moorhouse will be entitled to all other salary and benefits payable to her under her employment agreement for the remaining term of her employment and any additional payments for early termination thereof available to her in accordance with the terms of her employment agreement.

As a result, members of the Scala managing and supervisory boards may be more likely to recommend that you tender your Scala ordinary shares than if they did not have these interests. These interests are described in more detail in the section entitled Executive Officers and Directors of Scala Interests of Scala Management and Members of Scala Boards in the Exchange Offer.

**We may not be able to successfully complete the exchange offer.**

The exchange offer may not be completed unless the number of Scala ordinary shares tendered into the exchange offer, plus any other Scala ordinary shares held by Epicor, represents at least 95% of the outstanding Scala ordinary shares at the expiration of the exchange offer. If the percentage of Scala ordinary shares tendered is at least 80% but less than 95% of the outstanding Scala ordinary shares at the expiration of the exchange offer, Epicor will have the opportunity, but not the obligation, to waive this 95% requirement. If the percentage of Scala ordinary shares tendered is less than 80% at the expiration of the exchange offer, Epicor will have the opportunity to consult with Scala and if Scala agrees, Epicor could decrease the required percentage and/or extend the term of the exchange offer. Notwithstanding these provisions, it is possible that we may fail to complete the exchange offer because an insufficient number of Scala ordinary shares are tendered into the exchange offer.

In addition to the requirement of sufficient Epicor ownership of Scala ordinary shares discussed above, there are other conditions that must be satisfied and/or waived in order for the exchange offer to be completed. Please see the sections entitled The Merger Protocol Satisfaction of the Conditions to the Commencement of the Exchange Offer and Conditions to Epicor s Obligation to Declare the Exchange Offer Unconditional. If any of these conditions are not satisfied, or waived by the relevant party, as applicable, then we may ultimately terminate the exchange offer. In addition, we may terminate the exchange offer for other reasons. Please see the section entitled The Merger Protocol Termination of the Merger Protocol.

**If we terminate the exchange offer, or if the exchange offer is otherwise not completed, Scala s share price and business could be adversely affected.**

If the exchange offer is not completed, Scala may be subject, among others, to the following material risks:

- the price of Scala ordinary shares may decline to the extent that the current market prices of Scala ordinary shares reflect a market assumption that the exchange offer will be completed; and
- Scala may not be able to find an equivalent or more attractive partner.

In addition to the above risks, if the exchange offer is not consummated due to any breach of the obligations under the merger protocol, the party that caused the breach will be required to pay the other party a EUR 3 million termination fee for fixed damages.

Scala will be required to pay us a break-up fee of EUR 1.5 million in the event of the following:

a public announcement indicating that a third party is preparing, has prepared or made a public offer for the Scala ordinary shares or an indication that a third party has obtained the right to acquire or has agreed to acquire or take up shares to be issued by Scala in an amount of more than 51% of the outstanding Scala ordinary shares, or a substantial part of the assets or business of Scala or Scala s group companies, and such third party transaction has been approved or recommended by the Scala managing board or supervisory board or submitted for approval by the shareholders of Scala;

27

Table of Contents

- the merger protocol is terminated, not due to certain breaches by Epicor, at a point in time when less than 95% of the outstanding Scala ordinary shares have been tendered into the exchange offer, because such a transaction with a third party has been announced, has not been withdrawn, is superior in value to the exchange offer and a transaction with such third party is consummated within six months of terminating the merger protocol; or

- either of the Scala managing board or supervisory board has resolved to revoke its unanimous recommendation in favor of the exchange offer.

See the section entitled The Merger Protocol Payment of Termination and Break-up Fees for the full definition of the types of alternate third party transactions referenced above.

**Strategic partner, customer and supplier uncertainty related to the exchange offer could harm the businesses of Epicor and Scala.**

Epicor and Scala have numerous strategic relationships and business alliances with other companies to deliver and market their products to customers. As a result of the exchange offer, some of these relationships may change in a manner adverse to the Epicor and/or Scala businesses. In addition, customers of Epicor and Scala, in response to the announcement of the exchange offer or due to ongoing uncertainty about the exchange offer, may delay or defer purchasing decisions or elect to switch to other suppliers. Any delay, deferral or change in purchasing decisions by the customers of Epicor and Scala could seriously harm the businesses of Epicor and/or Scala. Since the announcement of the merger protocol, Epicor and Scala have not experienced any material change in their customers purchasing decisions and their strategic relationships and business alliances have not been negatively affected in any material way as a result of the announcement of the exchange offer.

**The Epicor common stock issued to Scala shareholders pursuant to the exchange offer will have different rights and preferences than the Scala ordinary shares tendered into the exchange offer.**

Scala shareholders who participate in the exchange offer will receive shares of Epicor common stock with rights and preferences that are different from the rights and preferences of the Scala ordinary shares tendered into the exchange offer. The rights and preferences of the Epicor common stock issued pursuant to the exchange offer are governed by Epicor s certificate of incorporation and the laws of the United States and the State of Delaware and may be different from the rights and preferences under the law of the Netherlands. See the section entitled Comparison of Rights of Holders of Epicor Common Stock and Scala Ordinary Shares for a discussion of the different rights associated with Epicor common stock.

**The exchange of Scala ordinary shares for Epicor common stock will be a taxable transaction for United States federal income tax purposes and may be a taxable transaction for Netherlands income tax purposes.**

The exchange of Scala ordinary shares for Epicor common stock and cash will be a taxable transaction for United States federal income tax purposes. Each U.S. holder will be required to include in taxable income the excess of the fair market value of the Epicor common stock and the cash received in the exchange over such shareholder s tax basis in the Scala ordinary shares exchanged. Special rules apply to non-U.S. holders. See the section entitled Certain Material U.S. Federal Tax Consequences to Scala Shareholders for a further discussion of the United States federal income tax consequences of the exchange offer to Scala shareholders.

The exchange of Scala ordinary shares for Epicor common stock and cash may be a taxable transaction for Dutch private or corporate income tax purposes. A Dutch holder may be required to include in its taxable income the excess of the fair market value of the Epicor common stock and the cash received in the exchange over such shareholder s tax base in the Scala ordinary shares exchanged. Special rules apply for non-Dutch holders. See the section entitled Certain Material Dutch Tax Consequences to Scala Shareholders for a further discussion of the Dutch private or corporate income tax consequences of the exchange offer to Scala shareholders.

*Risks Relating to the Combined Company*

**If we do not successfully integrate Scala with Epicor, a process that may be made more difficult due to geographic challenges, our ability to achieve anticipated revenue and income results for the Scala products may be adversely impacted and the business of Epicor may be disrupted and negatively impacted.**

Achieving success as a combined company will depend in part on the integration of the Scala business into Epicor. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt the businesses of both Scala and Epicor. Integration may be especially difficult because the operations and primary markets of Epicor and Scala are geographically disparate. The challenges involved in integrating Scala with Epicor include:

- Coordinating Scala s headquarters operations in the Netherlands, as well as its research and development facilities in Moscow, Russia, which are geographically distant from the operations of Epicor s corporate headquarters and most of Epicor s subsidiaries in the United States;
- Coordinating sales and marketing efforts to effectively communicate our capabilities;
- Combining product offerings;
- Coordinating and combining international operations, relationships and facilities, which may be subject to additional constraints imposed by local laws and regulations;
- Coordinating and rationalizing research and development activities to enhance introduction of new products and technologies with reduced cost;
- Demonstrating to the customers of Scala that the acquisition will not result in adverse changes in client service standards or business focus and helping customers conduct business easily with us;
- Preserving distribution, marketing or other important relationships of both Epicor and Scala and resolving potential conflicts that may arise;
- Minimizing the diversion of management attention from ongoing business concerns;
- Successfully integrating the business cultures of Epicor and Scala, maintaining employee morale and retaining key employees; and
- Consolidating and rationalizing corporate information technology and administrative infrastructures.

The integration of the Scala business into our business may not be successfully completed in a timely manner, or at all, and we may not realize any of the anticipated benefits of the acquisition to the extent, or in the time frame, anticipated. The failure to integrate the business of Scala successfully into Epicor or to realize any of the anticipated benefits of the exchange offer could seriously hinder our plans for product development and business and market expansion following the acquisition.

**Additional improvements to Scala s internal controls, disclosure policies and central finance functions are required and if these improvements are not completed it could have a material adverse effect on the business, results of operations and financial condition of Scala, and Epicor following completion of the exchange offer, and Epicor s ability to comply with the Sarbanes-Oxley Act.**

In connection with the audit of Scala s financial statements for each of the years in the two-year period ended December 31, 2003, Scala received a letter on April 13, 2004 from its independent auditors, KPMG Accountants N.V., providing information with respect to the conduct of its audit in accordance with US generally accepted auditing standards. The letter noted that Scala s independent auditors identified reportable conditions which constituted material weaknesses (as those terms are defined under standards established by the American Institute of Certified Public Accountants, or AICPA) in Scala s internal controls, financial reporting and board process controls. For a description of the the AICPA standards for what constitutes a reportable

**Table of Contents**

condition and material weakness see the section entitled Scala Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Internal Controls; Financial Reporting; Disclosure Issues.

Scala s independent auditors noted that Scala has not been and its not currently an SEC reporting company and has historically not had sufficient dedicated US GAAP financial reporting and accounting resources to operate within an SEC environment, and notwithstanding improvements during the second half of 2003, this continues to be the case. During the first half of 2003, Scala implemented two phases of corporate restructuring. Following these changes and the loss of a number of central finance staff during the first half of 2003, Scala significantly reorganized its financial accounting department. Scala s independent auditors noted that these changes initially led to deterioration in the financial control environment in central finance and business units. In the second half of 2003, changes to the financial accounting department and the establishment of additional controls reversed the deterioration noted in the first half of the year, and Scala s independent auditors noted that the internal control environment operating by the end of the year to be a marked improvement on that noted during 2002. Scala s independent auditors indicated that even in light of such improvement there remains a need for Scala to further enhance its technical accounting and financial reporting resources. In addition, Scala s independent auditors noted that Scala s disclosure controls failed to ensure that financial commitments made by the Scala supervisory and managing boards in respect of employee taxes and severance payments were reported on a timely basis to the Scala financial reporting department, thus enabling all appropriate accounting adjustments and disclosures to be made in Scala s financial statements. For a detailed description of the conditions identified by its independent auditors, see the section entitled Scala Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Internal Controls; Financial Reporting; Disclosure Issues.

These material weaknesses, if not addressed, could result in accounting errors and cause future restatements of Scala s financial statements. In order to address these deficiencies and in light of the ongoing need for compliance with U.S. generally accepted auditing standards as applied by the SEC following the exchange offer, Scala is implementing additional improvements to its financial reporting systems and controls. In addition, we believe that the integration of Scala s accounting and financial reporting functions with those of Epicor will also help to address some of the identified deficiencies in Scala s accounting and financial reporting functions. However, the implementation of these new processes, and the integration of the Scala accounting and financial reporting functions with those of Epicor, may not be successfully completed in a timely manner or at all, and unanticipated factors may hinder the effectiveness of these new processes or delay the integration of Epicor and Scala s control systems. If we fail to adequately address these material weaknesses, it could have a material adverse effect on Scala s business, results of operations and financial condition, and, following completion of the offer, it could have a material effect on Epicor s business, results of operations and financial condition. Although following the completion of the exchange offer, Epicor intends to promptly correct these deficiencies, ultimately, if not corrected, these identified material weaknesses could prevent Epicor from releasing its financial information and SEC reports in a timely manner, making the required certifications regarding, and complying with its other obligations with respect to, its financial statements and internal controls under the Sarbanes-Oxley Act.

**The quarterly operating results of Epicor following the acquisition are difficult to predict and subject to substantial fluctuation.**

Epicor s quarterly operating results have fluctuated significantly in the past. From the first quarter of 2001 through the year ended December 31, 2003, quarterly operating results have ranged from an operating loss of $22.1 million to an operating income of $3.5 million. During this same time period, Scala s annual operating results have ranged from an operating loss of $10.7 million in the year ended December 31, 2003 to an operating income of $5.0 million in the year ended December 31, 2002 (restated) and Scala s quarterly operating results have also fluctuated. Following the acquisition of Scala, Epicor s operating results may continue to fluctuate in the future as a result of many specific factors that include:

- The demand for the combined company s products, including reduced demand related to changes in marketing focus for certain products, software market conditions or general economic conditions as they pertain to information technology spending;

Fluctuations in the length of the combined company s sales cycles which may vary depending on the complexity of our products as well as the complexity of the customer s specific software and service needs;

The size and timing of orders for the combined company s software products and services, which, because many orders are completed in the final days of each quarter, may be delayed to future quarters;

The number, timing and significance of new software product announcements, both by Epicor and its competitors;

Customers unexpected postponement or termination of expected system upgrades or replacement due to a variety of factors including economic conditions, changes in information technology strategies or management changes;

Changes in accounting standards, including software revenue recognition standards; and

Fluctuations in maintenance renewal rates by existing customers.

In addition, both Epicor and Scala have historically realized a significant portion of their software license revenues in the final month of any quarter, with a concentration of such revenues recorded in the final ten business days of that month. Due to the above factors, among others, Epicor s revenues following the acquisition of Scala are difficult to forecast.

Epicor bases its expense levels, including operating expenses and hiring plans, in significant part, on its expectations of future revenue. As a result, we expect expense levels following the acquisition of Scala to continue to be relatively fixed in the short term. Our failure to meet revenue expectations following the acquisition of Scala could adversely affect operating results. Further, an unanticipated decline in revenue for a particular quarter may disproportionately affect our operating results in that quarter because the majority of our expenses will be fixed in the short term. As a result, we believe that period-to-period comparisons of our results of operations are not and will not necessarily be meaningful, and you should not rely upon them as an indication of future performance. Due to the foregoing factors, it is likely that, as in past quarters with respect to Epicor and Scala, in some future quarters the combined company s operating results will be below the expectations of public market analysts and investors. As in those past quarters, such an event would likely have an adverse effect upon the price of Epicor s common stock.

**Epicor s future results could be harmed by economic, political, geographic, regulatory and other specific risks associated with international operations, including Scala s operations in China, the Commonwealth of Independent States (CIS) (e.g. Russia, Ukraine, etc.) and Eastern Europe.**

The acquisition of Scala would significantly augment Epicor s international operations. Scala s core markets include certain locations where Epicor does not currently have a significant presence, including China, the CIS, Eastern Europe and Nordic Europe. During 2003, 29.5% of Epicor s total revenues were generated by its international operations. Epicor intends to continue to bolster its presence in these markets upon successful completion of the exchange offer. We estimate that following Epicor s acquisition of Scala, roughly half of Epicor s total revenues will be generated by international operations. There can be no assurance that Epicor will maintain or expand its international sales. We believe that Epicor s future growth will be dependent, in part, upon our ability to maintain and increase revenues in Epicor s and Scala s existing and emerging international markets, including Asia, Eastern Europe and Latin America. If the revenues generated from international activities, especially in emerging markets, are inadequate to offset the expense of maintaining such international operations, our business, financial condition and results of operations could be materially and adversely affected. The increasingly international reach of Epicor s businesses could also subject Epicor and its results of operations to unexpected, uncontrollable and rapidly changing economic and political conditions. Specifically, international sales and operations are subject to inherent risks, including:

Differing intellectual property and labor laws;

Lack of experience in a particular geographic market;

Different and changing regulatory requirements in various countries and regions;

Tariffs and other barriers, including import and export requirements and taxes on subsidiary operations;

Fluctuating exchange rates and currency controls;

Difficulties in staffing and managing foreign sales and support operations;

Longer accounts receivable payment cycles;

Potentially adverse tax consequences, including repatriation of earnings;

Development and support of localized and translated products;

Lack of acceptance of localized products or Epicor in foreign countries;

Shortage of skilled personnel required for local operations; and

Perceived or actual public health (e.g. SARS) or terrorist risks which impact a geographic region and business operations therein.

Any one of these factors or a combination of them could materially and adversely affect our future international sales and, consequently, our business, operating results, cash flows and financial condition. A portion of Epicor s revenues from sales to foreign entities, including foreign governments, has been in the form of foreign currencies, and Epicor does not have any hedging or similar foreign currency contracts. A significant portion of Scala s revenues and expenses have been in the form of currencies other than the U.S. dollar, and Scala, due to the high volume and generally low value of non-U.S. dollar transactions, does not have any hedging or similar foreign currency contracts. Fluctuations in the value of foreign currencies, however, could adversely impact the profitability of Epicor s foreign operations following the acquisition of Scala due to the increase in revenues from sales to foreign entities. Please see the risk factor entitled Foreign currency fluctuations may negatively impact the financial results of the Scala business.

**If the emerging technologies and platforms of Microsoft and others upon which Epicor and Scala build their products do not gain broad market acceptance, or if we fail to develop and introduce in a timely manner new products and services compatible with such emerging technologies, we may not be able to compete effectively and our ability to generate revenues will suffer.**

The software products of Epicor and Scala are built and depend upon several underlying and evolving relational database management system platforms such as Microsoft SQL Server, Progress and IBM. To date, the standards and technologies that each of Epicor and Scala has chosen to develop its products upon have proven to be popular and have gained broad industry acceptance. However, the market for software products is subject to ongoing rapid technological developments, quickly evolving industry standards and rapid changes in customer requirements, and there may be existing or future technologies and platforms that achieve industry standard status, which are not compatible with the products of Scala or Epicor. Additionally, because the products of Scala or Epicor are expected to rely significantly upon popular existing user interfaces to third party business applications, we must forecast which user interfaces will be popular in the future. For example, both Epicor and Scala believe that the Internet is transforming the way businesses operate and the software requirements of customers. Specifically, we believe that customers desire business software applications that enable a customer to engage in commerce or service over the Internet. Recently, Epicor has announced its determination to pursue development of several of its primary product lines upon the new Microsoft .NET technology. If we cannot develop such .NET compatible products in time to effectively bring them to market, or if .NET does not become a widely accepted industry standard, our ability to interface with popular third party applications will be negatively impacted and our competitive position and revenues could be adversely affected. Similarly, Scala has recently confirmed its commitment to using a Microsoft .NET technology platform, so our revenues and competitive position could be further adversely affected if Microsoft core technologies are not widely accepted by our customers.

Table of Contents

**New software technologies could cause us to alter our business model and result in adverse affects on our operating results.**

Development of new technologies may also cause us to change how we license or price our products, which may adversely impact our revenues and operating results. Emerging licensing models include hosting as well as subscription-based licensing, in which the licensee essentially rents software for a defined period of time, as opposed to the current perpetual license model. Our future business, operating results and financial condition will depend on our ability to effectively train our sales force to sell an integrated comprehensive set of business software products and recognize and implement emerging industry standards and models, including new pricing and licensing models.

If we fail to respond to emerging industry standards, including licensing models, and end-user requirements, our competitive position and revenues could be adversely affected.

**Uncertainties associated with the emerging market for Web-based development tools, application products and consulting and education services could negatively affect our client/server based products and if we fail to respond effectively to evolving requirements of this market, our business, financial condition, results of operations and cash flows will be materially and adversely affected.**

Epicor s development tools, application products and consulting and education services generally help organizations build, customize or deploy solutions that operate in a client/server-computing environment. There can be no assurance that the market for client/server computing will continue to grow, or will not decrease, or that we will be able to respond effectively to the evolving requirements of these markets. Epicor s proposed acquisition of Scala reflects Epicor s belief that the environment for application software is continuing to change from client/server to a Web-based environment to facilitate commerce on the Internet. If we fail to respond effectively to evolving requirements of this market, our business, financial condition, results of operations and cash flows will be materially and adversely affected. In addition, to the extent that we build out product development around the product suite of Scala, these products and services may compete to some degree with some of Epicor s existing tools, applications and services that operate in a client/server-computing environment.

**Our increasingly complex software products may contain errors or defects which could result in the rejection of our products and damage to our reputation as well as cause lost revenue, delays in collecting accounts receivable, diverted development resources and increased service costs and warranty claims.**

Our software products are made up of increasingly complex computer programs. Software products as complex as the products offered by Epicor and Scala often contain undetected errors or failures (commonly referred to as bugs) when first introduced to the market or as new updates or upgrades of such products are released to the market. Despite testing by Epicor and Scala, and by current and potential customers, prior to general release to the market, our products may still contain material errors after their initial commercial shipment. Such material errors may result in loss of or delay in market acceptance of our products, damage to our reputation, and increased service and warranty costs. Ultimately, such errors could lead to a decline in our revenues. Epicor and Scala have from time to time been notified by some of their customers of errors in their various software products. Although it has not occurred to date at Epicor or Scala, the possibility of being unable to correct such errors in a timely manner could have a material adverse effect on our results of operations and cash flows. In addition, if material technical problems with the current release of the various database and technology platforms on which our products operate, including Progress, IBM, Microsoft SQL or Microsoft .NET, occur, such difficulties could also negatively impact sales of these products, which could in turn have a material adverse effect on our results of operations.

**A variety of specific business interruptions could adversely affect our business.**

A number of particular types of business interruptions could greatly interfere with our ability to conduct business. For example, a substantial portion of Epicor s facilities, including our corporate headquarters and other

33

Table of Contents

critical business operations, are located near major earthquake faults. Epicor does not carry earthquake insurance and does not fund for earthquake-related losses. In addition, our computer systems will be susceptible to damage from fire, floods, earthquakes, power loss, telecommunications failures, and similar events. We continue to consider and implement our options and develop contingency plans to avoid and/or minimize potential disruptions to our business services.

**Epicor and Scala rely, in part, on third parties to sell their products. Disruptions to these channels would adversely affect our ability to generate revenues from the sale of our products.**

Epicor and Scala distribute products through a direct sales force as well as through an indirect distribution channel, which includes value-added resellers (VARs) and other distributors and authorized consultants, consisting primarily of professional firms. During 2003, 16% of Epicor s software license revenues were generated by VARs and other distributors and 23% of Scala s software license revenues were generated by VARs. If Epicor s or Scala s VARs or authorized consultants cease distributing or recommending Epicor s or Scala s products or emphasize competing products, our results of operations could be materially and adversely affected. Historically, Epicor has sold its financial and customer relationship management (CRM) products through direct sales as well as through the indirect distribution channel. However, Epicor is currently creating a distribution channel for certain of its manufacturing product lines not previously widely sold through VARs and other distributors. It is not yet certain that these products can be successfully sold through such a channel and the long term impact of this increase in the distribution channel to our performance is as of yet undetermined as is our ability to generate additional license and services revenue from such a channel. Scala has also increased its utilization of VARs, while continuing to serve its larger multinational clients through its direct sales force. The success of our distributors depends in part upon their ability to attract and maintain qualified sales and consulting personnel. Additionally, Epicor s VARs may generally terminate their agreements with Epicor upon 30 days notice, though they may effectively terminate the agreements by ceasing to promote or sell our products. Scala s VARs may terminate their agreements with Scala on varying notice periods, from 30 days to 18 months. If our VARs or other distributors are unable to maintain such qualified personnel or if several of our VARs or other distributors terminate their agreements and we are unable to replace them in a timely fashion, such factors could negatively impact our results of operations. Finally, there can be no assurance that having both a direct sales force and a distribution channel for products will not lead to conflicts between those two sales forces which could adversely impact our ability to close sales transactions or could have a negative impact upon average selling prices, any of which may negatively impact our operating revenues and results of operations.

**A significant portion of our future revenue is dependent upon Epicor s and Scala s existing installed base of customers continuing to license additional products as well as purchasing consulting services and renewing their annual maintenance and support contracts.**

Historically, approximately 50% to 60% of Epicor s license revenues, 90% of Epicor s maintenance revenues and a substantial portion of Epicor s consulting revenues were generated from Epicor s installed base of customers. Historically, approximately 51% to 56% of Scala s license revenues and approximately 93% of Scala s maintenance revenues were generated from Scala s installed base of customers. Maintenance and support agreements with these customers are traditionally renewed on an annual basis at the customer s discretion, and there is normally no requirement that a customer so renew or that a customer pay new license fees or service fees following the initial purchase. As a result, if Epicor s or Scala s existing customers fail to renew their maintenance and support agreements or fail to purchase new product enhancements or additional services at historical levels, our revenues and results of operations could be materially impacted.

**Epicor s and Scala s software products incorporate and rely upon third party software products for certain key functionality, and our revenues as well as our ability to develop and introduce new products could be adversely affected by our inability to control or replace these third party products and operations.**

The products of Epicor and Scala incorporate and rely upon software products developed by several other third party entities such as Microsoft, IBM and Progress. Specifically, the software products of these companies

are built and depend upon several underlying and evolving relational database management system platforms including Microsoft SQL Server, IBM U2 and Progress OpenEdge. In the event that these third party products were to become unavailable to us or to our customers, either directly from the third party manufacturers or through other resellers of such products, Epicor and Scala could not readily replace these products with substitute products. We cannot provide assurance that these third parties will:

- Remain in business;
- Continue to support the product lines of Epicor and Scala;
- Maintain viable product lines;
- Make their product lines available to us on commercially acceptable terms; or
- Not make their products available to our competitors on more favorable terms.

In the long term (i.e. a year or more), an interruption of supply from these vendors could potentially be overcome through migration to another third party supplier or internal development. However, any interruption in the short term could have a significant detrimental effect on our ability to continue to market and sell those of its products relying on these specific third party products and could have a material adverse effect on our business, results of operation, cash flows and financial condition.

**The markets for our products and services and Scala s products and services are highly competitive. If we are unable to compete effectively with existing or new competitors, our business could be negatively impacted.**

The business information systems industry in general and the manufacturing, CRM and financial computer software industries specifically, in which Scala and Epicor compete are very competitive and subject to rapid technological change, evolving standards, frequent product enhancements and introductions and changing customer requirements. Many of Scala s and Epicor s current and potential competitors have (1) longer operating histories, (2) significantly greater financial, technical and marketing resources, (3) greater name recognition, (4) larger technical staffs, and (5) a larger installed customer base than either Epicor or Scala individually or combined. A number of companies offer products and services that are similar to those offered by Epicor and Scala and that target the same markets. In addition, any of these competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements (such as commerce on the Internet and Web-based application software), and to devote greater resources to the development, promotion and sale of their products than the combined company. Furthermore, because there are relatively low barriers to entry in the software industry, we expect to face additional competition from other established and emerging companies. Such competitors may develop products and services that compete with those offered by the combined company or may acquire companies, businesses and product lines that compete with the combined company. It also is possible that competitors may create alliances and rapidly acquire significant market share, including in new and emerging markets.

Accordingly, there can be no assurance that current or potential competitors of Epicor and Scala will not develop or acquire products or services comparable or superior to those that the combined company develops, combine or merge to form significant competitors, or adapt more quickly than will the combined company to new technologies, evolving industry trends and changing customer requirements. Competition could cause price reductions, reduced margins or loss of market share for our products and services, any of which could materially and adversely affect our business, operating results and financial condition. There can be no assurance that we will be able to compete successfully against current and future competitors of Epicor and Scala or that the competitive pressures that the combined company may face will not materially adversely affect our business, operating results, cash flows and financial condition.

35

Table of Contents

**We may not be able to maintain and expand our product offerings or business if we are not able to retain, hire and integrate sufficiently qualified personnel.**

Epicor s and Scala s success depends in large part on the continued service of key management personnel. Many of the key employees of the combined company will not be subject to employment agreements. In addition, the competition to attract, retain and motivate qualified technical, sales and software development personnel is intense. For example, Epicor has at times, including during the rise of the dot coms in the mid to late 1990 s, experienced significant attrition and difficulty in recruiting qualified personnel, particularly in software development and customer support. Additionally, the sudden unexpected loss of such technical personnel such as developers can have a negative impact on our ability to develop and introduce new products in a timely and effective manner. There is no assurance that we will retain key personnel or attract other qualified key personnel in the future. The failure to attract or retain such persons could have a material adverse effect on our business, operating results, cash flows and financial condition.

In addition, the successful integration of the Scala and Epicor businesses will depend in part on the retention and continued service of key executive officers and other key employees of Scala. Certain key employees agreed to be employed pursuant to their current employment agreements for a limited time after the completion of the exchange offer. However, the long-term employment of these key employees is not ensured. These or other employees of Scala may experience uncertainty about their future role with Epicor until or after more definite strategies with regard to the integration of the Scala and Epicor businesses are announced or executed. This uncertainty may adversely affect our ability to retain key management, technical, administrative, marketing, sales and customer support personnel.

**If third parties infringe upon Epicor s or Scala s intellectual property, we may expend significant resources enforcing our rights or suffer competitive injury, which could adversely affect our operating results.**

We consider Epicor s and Scala s proprietary software and the related intellectual property rights in such products to be among their most valuable assets. We rely on a combination of copyright, trademark and trade secret laws (domestically and internationally), employee and third-party nondisclosure agreements and other industry standard methods for protecting ownership of our proprietary software. However, we cannot assure you that in spite of these precautions, an unauthorized third party will not copy or reverse-engineer certain portions of our products or obtain and use information that we regard as proprietary. From time to time, Epicor takes legal action against third parties whom we believe are infringing upon our intellectual property rights. However, there is no assurance that the mechanisms that we use to protect our intellectual property will be adequate or that our competitors will not independently develop products that will be substantially equivalent or superior to Epicor s products.

Moreover, we expect that as the number of software products in the United States and worldwide increases and the functionality of these products further overlaps, the number of these types of claims, as well as claims brought by third parties against Epicor or Scala for infringement of intellectual property rights, will increase. Any such claim, with or without merit, could result in costly litigation and require Epicor and Scala to enter into royalty or licensing arrangements. The terms of such royalty or license arrangements, if required, may not be favorable to Epicor or Scala. In addition, in certain cases, Epicor and Scala may provide the source code for some of their application software under licenses to their customers and distributors to enable them to customize the software to meet their particular requirements or translate or localize the products for resale in foreign countries, as the case may be. Although the source code licenses contain confidentiality and nondisclosure provisions, we cannot be certain that such customers or distributors will take adequate precautions to protect the source code or other confidential information. Moreover, regardless of contractual arrangements, the laws of some countries in which Epicor and Scala do business or distribute their products offer varying levels of protection to intellectual property.

Table of Contents

**Epicor s and Scala s operating cash flows are subject to fluctuation, primarily related to their abilities to timely collect accounts receivable and to achieve anticipated revenues and expenses. Negative fluctuations in operating cash flows may require us to seek additional cash sources to fund our working capital requirements. If additional cash sources are not available, our operations could be adversely affected.**

From January 1, 2001 through December 31, 2003, Epicor s quarterly operating cash flows have ranged from negative $7.6 million to positive $7.4 million. From January 1, 2001 through December 31, 2003, Scala s annual operating cash flows have ranged from negative $1.1 million in the year ended December 31, 2003 to positive $10.1 million in the year ended December 31, 2002 (restated) and Scala s quarterly operating cash flows have also fluctuated significantly. Epicor s cash and cash equivalents have increased from $26.8 million at December 31, 2000 to $38.9 million at December 31, 2003. Epicor has however, experienced decreasing revenues and, prior to the first quarter of 2003, continued operating losses. As a result, in the fourth quarter of 2002, Epicor underwent a restructuring of its operations in an effort to reduce its cost structure through a reduction in workforce of approximately 15% and the consolidation of facilities. In the second quarter of 2003, Scala underwent a restructuring to enhance its commercial focus by simplifying the sales organization, reducing costs, centralizing and consolidating management, rationalizing its research and development base and reducing headcount by 10%. If we are not successful in achieving our anticipated revenues and expenses or maintaining a positive cash flow, we may be required to take further actions to reduce our operating expenses, such as additional reductions in work force, and/or seek additional sources of funding.

Since December 31, 1999, Epicor has also experienced fluctuations in the proportion of accounts receivable over 90 days old. These fluctuations have been due to various issues, including product and service quality, deteriorating financial condition of customers during the recent recession, and lack of effectiveness of Epicor s collection processes. Since December 31, 1999, Scala has also experienced fluctuations in the proportion of accounts receivable over 90 days old. These fluctuations have been due to various issues, including product and service quality and the weak financial condition of certain customers affecting their ability to meet payment obligations in a timely manner. If following the acquisition of Scala, we cannot successfully collect a significant portion of our net accounts receivable, we may be required to seek alternative financing sources, and our business may suffer.

In January 2004, Epicor entered into a two year, $15 million senior revolving credit facility with a financial institution. Quarterly interest payments are to be made on this credit facility, with any principal balance due at maturity, January 2006. The facility bears interest at a variable rate of either the prime rate or LIBOR plus an applicable margin based on Epicor s leverage ratio, at Epicor s option. Borrowings under the facility are secured by substantially all of Epicor s assets. Epicor is required to comply with various financial covenants. Significant financial covenants include:

- Achieving minimum earnings before interest, taxes, depreciation and amortization (EBITDA);
- Achieving minimum funded debt to EBITDA ratios;
- Achieving minimum fixed charge coverage ratios; and
- Maintaining minimum cash balances through maturity.

Additional material covenants under the agreement include limitations on Epicor s indebtedness, liens on Epicor s assets, guarantees, investments, dividends, repurchases of securities and certain acquisitions and dispositions of assets by Epicor. To date, no amounts have been borrowed against this revolving credit facility. There can be no assurance that Epicor will be able to continue to meet these covenants.

Scala, through its subsidiaries, has borrowing capacity under short-term bank facilities of $2.7 million, of which $0.9 million was utilized as at December 31, 2003.

Table of Contents

**The market for Epicor common stock is volatile and fluctuations in operating results, changes in Epicor s guidance on revenues and earnings estimates and other factors could negatively impact our stock price.**

During the three year period ended December 31, 2003, the closing price of Epicor s common stock has ranged from a low of $0.65 to a high of $13.36. As of March 15, 2003, Epicor had 44,162,441 shares of common stock outstanding as well as 61,735 and 300,000 shares of Series C and D Convertible Preferred Stock outstanding, respectively. The market prices for securities of technology companies, including Epicor s, have historically been quite volatile. Quarter to quarter variations in operating results, changes in Epicor s guidance on revenues and earnings estimates, announcements of technological innovations or new products by Epicor or its competitors, announcements of major contract awards, announcements of industry acquisitions by us or our competitors, changes in accounting standards or regulatory requirements as promulgated by the Public Company Accounting Oversight Board (PCAOB), FASB, SEC, NASDAQ or other regulatory entities, changes in management, and other events or factors may have a significant impact on the market price of Epicor s common stock. In addition, the securities of many technology companies have experienced extreme price and volume fluctuations, which have often been related more to changes in recommendations or financial estimates by securities analysts than to the companies actual operating performance. Any of these conditions may adversely affect the market price of Epicor s common stock.

**Epicor may pursue strategic acquisitions, investments, and relationships and may not be able to successfully manage our operations if we fail to successfully integrate such acquired businesses and technologies, which could adversely affect our operating results.**

As part of Epicor s business strategy, we may continue to expand our product offerings to include application software products and services that are complementary to the combined company s software applications, including in the areas of electronic commerce or commerce over the internet, or may gain access to established customer bases into which we can sell our current products. This strategy has historically, and may in the future involve acquisitions, investments in other businesses that offer complementary products, joint development agreements or technology licensing agreements. The specific risks we commonly encounter in these types of transactions include the following:

- Difficulty in effectively integrating any acquired technologies or software products into our current products and technologies;
- Difficulty in predicting and responding to issues related to product transition such as development, distribution and customer support;
- The possible adverse impact of such acquisitions on existing relationships with third party partners and suppliers of technologies and services;
- The possibility that customers of the acquired company might not accept new ownership and may transition to different technologies or attempt to renegotiate contract terms or relationships, including maintenance or support agreements;
- The possibility that the due diligence process in any such acquisition may not completely identify material issues associated with product quality, product architecture, product development, intellectual property issues, key personnel issues or legal and financial contingencies; and
- Difficulty in integrating acquired operations due to geographical distance, and language and cultural differences.

A failure to successfully integrate acquired businesses or technology for any of these reasons could have a material adverse effect on our results of operations.

38

Table of Contents

**Future acquisitions of technologies or companies, which are paid for partially, or entirely through the issuance of stock or stock rights could prove dilutive to Epicor shareholders, including former Scala shareholders.**

Consistent with past experience, we expect that the consideration we might pay for any future acquisitions of companies or technologies could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, earnings (loss) per share and then-existing holders of Epicor common stock may experience dilution.

**Foreign currency fluctuations may negatively impact our financial results**

Scala operates throughout the world through international sales subsidiaries and through a network of exclusive third party distributors and non-exclusive dealers. As a result, sales and related expenses are denominated in currencies other than the U.S. dollar. Because our financial results are reported on a consolidated basis in U.S. dollars, our results of operations following the acquisition of Scala may be negatively impacted by fluctuations in the rates of exchange between the U.S. dollar and other currencies. A decrease in the value of European currencies relative to the U.S. dollar would decrease reported U.S. dollar revenue disproportionably to a decrease in reported U.S. dollar costs for the Scala business, as the Scala business generates revenues in these local currencies and will report on a consolidated basis the related revenues and costs in U.S. dollars. We may attempt to limit foreign exchange exposure through operational strategies and by using forward contracts to offset the effects of exchange rate changes on intercompany trade balances. This would require us to estimate the volume of transactions in various currencies. We may not be successful in making these estimates. If these estimates are overstated or understated during periods of currency volatility, the Scala business may experience material currency gains or losses.

**If third parties terminate their strategic or business alliances with Scala, our ability to develop, market, sell or support products that use Scala technology may be harmed.**

Scala has contracts with some of its suppliers, distributors, customers, licensors and other business partners. Some of these contracts require Scala to obtain the consent of these other parties in connection with the exchange offer. If the respective parties consent cannot be obtained, these contracts may be terminated and we may need to locate alternate suppliers or we may suffer a loss of potential future revenue. However, since the announcement of the exchange offer, we have not become aware of any difficulty between Scala and its major suppliers, distributors, customers, licensors or other business partners, individually or in the aggregate, that would have a material impact on its operations.

**If proposed regulations pertaining to accounting treatment for employee stock options are enacted, our business practices may be materially altered.**

Epicor and Scala have historically compensated and incentivized their employees, including many of their key personnel and new hires, through the issuance of options to acquire capital stock. Epicor currently accounts for the issuance of stock options to employees using the intrinsic value method according to APB Opinion No. 25, Accounting for Stock Issued to Employees. If proposals currently under consideration by accounting standards organizations and governmental authorities, which would require expense recognition for stock options, are adopted, the current practices of Epicor and Scala may be changed to reduce the number of stock options granted to employees. Such a change could impact our ability to retain existing employees of Epicor and Scala or to attract qualified new candidates. As a result, we might have to increase cash compensation to these individuals. Such changes could have a negative impact upon our earnings and cash flows.

Because of these and other factors affecting our operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Table of Contents

## UNAUDITED PRO FORMA CONDENSED

## COMBINED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Combined Financial Statements (the Pro Forma Financial Statements ) and explanatory notes give effect to the proposed acquisition of Scala by Epicor. The proposed transaction will be accounted for as a purchase business combination as defined in Statement of Financial Accounting Standards No. 141, Business Combinations. The following historical financial information has been derived from, and is qualified by reference to, the consolidated historical financial statements and notes thereto of the companies and should be read in conjunction with those financial statements and notes, which are included or incorporated by reference in this prospectus.

On July 8, 2003, Epicor acquired ROI Systems ( ROI ), Inc. as reported on Epicor s Form 8-K filed on July 8, 2003. The effect of this acquisition is included in the following unaudited pro forma condensed combined statements of operations (the Pro Forma Statement of Operations ) for the year ended December 31, 2003 using the purchase method of accounting, assuming that Epicor s acquisition of ROI occurred on January 1, 2003. For the year ended December 31, 2003, the historical Epicor results shown below include ROI from the date of acquisition, July 8, 2003 and the ROI historical results shown below are for the period January 1, 2003 through July 8, 2003. In connection with this acquisition, ROI incurred a restructuring charge of $1,885,000 in July 2003 for a reduction in force and the closure of certain ROI offices. This restructuring charge is included in the following historical results of ROI for the period January 1, 2003 through July 8, 2003.

The following Pro Forma Statement of Operations for the year ended December 31, 2003 gives effect to the proposed acquisition of Scala by Epicor as if it had occurred on January 1, 2003. The Unaudited Pro Forma Condensed Combined Balance Sheet (the Pro Forma Balance Sheet ) as of December 31, 2003 gives effect to the proposed acquisition as if it took place on that date. These Pro Forma Financial Statements give effect to the proposed acquisition of Scala by Epicor assuming 100% of Scala ordinary shares are tendered at the proposed exchange ratio of 0.1795 shares of Epicor common stock and $1.8230 in cash for each Scala ordinary share. The Pro Forma Balance Sheet assumes no cash adjustment (as described on page 63) as based on the closing price per share of Epicor common stock as of the date hereof, the cash portion offered per Scala ordinary share would not be increased. If the maximum additional cash of $0.3665 for each Scala ordinary share was to be paid based on the closing price per share of Epicor common stock at the close of the proposed transaction, the effect on the Pro Forma Balance Sheet would be a decrease in cash and an increase in goodwill of approximately $9.0 million.

Under the purchase method of accounting, the estimated purchase price, calculated as described in Note 1 to these Pro Forma Financial Statements, will be allocated to Scala s tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the closing date of the transaction, with any excess being ascribed to goodwill. A final determination of these fair values, which can not be made prior to the completion of the transaction, will be based on the actual net tangible and intangible assets of Scala that exist of the closing date. As the Pro Forma Financial Statements have been prepared based on preliminary estimates of fair value, amounts allocated to intangible assets with definite lives may change significantly, which could result in a material change in the amount of amortization of intangible assets. Additionally, the Pro Forma Financial Statements do not give effect to any synergies or cost savings which may be realized as a result of the merger, and the impact of ongoing integration activities could cause material differences from the information presented. Therefore, the actual amounts recorded as of the completion of the transaction and thereafter may differ materially from the information presented herein.

Table of Contents

**Unaudited Pro Forma Condensed Combined Balance Sheet**

**As of December 31, 2003**

**(in thousands)**

| | Historical | | Pro Forma Adjustments | |
|---|---|---|---|---|
| | **Epicor** | **Scala** | **for Scala** | **Pro Forma Combined** |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 38,881 | $ 10,185 | $ (25,873)(a,b,d) | $ 23,193 |
| Restricted cash | 501 | | | 501 |
| Accounts receivable, net | 27,134 | 17,558 | | 44,692 |
| Prepaid expenses and other current assets | 5,268 | 6,173 | (3,015)(c,f) | 8,426 |
| Total current assets | 71,784 | 33,916 | (28,888) | 76,812 |
| Property and equipment, net | 3,040 | 2,005 | | 5,045 |
| Software development costs, net | | 1,966 | | 1,966 |
| Intangible assets, net | 12,847 | 3,275 | 33,550(h) | 49,672 |
| Goodwill | 10,841 | 470 | 55,724(h) | 67,035 |
| Other assets | 3,711 | 1,653 | (1,700)(f) | 3,664 |
| Total assets | $ 102,223 | $ 43,285 | $ 58,686 | $ 204,194 |
| **Liabilities and stockholders equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 5,958 | $ 2,817 | $ | $ 8,775 |
| Accrued expenses | 26,038 | 18,173 | 2,679(c) | 46,890 |
| Current portion of accrued restructuring costs | 2,117 | | | 2,117 |
| Deferred revenue | 37,345 | 16,028 | (275)(g) | 53,098 |
| Total current liabilities | 71,458 | 37,018 | 2,404 | 110,880 |
| Long-term portion of accrued restructuring costs | 1,355 | | | 1,355 |
| Long-term portion of debt | | 23 | 15,000(d) | 15,023 |
| Total long-term liabilities | 1,355 | 23 | 15,000 | 16,378 |
| Commitments and contingencies | | | | |
| Stockholders equity: | | | | |
| Preferred stock | 10,423 | | | 10,423 |
| Common stock | 46 | 11,122 | (11,118)(a,b,e) | 50 |
| Additional paid-in capital | 252,088 | 157,656 | (110,134)(a,b,e) | 299,610 |
| Statutory non-distributable reserve | | 1,966 | (1,966)(e) | |
| Less: treasury stock at cost | (322) | | | (322) |
| Less: unamortized stock compensation expense | (5,002) | | | (5,002) |
| Accumulated other comprehensive loss | 266 | (5,214) | 5,214(e) | 266 |
| Accumulated earnings (deficit) | (228,089) | (159,286) | 159,286(e) | (228,089) |

| | | | | |
|---|---|---|---|---|
| Net stockholders equity | 29,410 | 6,244 | 41,282 | 76,936 |
| Total liabilities and stockholders equity | $ 102,223 | $ 43,285 | $ 58,686 | $ 204,194 |

See notes to unaudited pro forma condensed combined financial statements.

**Table of Contents**

**Unaudited Pro Forma Condensed Combined Statement of Operations**

**for the Year Ended December 31, 2003**

**(in thousands, except per share amounts)**

| | Historical | | | Pro Forma Adjustments for ROI | Pro Forma Adjustments for Scala | Pro Forma Combined |
|---|---|---|---|---|---|---|
| | Epicor | ROI | Scala | | | |
| Revenues: | | | | | | |
| License fees | $ 38,700 | $ 1,823 | $ 18,906 | $ | $ | $ 59,429 |
| Consulting | 38,821 | 4,301 | 15,201 | | | 58,323 |
| Maintenance | 75,681 | 4,858 | 34,024 | | | 114,563 |
| Other | 2,220 | | 974 | | | 3,194 |
| Total revenues | 155,422 | 10,982 | 69,105 | | | 235,509 |
| Cost of revenues | 57,630 | 4,639 | 26,078 | | (2,547)(l,m) | 85,800 |
| Amortization of intangible assets and capitalized software development costs | 7,097 | | 2,215 | 923(i) | 6,514(i) | 16,749 |
| Total cost of revenues | 64,727 | 4,639 | 28,293 | 923 | 3,967 | 102,549 |
| Gross profit | 90,695 | 6,343 | 40,812 | (923) | (3,967) | 132,960 |
| Operating expenses: | | | | | | |
| Sales and marketing | 37,537 | 4,221 | 8,276 | | 1,600(l,m) | 51,634 |
| Research and development | 20,058 | 1,830 | 12,815 | | (372)(m) | 34,331 |
| General and administrative | 20,424 | 945 | 26,416 | 54(i) | (3,696)(m,n,o) | 44,143 |
| Provision for doubtful accounts | (1,022) | 7 | | | 1,758(n) | 743 |
| Stock based compensation expense | 3,336 | | | | 689(o) | 4,025 |
| Restructuring charges and other | 937 | 1,885 | | | 2,568(m) | 5,390 |
| Total operating expenses | 81,270 | 8,888 | 47,507 | 54 | 2,547 | 140,266 |
| Income (loss) from operations | 9,425 | (2,545) | (6,695) | (977) | (6,514) | (7,306) |
| Other income (expense), net | 268 | 15 | 467 | | (600)(j) | 150 |
| Income (loss) before income taxes | 9,693 | (2,530) | (6,228) | (977) | (7,114) | (7,156) |
| Income taxes provision (benefit) | 399 | (27) | 4,436 | | (2,678)(k) | 2,130 |
| Net income (loss) | $ 9,294 | $ (2,503) | $ (10,664) | $ (977) | $ (4,436) | $ (9,286) |
| Value of beneficial conversion related to preferred stock | 241 | | | | | 241 |
| Net income (loss) applicable to common stockholders | $ 9,053 | $ (2,503) | $ (10,664) | $ (977) | $ (4,436) | $ (9,527) |

| | | |
|---|---|---|
| Net income (loss) per share applicable to common stockholders: | | |
| Basic | $ 0.21 | $ (0.20) |
| Diluted | $ 0.18 | $ (0.20) |
| Weighted average common shares outstanding: | | |
| Basic | 43,136 | 47,524 |
| Diluted | 49,509 | 47,524 |

See notes to unaudited pro forma condensed combined financial statements.

Table of Contents

**Notes to Unaudited Pro Forma Condensed Combined Financial Statements**

**Note 1. Purchase Accounting**

The total estimated purchase price of Scala is based on an exchange ratio of 0.1795 Epicor common shares valued at an average price of $10.83 per share based on the average closing price for three days before and after announcement of the transaction, and $1.8230 in cash per Scala ordinary share. As of the date of this prospectus, Scala has approximately 23,016,000 ordinary shares and 1,432,000 in-the-money options outstanding. The estimated purchase price is as follows (in thousands):

| | |
|---|---|
| Value of securities to be issued | $ 47,527 |
| Cash to be paid | 44,569 |
| Transaction costs | 4,381 |
| Total estimated purchase price | $ 96,477 |

Under the purchase method of accounting, the estimated purchase price will be allocated to Scala s tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the closing date of the proposed transaction, with any excess being ascribed to goodwill. Management is primarily responsible for determining the fair values of these assets. Management has estimated the fair values of the acquired assets reflected in the Pro Forma Financial Statements based on a number of factors, including preliminary valuations and prior transactions. A final determination of these fair values, which cannot be made prior to the completion of the proposed transaction, will be based on the actual net tangible and intangible assets of Scala that exist on the closing date, and could differ materially from the amounts estimated below (in thousands):

| | |
|---|---|
| Working capital deficit | $ (443) |
| Property, plant and equipment | 2,005 |
| Other long-term assets | 5,194 |
| Identifiable intangible assets acquired | 33,550 |
| Goodwill | 56,194 |
| Long-term debt | (23) |
| Total | $ 96,477 |

Epicor expects to fund the cash portion of the proposed transaction from its existing cash balances and borrowings under its new credit facility (see note 2).

**Note 2. Revolving Credit Facility**

In January 2004, Epicor entered into a two year $15 million senior revolving credit facility with a financial institution. To date, no amounts have been borrowed against this revolving credit facility, however Epicor plans to draw down the $15 million in connection with the close and settlement of the proposed Scala acquisition.

Quarterly principal payments are to be made on this credit facility, with any principal balance due at maturity, January 2006. The facility bears interest at a variable rate of either the prime rate or LIBOR plus an applicable margin based on Epicor s leverage ratio, at Epicor s option. Borrowings under the facility are secured by substantially all of Epicor s assets. Epicor is required to comply with various financial covenants. Significant covenants include:

Achieving minimum earnings before interest, taxes, depreciation, and amortization (EBITDA)

Achieving minimum funded debt to EBITDA ratios

Achieving minimum fixed charge coverage ratios

Maintaining minimum cash balances through maturity

Additional material covenants under the agreement include limitations on Epicor s indebtedness, liens on Epicor s assets, guarantees, investments, dividends, repurchases of securities and certain acquisitions and dispositions of assets by Epicor.

43

Table of Contents

**Notes to Unaudited Pro Forma Condensed Combined Financial Statements**

**Note 3. Unaudited Pro Forma Combined Adjustments**

The following adjustments have been reflected in the Pro Forma Financial Statements:

(a) To record cash paid and stock issued for the proposed Scala acquisition of $41,958,000 and 4,131,000 shares, respectively (see Note 1).

(b) To record cash received of $3,696,000 for in-the-money Scala options assumed exercised and cash paid and stock issued by Epicor of $2,611,000 and 257,000 shares, respectively, for in-the-money Scala stock options assumed tendered (see Note 1).

(c) To include $1,702,000 of prepaid transaction costs incurred by Epicor as of December 31,2003 and to accrue estimated additional transaction costs of $2,679,000 in the purchase price (see Note 1).

(d) To record debt incurred to finance acquisition of $15,000,000 (see Note 2).

(e) To eliminate the equity of Scala.

(f) To record a valuation allowance for Scala s current and long term deferred tax assets of $1,313,000 and $1,700,000, respectively, for which the realization is unlikely given assumptions used by Epicor in calculating deferred tax assets on a consolidated basis.

(g) To adjust to fair value deferred revenues acquired based on Epicor s estimated selling expense incurred on maintenance.

(h) To record intangible assets including acquired technology of $20,100,000, customer base of $6,750,000, trademark of $5,750,000, third party funded development agreement of $950,000 and goodwill of $56,194,000 and to reflect the elimination of Scala goodwill of $470,000 (see Note 1).

(i) To record amortization on a straight line basis for the year ended December 31, 2003 as follows:

| | Scala | Life | ROI | Life |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Acquired Technology | $ 4,020,000 | 5 years | $ 735,000 | 5 years |
| Trademark | 1,150,000 | 5 years | 155,000 | 5 years |
| Customer Base | 964,000 | 7 years | 33,000 | 7 years |
| Third party funded development agreement | 380,000 | 2½ years | | |
| Covenant not to compete | | | 54,000 | 3 years |
| Total Amortization | $ 6,514,000 | | $ 977,000 | |

(j) To record interest expense of $600,000, based on the current prime rate of 4%, for the year ended December 31, 2003, for debt incurred to finance the acquisition of Scala (see Note 2).

(k) To record a tax adjustment to eliminate the reduction in the deferred tax asset recorded by Scala. A full valuation allowance on the deferred tax asset for Scala is presumed.

(l) To reclass Scala sales commission expense for the year ended December 31, 2003 from cost of revenues to sales and marketing expense to conform to Epicor s financial statement classifications.

(m) To reclass Scala restructuring expenses incurred for the year ended December 31, 2003 to restructuring charges and other to conform to Epicor s financial statement classifications.

(n) To reclass Scala provision for doubtful accounts for the year ended December 31, 2003 from general and administrative expenses to provision for doubtful accounts to conform to Epicor s financial statement classifications.

(o) To reclass Scala stock compensation expense incurred for the year ended December 31, 2003 from general and administrative expenses to stock compensation expense to conform to Epicor s financial statement classifications.

Table of Contents

**Accounting Treatment of the Acquisition**

In accordance with United States generally accepted accounting principles, Epicor will account for the acquisition of Scala using the purchase method of accounting. Under this method of accounting, Epicor will record the market value (based on an average of the closing prices of Epicor common stock for a range of trading days from three days before and after the November 14, 2003 announcement date) of its common stock issued in connection with the exchange offer, the amount of cash consideration to be paid to holders of Scala ordinary shares and the amount of direct transaction costs associated with the exchange offer as the estimated purchase price of acquiring Scala. Epicor will allocate the estimated purchase price to the net tangible and amortizable intangible assets acquired (including acquired technology, the Scala customer base, the Scala trademark and the Third Party Funded Development Agreement) based on their respective fair values at the date of the completion of the acquisition. Any excess of the estimated purchase price over those fair values will be accounted for as goodwill.

Amortizable intangible assets, currently estimated at $33.6 million, will generally be amortized over useful lives not exceeding 7 years, resulting in an estimated accounting charge for amortization attributable to these items of approximately $6.5 million on an annual basis. Goodwill resulting from the business combination will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). The amount of the estimated purchase price allocated to goodwill, which is based on certain assumptions, is estimated to be approximately $56.2 million. If Epicor management should change the assumptions used in the allocation of the purchase price, amounts allocated to intangible assets with definite lives may increase significantly, which could result in a material increase in amortization of intangible assets.

In the event that the management of Epicor determines that the value of goodwill has become impaired, Epicor will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The amounts listed in the above paragraph are only preliminary estimates; however, actual amounts may differ from these estimates.

**Certain Material U.S. Federal Tax Consequences to Scala Shareholders**

The following discussion describes certain material U.S. federal income and estate tax consequences of the acquisition to holders who are beneficial owners of Scala ordinary shares. This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect. For purposes of this discussion U.S. holders are U.S. citizens, individuals resident in the U.S. for U.S. federal income tax purposes, partnerships or corporations created or organized under the laws of the U.S. or any state in the U.S., estates the income of which is subject to U.S. federal income tax regardless of source and any trust if either a U.S. court is able to exercise primary jurisdiction over the trust and one or more U.S. persons have the authority to control the substantial decisions of the trust or the trust properly elects to be treated as a U.S. trust. Non-U.S. holders are holders other than U.S. holders. The tax treatment of persons who hold their Scala ordinary shares through a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) will generally depend upon the status of the partner and the activities of the partnership. This discussion does not consider all aspects of U.S. federal income taxation that may be relevant to particular classes of holders who are subject to special tax treatment under the Code, including holders who acquired their Scala shares pursuant to the exercise of employee stock options or in other compensatory transactions or holders who own or at any time held, directly, indirectly or through attribution, 10% or more of the outstanding Scala shares. In addition, the following discussion does not address the U.S. federal income tax consequences to holders of share options and warrants to purchase Scala ordinary shares.

Each holder should consult the holder s own tax advisor as to the particular tax consequences of the acquisition to the holder, including the effects of applicable non-U.S. state, local or other tax laws, including tax treaties, and possible changes in the tax laws.

45

Table of Contents

*U.S. Holders.* The receipt by a U.S. holder of Epicor common stock and cash, or, solely cash, in the case of a buy-out procedure, in exchange for Scala ordinary shares will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, a U.S. holder will recognize gain or loss equal to the difference between (i) the value of the Epicor common stock and/or cash received in the exchange offer, or, cash received in the buy-out procedure and (ii) the holder s adjusted tax basis in the Scala ordinary shares transferred in the acquisition offer. Gain or loss must be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) purchased by us from a U.S. holder pursuant to the acquisition. Assuming that a U.S. holder s Scala ordinary shares are held as capital assets and that Scala was not a passive foreign investment company at any time during such holder s holding period, the gain or loss recognized will be treated as capital gain or loss and will be long-term capital gain or loss if such holder s holding period for the Scala ordinary shares exceeds one year. The use of capital losses is generally subject to limitation.

*Non-U.S. Holders*. Non-U.S. holders will generally not be subject to U.S. federal income tax on any gain realized on the receipt of Epicor common stock and/or cash in exchange for Scala ordinary shares in the acquisition. This general rule, however, is subject to several exceptions. For example, the gain would be subject to U.S. federal income tax if:

- the gain is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business (in which case the special rules described below apply); or

- the non-U.S. holder was a citizen or permanent resident of the United States and thus is subject to special rules that apply to expatriates; or

- the individual non-U.S. holder is present in the United States for 183 days or more during the taxable year and certain other conditions are met.

Likewise, non-U.S. holders will generally not be subject to U.S. federal income tax on any gain realized on the subsequent sale, exchange, or other disposition of Epicor common stock. This general rule, however, is subject to several exceptions, including the exceptions described above and including the rules of the Foreign Investment in Real Property Tax Act (or FIRPTA), which may treat the gain as effectively connected with a U.S. trade or business if we are, or were within five years before the transaction, a U.S. real property holding corporation (or USRPHC). In general, we would be a USRPHC if interests in U.S. real estate comprised most of our assets. We do not believe that we are a USRPHC.

Any dividends paid to a non-U.S. holder on Epicor common stock will generally be subject to U.S. withholding tax at a 30 percent rate. The withholding tax might apply at a reduced rate under the terms of an applicable income tax treaty between the United States and the non-U.S. holder s country of residence. A non-U.S. holder must demonstrate its entitlement to treaty benefits by certifying that it is a qualified resident of a country that has a tax treaty with the United States. A non-U.S. holder can meet this certification requirement by providing a Form W-8BEN or appropriate substitute form to us or our paying agent. If the holder holds Epicor common stock through a financial institution or other agent acting on the holder s behalf, the holder will be required to provide appropriate documentation to the agent. The holder s agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. For payments made to a foreign partnership or other flowthrough entity, the certification requirements generally apply to the partners or other owners rather than to the partnership or other entity, and the partnership or other entity must provide the partners or other owners documentation to us or our paying agent. Special rules, described below, apply if such dividends are effectively connected with a U.S. trade or business conducted by the non-U.S. holder.

If any gain from the disposition of Scala ordinary shares in the acquisition, dividends on Epicor common stock, or gain from the subsequent sale, exchange or other disposition of Epicor common stock is effectively connected with a U.S. trade or business conducted by the non-U.S. holder, then the dividends or gain will be subject to U.S. federal income tax at the regular graduated rates. If the non-U.S. holder is eligible for the benefits of a tax treaty between the United States and the holder s country of residence, any effectively connected

Table of Contents

dividends or gain would probably be subject to U.S. federal income tax only if it is also attributable to a permanent establishment or fixed base maintained by the holder in the United States. Payments of dividends that are effectively connected with a U.S. trade or business, and therefore included in the gross income of a non-U.S. holder, will not be subject to the 30 percent withholding tax. To claim exemption from withholding, the holder must certify its qualification, which can be done by filing a Form W-8ECI. If the non-U.S. holder is a corporation, that portion of its earnings and profits that is effectively connected with its U.S. trade or business would generally be subject to a branch profits tax. The branch profits tax rate is generally 30 percent, although an applicable income tax treaty might provide for a lower rate.

The estates of nonresident alien individuals are generally subject to U.S. federal estate tax on property with a U.S. situs. Because Epicor is a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent. The U.S. federal estate tax liability of the estate of a nonresident alien may be affected by a tax treaty between the United States and the decedent s country of residence.

*Backup Withholding*. Under certain circumstances (for example, where a non-U.S. holder of Scala shares receives payment from a U.S. paying agent) U.S. backup withholding may apply to payments made to Scala shareholders, who have tendered and delivered their Scala ordinary shares in the acquisition. Should circumstances warrant the imposition of backup withholding, a non-U.S. holder may supply the withholding agent (via his bank or stockbroker) with a properly executed IRS Form W-8BEN or other versions of Form W-8 as appropriate, certifying that the Scala shareholder is not a U.S. person. Payments to U.S. holders will be subject to backup withholding if an IRS Form W-9 has not been provided to the withholding agent at the time of the payment.

**Certain Material Dutch Tax Consequences to Scala Shareholders**

The following discussion describes certain material Dutch tax consequences of the acquisition to Dutch holders who are beneficial owners of Scala ordinary shares. This discussion is based on the current provisions of the tax laws of the Netherlands, including the Income Tax Act 2001 (Netherlands), (*Wet inkomstenbelasting* 2001); the Corporate Income Tax Act 1969 (Netherlands) (*Wet op de vennootschapsbelasting* 1969); the Dividend Withholding Tax Act (Netherlands) (*Wet op de dividendbelasting* 1965). These laws are all subject to change, possibly with retroactive effect. A change in these laws may thus invalidate all or part of this discussion. The discussion will not be updated to reflect changes in such laws. This discussion does not consider all aspects of Dutch taxation that may be relevant to particular classes of holders who are subject to special tax treatment under any applicable law. In addition, this discussion does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the Netherlands.

This discussion is not intended to be applicable in all respects to all categories of investors and is included for general purposes only. This discussion of certain material Dutch taxes is only intended for the following investors:

- Individuals, who receive Epicor common stock and/or cash, or, solely cash, in the case of a buy-out procedure, in exchange for Scala ordinary shares, and who (i) are resident or deemed to be resident in the Netherlands or opt to be taxed as a resident of the Netherlands for purposes of the Dutch Income Tax Act 2001 ( Dutch Individuals ); or (ii) are neither resident nor deemed to be resident in the Netherlands nor opt to be taxed as a resident of the Netherlands for purposes of the Dutch Income Tax Act 2001 ( Non-Dutch Individuals ), in all cases excluding:
  - individuals for whom the Scala ordinary shares or Epicor common stock, or any payment connected therewith, may constitute employment income; and

individuals who have, directly or indirectly, a substantial interest, or a deemed substantial interest, in Scala or Epicor; and

Table of Contents

entities (including but not limited to associations, foundations and non-transparent funds for joint account (*fondsen voor gemene rekening*)), who receive Epicor common stock and/or cash, or, solely cash, in the case of a buy-out procedure, in exchange for Scala ordinary shares, and which are taxable as entities that are resident or deemed to be resident in the Netherlands for purposes of Dutch taxation (  Dutch Entities  ), excluding:

entities that are not subject to or exempt from Dutch corporate income tax;

entities that currently hold Scala ordinary shares or will hold Epicor common stock, the benefits derived from which are exempt under the participation exemption (as laid down in the Dutch Corporate Income Tax 1969; and

investment institutions (*beleggingsinstellingen*) as defined in the Dutch Corporate Income Tax Act 1969; and

entities (including but not limited to associations and foundations which are taxable as entities), who receive Epicor common stock and/or cash, or, solely cash, in the case of a buy-out procedure, in exchange for Scala ordinary shares, and which are not resident nor deemed to be resident in the Netherlands for purposes of Dutch taxation (  Non-Dutch Entities  ), excluding such entities that may apply for the exemption from dividend withholding tax as laid down in section 4 paragraph 1 and 4a of the Dutch Dividend Withholding Tax Act.

In general, a holder of Scala ordinary shares or Epicor common stock will have a substantial interest in Scala or Epicor if such holder, alone or in the case of individuals, together with his or her partner, whether directly or indirectly, has the ownership of, or certain other rights over, Scala ordinary shares or Epicor common stock representing 5% or more or of Scala s or Epicor s total issued and outstanding capital (or the issued and outstanding capital of any class of Scala shares or Epicor stock in Scala or Epicor), or rights to acquire Scala ordinary shares or Epicor common stock, directly or indirectly, whether or not already issued, that represent at any time 5% or more of Scala s or Epicor s total issued and outstanding capital (or the issued and outstanding capital of any class of Scala shares or Epicor stock) in Scala or Epicor or the ownership of, or certain rights over certain profit participating certificates that relate to 5% or more of Scala s or Epicor s annual profit and/or to 5% or more of Scala s or Epicor s liquidation proceeds. In the case of individuals, a holder of Scala ordinary shares or Epicor common stock will also have a substantial interest in Scala or Epicor if certain relatives (including foster children) of that holder, or of his or her partner have a substantial interest in Scala or Epicor. If a holder of Scala ordinary shares or Epicor common stock does not have a substantial interest, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

*Dutch Holders.* Any benefits derived or deemed to be de