

EPICOR SOFTWARE CORP
Form DEF 14A
April 22, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-2

EPICOR SOFTWARE CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

**Notice of 2008 Annual Meeting of Stockholders
and Proxy Statement**

Meeting Date:

May 27, 2008

Epicor Software Corporation

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

Table of Contents

Epicor Software Corporation

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

To our stockholders:

You are hereby cordially invited to attend the 2008 Annual Meeting of Stockholders of Epicor Software Corporation. The Annual Meeting will be held on May 27, 2008, at 10:00 a.m. local time, at the Company's Headquarters located at 18200 Von Karman Ave., Suite 1000, Irvine, CA 92612. The expected actions to be taken at the Annual Meeting are described in the attached Proxy Statement and Notice of Annual Meeting of Stockholders. Included with the Proxy Statement is a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed with the SEC on March 11, 2008. We encourage you to read the Form 10-K. It includes our audited financial statements and information about our operations, markets and products.

Stockholders of record as of April 4, 2008, may vote at the Annual Meeting.

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

Sincerely,

Thomas F. Kelly

President and

Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: May 27, 2008

Time: 10:00 a.m. PDT

Place: Epicor Software Corporation Headquarters located at 18200 Von Karman Ave., Suite 1000, Irvine, CA 92612

Matters to be voted on:

- Election of the Company's five nominee directors, L. George Klaus, Michael Kelly, Thomas F. Kelly, Robert H. Smith and Michael L. Hackworth;
- Ratification of McGladrey & Pullen, LLP as independent auditors for the fiscal year ending December 31, 2008; and
- Any other matters that may properly be brought before the meeting.

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

By order of the Board of Directors

Thomas F. Kelly

President and CEO

April 18, 2008

Important Notice Regarding the Availability of

Proxy Materials for the Shareholder

Meeting to be Held on May 27, 2008

The proxy statement, form of proxy and our 2007 Annual Report on Form 10-K are available at <http://ir.epicor.com/phoenix.zhtml?c=86140&p=irol-reportsAnnual>

YOUR VOTE IS IMPORTANT

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

Table of Contents

TABLE OF CONTENTS

	Page
<u>INFORMATION CONCERNING SOLICITATION AND VOTING</u>	1
<u>GENERAL INFORMATION ABOUT THE MEETING</u>	1
<u>Who May Vote</u>	1
<u>Voting Rights of Common Stock</u>	1
<u>Voting Your Proxy</u>	1
<u>Matters to be Presented</u>	2
<u>Changing Your Vote</u>	2
<u>Cost of This Proxy Solicitation</u>	2
<u>How Votes are Counted</u>	2
<u>Abstentions and Broker Non-Votes</u>	2
<u>Our Voting Recommendations</u>	2
<u>Deadline for Receipt of Stockholder Proposals</u>	3
<u>Important Notice Regarding the Availability of Proxy Materials for Epicor's 2008 Annual Meeting</u>	3
<u>Directions to Attend the 2008 Annual Meeting and Vote in Person</u>	3
<u>PROPOSAL ONE: ELECTION OF DIRECTORS</u>	4
<u>Nominees</u>	4
<u>Vote Required</u>	6
<u>Recommended Vote</u>	6
<u>EXECUTIVE OFFICERS</u>	7
<u>BOARD OF DIRECTORS MEETINGS AND COMMITTEES</u>	8
<u>Board Independence</u>	8
<u>Committees of the Board of Directors</u>	8
<u>Audit Committee</u>	8
<u>Nominating and Governance Committee</u>	9
<u>Director Qualifications</u>	10
<u>Identification and Evaluation of Nominees for Directors</u>	10
<u>Compensation Committee</u>	10
<u>Role of our Compensation Committee</u>	11
<u>Compensation Committee Interlocks and Insider Participation</u>	11
<u>Annual Meeting Attendance</u>	11
<u>Communicating with the Board of Directors</u>	11
<u>Code of Ethics</u>	11
<u>DIRECTOR COMPENSATION</u>	13
<u>Cash Compensation</u>	14
<u>Equity Compensation</u>	14
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	15
<u>PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	17
<u>Fees Billed By McGladrey & Pullen, LLP During Last Two Fiscal Years</u>	18
<u>Vote Required</u>	19
<u>Recommended Vote</u>	19

Table of Contents

TABLE OF CONTENTS

(continued)

	Page
<u>EXECUTIVE COMPENSATION AND OTHER MATTERS</u>	20
<u>Compensation Committee Report</u>	20
<u>Compensation Discussion And Analysis</u>	20
<u>Overview of Compensation Program and Philosophy</u>	20
<u>Role of Executive Officers and Consultants in Compensation Decisions</u>	21
<u>Benchmarking of Cash and Equity Compensation</u>	21
<u>2007 and 2008 Executive Compensation</u>	22
<u>2007 Executive Compensation Elements</u>	23
<u>Base Salary</u>	24
<u>Management Bonus Plan</u>	25
<u>Long-Term Incentive Compensation</u>	28
<u>Deferred Compensation Plan</u>	32
<u>Retirement Benefits under the 401(k) Plan, Executive Perquisites and Generally Available Benefit Programs</u>	34
<u>Stock Ownership Guidelines</u>	35
<u>Tax Deductibility of Executive Compensation</u>	35
<u>2006 AND 2007 SUMMARY COMPENSATION TABLE</u>	36
<u>CEO Compensation for Fiscal 2007</u>	38
<u>Other Executive Offer Compensation for Fiscal 2007</u>	39
<u>2007 Grants of Plan-Based Awards</u>	40
<u>2007 Outstanding Equity Awards At Fiscal Year-End</u>	42
<u>2007 Option Exercises And Stock Vested</u>	43
<u>2007 Nonqualified Deferred Compensation</u>	44
<u>Employment And Severance Agreements</u>	44
<u>2007 Potential Payments upon Termination or Change in Control</u>	44
<u>Chairman and CEO, L. George Klaus</u>	45
<u>2007 Amendment to Mr. Klaus Management Retention Agreement</u>	47
<u>Resignation of L. George Klaus as Chief Executive Officer</u>	48
<u>Appointment of Thomas Kelly as President and Chief Executive Officer</u>	48
<u>Chief Operating Officer and President, Mark A. Duffell</u>	50
<u>Resignation of Mark Duffell as President and Chief Operating Officer</u>	50
<u>Executive VP and Chief Financial Officer, Michael A. Piraino</u>	51
<u>Additional Potential Payments Upon Termination or a Change of Control</u>	51
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	52
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	53
<u>Other Related Person Transactions</u>	53
<u>AUDIT COMMITTEE REPORT</u>	54

Table of Contents

EPICOR SOFTWARE CORPORATION

PROXY STATEMENT FOR 2008

ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of the Board of Directors of Epicor Software Corporation (Epicor or the Company), for use at the Annual Meeting of Stockholders to be held on May 27, 2008 at 10:00 a.m. local time, and at any postponement or adjournment thereof. The Annual Meeting will be held at the Company's Headquarters located at 18200 Von Karman Ave., Suite 1000, Irvine, CA 92612. The purposes of the Annual Meeting are set forth in the accompanying Notice of Annual Meeting of Stockholders.

These proxy solicitation materials and the enclosed Annual Report on Form 10-K for the fiscal year ended December 31, 2007, including financial statements, were first mailed on or about April 23, 2008 to all stockholders entitled to vote at the meeting. Our principal executive offices are located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612, and our telephone number is (949) 585-4000.

GENERAL INFORMATION ABOUT THE MEETING

Who May Vote

Stockholders of record at the close of business on April 4, 2008 (Record Date) are entitled to notice of and to vote at the Annual Meeting of Stockholders. The Company has one (1) class of equity securities outstanding, designated Common Stock, \$.001 par value (Common Stock). At the Record Date, 60,679,983 shares of Common Stock, which includes 1,376,421 shares of Common Stock held by the Company as treasury shares, were issued and outstanding.

Voting Rights of Common Stock

Each share of Common Stock outstanding at the record date will be entitled to one (1) vote with respect to each proposal herein and any other matter that properly may come before the Annual Meeting of Stockholders. A total of 59,303,562 votes, excluding 1,376,421 treasury shares, are eligible to be cast at the Annual Meeting.

Voting Your Proxy

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

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

the right to vote the shares.

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

-1-

Table of Contents

systems will be available until 11:59 p.m. (Eastern Time) on May 26, 2008. Whichever of these methods you select to transmit your instructions, the proxy holders will vote your shares in accordance with those instructions. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors.

Matters to be Presented

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

Changing Your Vote

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

Cost of This Proxy Solicitation

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

How Votes are Counted

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

Abstentions and Broker Non-Votes

Shares that are voted **WITHHELD** or **ABSTAIN** are treated as being present for purposes of determining the presence of a quorum and as entitled to vote on a particular subject matter at the Annual Meeting. Abstentions will have the same effect as a vote against the proposal related to the ratification of our auditors. If you hold your shares through a broker, bank or other nominee and you do not provide instructions on how to vote, your broker or other nominee may have authority to vote your shares on certain matters, including Proposals 1 and 2.

Our Voting Recommendations

When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. However, if no specific instructions are given, the shares will be voted in accordance with the following recommendations of our Board of Directors:

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

FOR ratification of McGladrey & Pullen, LLP as our independent auditors for fiscal year ending December 31, 2008.

Table of Contents

Deadline for Receipt of Stockholder Proposals

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the Securities and Exchange Commission (SEC) and our bylaws. Stockholder proposals that are intended to be included in our Proxy Statement and form of Proxy relating to the meeting for our 2009 Annual Meeting of Stockholders under rules set forth in the Securities Exchange Act of 1934, as amended (the Securities Exchange Act) must be received by us no later than December 18, 2008, to be considered for inclusion.

If a stockholder intends to submit a proposal or nomination for director for our 2009 Annual Meeting of Stockholders that is not to be included in Epicor's Proxy Statement and form of Proxy relating to the meeting, the stockholder must give us notice in accordance with the requirements set forth in Epicor's bylaws on the earlier of (i) 45 days after notice was sent to stockholders regarding the previous year's annual meeting, or (ii) 90 days prior to the one year anniversary of the last year's annual meeting; provided, however, if the annual meeting date is changed by more than 30 days before or 60 days after the anniversary date of the prior year's annual meeting, then notice must be given not later than the later of (i) the 90th day prior to such meeting or (ii) the 10th day following the date on which public announcement of the date of such meeting is first made. Epicor's bylaws require that certain information and acknowledgments with respect to the proposal and the stockholder making the proposal be set forth in the notice. A copy of the relevant bylaw provision is available upon written request to Epicor Software Corporation, 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612, Attention: Corporate Secretary. You can also access our SEC filings, including our Annual Report on Form 10-K, on our website at www.epicor.com.

Important Notice Regarding the Availability of Proxy Materials for Epicor's 2008 Annual Meeting

The Proxy Statement and form of proxy, together with Epicor's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, including financial statements, are available at

<http://ir.epicor.com/phoenix.zhtml?c=86140&p=irol-reportsAnnual>.

Directions to Attend the 2008 Annual Meeting and Vote in Person

The Epicor 2008 Annual Meeting is being held at the Company's headquarters located at 18200 Von Karman Avenue, Suite 1000 (10th floor), Irvine CA 92612. To get to the Epicor 2008 Annual Shareholders meeting:

1. Take the 405 freeway to the Jamboree Road exit
2. Head Southwest on Jamboree Rd

(exiting the 405 south, make a right on Jamboree)

(exiting the 405 North, make a left on Jamboree)

3. Turn Right onto Michelson Drive.
4. Turn Right onto Von Karman Ave.
5. End at 18200 Von Karman Ave Irvine, CA

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6. Visitor Parking is available immediately adjacent to the Building

7. Take the elevator to the 10th floor Epicor Receptionist and they will direct you to the meeting.

For any questions or if you need further directions, please contact Epicor at 949-585-4000.

-3-

Table of Contents**PROPOSAL ONE: ELECTION OF DIRECTORS****Nominees**

Currently, there are six (6) members of the Board of Directors. Harold D. Copperman will not be standing for re-election at the 2008 Annual Meeting of Stockholders. Thus, the Board of Directors, following the recommendation and nomination of the Nominating and Governance Committee, has nominated L. George Klaus, Thomas F. Kelly, Michael Kelly, Robert H. Smith and Michael L. Hackworth to stand for re-election and it is those five (5) directors that are to be elected by the holders of Common Stock. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's five (5) nominees. All nominees are currently directors of the Company. If any Company nominee is unable or declines to serve as a director at the time of the Annual Meeting of Stockholders, the proxies will be voted for a nominee designated by the present Board of Directors to fill the vacancy. The Company is not aware of any nominee who will be unable to or will decline to serve as a director. The term of office for each person elected as a director will continue until the next Annual Meeting of Stockholders or until the earlier of his death, resignation or removal.

Name	Age	Position	Director Since
L. George Klaus	67	Executive Chairman of the Board	1996
Michael Kelly *	60	Director	2005
Thomas F. Kelly *	55	Director, President and CEO	2000
Harold D. Copperman	61	Director	2001
Robert H. Smith	71	Lead Director	2003
Michael L. Hackworth	67	Director	2007

* Messrs. Thomas Kelly and Michael Kelly are unrelated to each other.
Mr. Copperman is not standing for re-election at the 2008 Annual Meeting of Stockholders.

The Board of Directors recommends a vote FOR the election of each of L. George Klaus, Thomas F. Kelly, Michael Kelly, Robert H. Smith and Michael L. Hackworth, the Company's nominees to the Board of Directors.

L. George Klaus

George Klaus has been a director of the Company since February 1996, and has been Chairman of the Board since September 1996. Mr. Klaus served as Chief Executive Officer of the Company from February 1996 through February 19, 2008. Mr. Klaus also served as President of the Company from February 1996 through November 1999 and from June 2001 to July 2005. Mr. Klaus is also a member of the Information and Computer Science CEO Advisory Board for the University of California, Irvine. Mr. Klaus received his Bachelor of Science in Mathematics from California State University, Northridge in 1963, and in 1964 studied at the graduate level in business and math.

Michael Kelly

Michael Kelly joined Epicor's Board of Directors in September 2005. Since October 2005, Mr. Kelly has served as Chairman and CEO of Kinsale Associates, a merchant bank. From July 2005 to October 2005, Mr. Kelly served as CEO of Cape Semiconductor Inc., a fabless semiconductor

Table of Contents

company providing analog and mixed signal solutions to a variety of industries. Prior to that, from 1994 to 2005, Mr. Kelly was vice-chairman and senior managing director of Broadview International, LLC, an international technology investment banking firm and a division of Jefferies Inc. Mr. Kelly currently serves on the board of directors of Adept Technology, Inc. (NASDAQ: ADEP). Mr. Kelly holds a Bachelor of Arts degree in accounting from Western Illinois University, a Master of Business Administration from St. Louis University and is a certified public accountant.

Thomas F. Kelly

Thomas Kelly has been a director of the Company since January 2000 and on February 19, 2008 he became the Company's President and Chief Executive Officer. Immediately prior to February 19, 2008, Mr. Kelly was the Chairman and CEO of Monte Vista Software, a provider of Linux operating systems and tools for electronic systems and devices. Prior to that, from September 2004 through December 2005, Mr. Kelly was associated with Trident Capital as an EIR (Entrepreneur in Residence). During the period from March 2005 through September 2005, Mr. Kelly also held the title of Chief Executive Officer and member of the Board of Directors of Transware Limited and its holding company parent, Eastchase Limited. Prior to that, he was Chairman and Chief Executive Officer of BlueStar Solutions, Inc., an enterprise resource planning software hosting company, from January 2001 to September 2004, at which time BlueStar was acquired by ACS, Inc. Mr. Kelly remains the chairman of Monte Vista Software and is also a director of FEI Company (NASDAQ: FEIC), a manufacturer of particle and ion beam imaging and analysis solutions for the semiconductor and science markets and a director of Sendmail, Inc., a private email security company. Mr. Kelly received his Bachelor of Science in Economics from Santa Clara University.

Harold D. Copperman

Harold Copperman has been a director of the Company since July 2001. For the past five years, Mr. Copperman has been the President and CEO of HDC Ventures, Inc., a management and investment group focusing on enterprise systems, software and services. Prior to that, from 1993 through 1999, he served as Sr. Vice President and Group Executive of the Products Division at Digital Equipment Corporation. Mr. Copperman currently sits on the Board of Avocent Corporation (NASDAQ: AVCT), AXS-One Inc., (AMEX:AXO) and a number of other private companies in the information technology business. From 1989-1993 he sat on the Board of Directors of America Online, Inc. Mr. Copperman received his Bachelors of Science in Mechanical Engineering from Rutgers University in 1967 and served as a Captain in the U.S. Army. Mr. Copperman is not standing for re-election at the 2008 Annual Meeting of Stockholders.

Robert H. Smith

Mr. Smith has been a director of the Company since May 2003. From 1996 through 2002, Mr. Smith was the CFO and Executive VP of finance and administration for Novellus Systems, Inc. Mr. Smith also served on the board of directors of Novellus until his retirement in 2002. Mr. Smith is a member of the board of directors of Cirrus Logic, Inc. (NASDAQ: CRUS). Mr. Smith is also on the board of directors of PLX Technology (NASDAQ: PLXT), Virage Logic (NASDAQ: VIRE) and ON Semiconductor (NASDAQ: ONNN). Mr. Smith holds a Bachelors degree in Business Administration from Oklahoma City University.

Table of Contents

Michael L. Hackworth

The Board of Directors appointed Mr. Hackworth to serve as a director of the Company in November 2007. From June 2002 to April 2007, Mr. Hackworth served as chairman and CEO of Tymphany Corporation, a private audio transducer manufacturing company that he co-founded. He continues as chairman of Tymphany and also currently serves as *Advisor to Entrepreneurs*, assisting early stage management teams with strategy and financing, a role he has played since 1999. Mr. Hackworth also currently Chairs the board of publicly traded Cirrus Logic Inc. (NASDAQ: CRUS) and serves on the board of publicly traded Virage Logic Corp. (NASDAQ: VIRL). Prior to becoming chairman in April 1999, Mr. Hackworth served as President and CEO of Cirrus Logic since its founding in January 1985. Prior to that, Mr. Hackworth spent 18 years serving in positions of ever-increasing responsibility with Signetics Corp., a subsidiary of N.V. Philips, Motorola and Fairchild Semiconductor. Mr. Hackworth holds a Bachelor of Science degree in engineering from Santa Clara University.

Vote Required

The five (5) nominees for director receiving the highest number of affirmative votes from holders of shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law.

Recommended Vote

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE COMPANY S FIVE (5) NOMINEE DIRECTORS. Unless otherwise marked, proxies solicited by the Company will be voted FOR the election of the Company s FIVE (5) nominee directors.

Table of Contents**EXECUTIVE OFFICERS**

The following sets forth certain information regarding executive officers of the Company during fiscal year 2007. Information pertaining to Mr. Thomas Kelly, who is currently an executive officer and a director, and information pertaining to Mr. Klaus, who was throughout 2007 both a director and an executive officer of the Company, may be found in the section above.

Name	Age	Position	Executive Officer Since
Mark Duffell (1)	46	President and Chief Operating Officer	July 2004 through February 2008
Michael Piraino	54	Executive Vice-President and Chief Financial Officer	May 2003

- (1) Mr. Duffell resigned as President and Chief Operating Officer of the Company, effective February 19, 2008. Pursuant to a letter agreement between Mr. Duffell and the Company, dated February 19, 2008, Mr. Duffell remained employed by the Company until March 31, 2008 to support the transition of his responsibilities.

Mark Duffell

Mark Duffell was employed by Epicor in a variety of management and executive roles from 1996 through March 31, 2008. From July 2005 through February 19, 2008, Mr. Duffell served as Epicor's President and COO. Prior to that time, he served as Epicor's Executive Vice President and general manager for the Enterprise Solutions Group and International Operations. He also served as Vice President of EMEA and North American Sales for Epicor. Mr. Duffell graduated with a first class honors degree in production engineering from Kingston University in 1984. Mr. Duffell's employment with the Company ended on March 31, 2008.

Michael Piraino

Michael Piraino joined Epicor as Senior Vice-President and Chief Financial Officer in May 2003, bringing 28 years experience in senior executive and financial roles. In July 2005, he was promoted to Executive Vice President. Prior to joining Epicor, Mr. Piraino founded CEO Resources L.L.C., a premier executive resource management company providing small to medium high-growth companies with interim CEO services, corporate finance and M&A advisory services and integration strategies. He currently serves on the Board of Directors for Buy.com. Mr. Piraino holds a Bachelor of Science degree in accounting from Loyola University of Los Angeles. He is a certified public accountant.

Table of Contents

BOARD OF DIRECTORS MEETINGS AND COMMITTEES

The Board of Directors held eleven (11) meetings during fiscal year 2007. Each director attended or participated telephonically in 75% or more of the aggregate of (i) the total number of the meetings of the Board of Directors (held during the period for which such director was a director) and (ii) the total number of meetings of all committees on which such director served (held during the period for which such director served as a committee member) during fiscal year 2007.

Board Independence

The Board of Directors has determined that each of its current directors, including all nominee directors, has no material relationship with Epicor and is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect, with the exception of George Klaus, who serves as the Company's Executive Chairman, and Tom Kelly, who also serves as the Company's President and CEO.

Committees of the Board of Directors

The Board of Directors has Audit, Nominating and Corporate Governance, and Compensation Committees. Each of these committees has adopted a written charter. All members of the committees are appointed by the Board of Directors, and are non-employee directors. The following describes each committee and its function, its current membership and the number of meetings held during fiscal year 2007.

Audit Committee

The Audit Committee currently consists of Messrs. Mike Kelly, Smith and Copperman, each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. Mr. Mike Kelly currently serves as Chairman of the Audit Committee. The Board of Directors has determined that Mr. Mike Kelly is an audit committee financial expert as defined by the rules and regulations of the SEC. The Audit Committee held four (4) meetings during fiscal year 2007. During 2007, the audit committee was comprised of Messrs. Thomas Kelly, Smith and Copperman. Throughout 2007, Thomas Kelly served as chairman of the Audit Committee and also as the audit committee financial expert. On February 19, 2008, Thomas Kelly became the Company's President and Chief Executive Officer, therefore he is no longer a member of any of the committees of the Company's Board of Directors, including the Audit Committee. Mr. Copperman is not standing for re-election at the 2008 Annual Meeting of Stockholders, therefore, he will no longer be a member of the Audit Committee.

The Board of Directors has adopted a written charter for the Audit Committee, which is available on Epicor's website at www.epicor.com/investors under Corporate Governance. The audit committee reviews and reassesses the adequacy of the charter on an annual basis.

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

Table of Contents

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

The Audit Committee Report is included herein on page 54.

Nominating and Governance Committee The Nominating and Governance Committee currently consists of Messrs. Mike Kelly, Hackworth, Copperman and Smith, each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. Mr. Smith serves as Chairman of the Nominating and Governance Committee and also as the Lead Director. Throughout fiscal year 2007, the Nominating and Governance Committee consisted of Messrs. Thomas Kelly, Copperman and Smith. On February 19, 2008, Thomas Kelly became the Company's President and Chief Executive Officer, therefore he is no longer a member of any of the committees of the Company's Board of Directors, including the Nominating and Governance Committee. Mr. Copperman is not standing for re-election at the 2008 Annual Meeting of Stockholders, therefore, he will no longer be a member of the Nominating and Governance Committee.

The Nominating and Governance Committee held four (4) meetings during fiscal year 2007. The Board of Directors has adopted the Nominating and Governance Committee charter; which is available on Epicor's website at www.epicor.com/investors under Corporate Governance.

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

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

Table of Contents

Director Qualifications

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

Identification and Evaluation of Nominees for Directors

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

All of the nominees for election to the Board this year, other than Mr. Hackworth, have previously stood for election to the Board by the stockholders. Mr. Hackworth joined the Board on November 29, 2007. He first came to the attention of the Board through Board members Robert Smith and Thomas Kelly both of whom knew Mr. Hackworth as a result of their current and/or prior affiliations with Cirrus Logic, Inc. The Board considered Mr. Hackworth and his qualifications and voted to appoint him to the Board on November 29, 2007. Since that time, Mr. Hackworth has served actively on the Board and the Nominating and Governance and Compensation Committees. Mr. Hackworth's background and qualifications are identified in the section entitled "Michael L. Hackworth" beginning on page 6 hereof.

Compensation Committee

The Compensation Committee currently consists of Messrs. Michael Hackworth, Mike Kelly and Smith each of whom is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect. The Compensation Committee held six (6) meetings during fiscal year 2007 and acted by unanimous consent on several occasions. The Compensation Committee also met in January 2008, following the end of fiscal year 2007, to review fiscal year 2007 compensation and set fiscal year 2008 compensation. Mr. Hackworth currently serves as Chairman of the Compensation Committee. Throughout

Table of Contents

2007, the Compensation Committee consisted of Messrs. Tom Kelly, Mike Kelly and Smith with Mr. Smith acting as Chairman. On February 19, 2008, Thomas Kelly became the Company's President and Chief Executive Officer, therefore he is no longer a member of any of the committees of the Company's Board of Directors, including the Compensation Committee.

The Compensation Committee Report is included herein on page 20.

Role of our Compensation Committee

The Board of Directors has adopted a written charter for the Compensation Committee. A copy of the Compensation Committee charter is available at www.epicor.com/investors under Corporate Governance.

One of the primary responsibilities of the Compensation Committee is administering the Company's executive compensation program. Specifically, the Compensation Committee oversees and makes recommendation to the Board of Directors regarding our compensation and benefit plans and policies, administer our stock plans and reviews and approves annually all compensation decisions relating to all executive officers, including our chief executive officer.

The Compensation Committee annually performs a review of our compensation policies, including policies and strategy relating to executive compensation, including the appropriate mix of base salary, bonuses and long-term incentive compensation. The Compensation Committee also reviews and approves all annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans (including our 401(k), long-term incentive plan and management incentive plan) for its executive officers.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2007, no member of the Compensation Committee was an officer or employee of Epicor, and no member of the Compensation Committee has been at any time in the past an officer of Epicor. During fiscal year 2007, no member of the Compensation Committee or executive officer of Epicor served as a member of the Board of Directors or Compensation Committee of any entity that has an executive officer serving as a member of our Board of Directors or Compensation Committee.

Annual Meeting Attendance

The Company's policy is to invite, but not require directors to attend annual meetings of Epicor stockholders. One director attended the Company's 2007 annual meeting of stockholders.

Communicating with the Board of Directors

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

Code of Ethics

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

Table of Contents

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

-12-

Table of Contents

DIRECTOR COMPENSATION

2007 Director Compensation Table (1)