EPICOR SOFTWARE CORP
Form PREM14A
April 18, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x 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-11(c) or §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):

¨ No fee required.

x 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:
Common Stock, par value $0.001 per share, of Epicor Software Corporation (Common Stock)

(2) Aggregate number of securities to which transaction applies: (i) 64,166,065 shares of common stock outstanding, and 201,133 shares of common stock subject to issuance pursuant to the Employee Stock Purchase Plan; and (ii) 694,774 shares of common stock issuable pursuant to outstanding options with an exercise price less than $12.50 per share.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
The maximum aggregate value of $810,085,637.34 was determined based upon the sum of (A) 64,166,065 shares of common stock outstanding, and 201,133 shares of common stock subject to issuance pursuant to the Employee Stock Purchase Plan, in each case, at $12.50 per share; and (B) 694,774 shares of common stock issuable pursuant to outstanding options with an exercise price less than $12.50 per share, multiplied by an amount equal to $12.50 minus the weighted average exercise price of such options. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0001161 by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of transaction:
$810,085,638

(5) Total fee paid:

$94,051

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY

SUBJECT TO COMPLETION

EPICOR SOFTWARE CORPORATION

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

(949) 585-4000

[_____], 2011

Dear Fellow Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Epicor Software Corporation, to be held on [_____], [_____], 2011, at [_____] (Pacific Time), at our headquarters, located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

At the special meeting, you will be asked to consider and vote upon the adoption of a merger agreement providing for the acquisition of Epicor by Eagle Parent, Inc., an entity wholly owned by affiliates of Apax Partners, L.P. and Apax Partners LLP. If the merger contemplated by the merger agreement is completed, you will be entitled to receive $12.50 in cash, without interest and less any applicable withholding tax, for each share of Epicor s common stock you own unless you have properly exercised your appraisal rights with respect to such shares.

Our Board of Directors has unanimously approved the merger agreement and the merger and has unanimously determined that the merger agreement and the merger are advisable, fair to and in the best interest of Epicor and our stockholders. **Our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement.**

Your vote is very important. We cannot complete the merger unless the adoption of the merger agreement is approved by the affirmative vote of a majority of the outstanding shares of our common stock. The failure of any stockholder to vote on the proposal to adopt the merger agreement will have the same effect as a vote against the adoption of the merger agreement.

The accompanying proxy statement provides you with detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Appendix A to the proxy statement. We encourage you to read the entire proxy statement and the merger agreement carefully. You may also obtain more information about Epicor from documents we have filed with the Securities and Exchange Commission.

Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy in the accompanying reply envelope. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

Sincerely,

L. George Klaus
Chairman, President and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE PROPOSED MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The proxy statement is dated __, 2011, and is first being mailed to stockholders on or about __, 2011.

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PRELIMINARY COPY

SUBJECT TO COMPLETION

EPICOR SOFTWARE CORPORATION

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD [__], 2011

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Epicor Software Corporation (**Epicor** or the **Company**), will be held on [__],[__], 2011, at [__] (Pacific Time), at the Company s headquarters, located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612, for the following purposes:

1. To consider and vote upon the adoption of the Agreement and Plan of Merger (the **Merger Agreement**), dated as of April 4, 2011, by and among Eagle Parent, Inc., Element Merger Sub, Inc. and the Company, pursuant to which Sub will merge with and into the Company.

2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement.

Only stockholders of record on __, 2011 are entitled to notice of and to vote at the special meeting or at any adjournment or postponement of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

The adoption of the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of the Company s common stock. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy prior to the special meeting to ensure that your shares will be represented at the special meeting if you are unable to attend. If you are a stockholder of record, voting in person at the meeting will revoke any proxy previously submitted. **If you fail to return your proxy or vote in person or abstain from voting, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, will have the same effect as a vote against the adoption of the Merger Agreement.**

Stockholders of Epicor who do not vote in favor of the adoption of the Merger Agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they properly exercise their appraisal rights prior to the vote on the Merger Agreement and comply with all procedural requirements of the Delaware General Corporation Law, which are summarized in the accompanying proxy statement under the caption The Merger Appraisal Rights beginning on page 57.

The Merger Agreement and the merger are described in the accompanying proxy statement and a copy of the Merger Agreement is included as Appendix A to the proxy statement.

By order of the Board of Directors,

L. George Klaus
Chairman, President and Chief Executive Officer

[__], 2011

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PRELIMINARY COPY

SUBJECT TO COMPLETION

EPICOR SOFTWARE CORPORATION

18200 Von Karman Avenue, Suite 1000

Irvine, CA 92612

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2011

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of Epicor Software Corporation for a special meeting of stockholders to be held on [ ], 2011 and for any adjournment or postponement thereof. This proxy statement provides information that you should read before you vote on the proposals that will be presented to you at the special meeting. The special meeting will be held on [ ], [ ], 2011, at [ ] (Pacific Time), at our headquarters, located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

This proxy statement and a proxy card are first being mailed on or about [ ], 2011 to stockholders owned shares of Epicor common stock as of the close of business on [ ], 2011.

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SUMMARY TERM SHEET

This summary presents selected information in this proxy statement relating to the merger and may not contain all of the information that is important to you. To understand the merger and the transactions contemplated by the merger agreement fully, you should carefully read this entire document as well as the Agreement and Plan of Merger attached hereto as Appendix A, which we refer to as the Merger Agreement. For instructions on obtaining more information, see Where You Can Find More Information on page 108. We have included page references to direct you to a more complete description of the topics presented in this summary.

Parties Involved in the Merger (see page 21)

Epicor Software Corporation, or Epicor, the Company, we or us, is a Delaware corporation formed on November 12, 1987. Epicor designs, develops, markets and supports enterprise application software solutions and services primarily for use by midsized companies and the divisions and subsidiaries of Global 1000 enterprises, which generally consist of companies with annual revenues between $25 million and $1 billion, and emerging enterprises, which generally consist of rapidly growing businesses with annual revenues under $25 million. Epicor s solutions are designed to help companies focus on their customers, suppliers, partners and employees through enterprise-wide management of resources and information. This collaborative focus distinguishes Epicor from conventional enterprise resource planning (ERP) vendors, whose primary focus is improving internal business processes and efficiencies. Epicor believes that by automating and integrating information and critical business processes internally, as well as across their supply chain and distribution network, enterprises 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 principal executive offices are located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612, and its telephone number is (949) 585-4000.

Eagle Parent, Inc., or Parent, is a Delaware corporation formed solely for the purpose of acquiring Epicor and Activant Group Inc. and has not engaged in any business except for activities related to its formation, the Offer (as defined below), the Merger (as defined below), the acquisition of Activant Group Inc. and arranging the related financing.

Parent is wholly owned by Apax US VII, L.P., a Cayman Islands exempted limited partnership, Apax US VII and Apax Europe VII-A, L.P. (Apax Europe VII-A), Apax Europe VII-B, L.P. (Apax Europe VII-B) and Apax Europe VII-1, L.P. (Apax Europe VII-1 and, together with Apax US VII, Apax Europe VII-A and Apax Europe VII-B, the Apax VII Funds), each constituted under English limited partnership law. Apax US VII is advised by Apax Partners, L.P., a limited partnership organized under the laws of the State of Delaware. Apax Europe VII-A, Apax Europe VII-B and Apax Europe VII-1 are managed by Apax Partners Europe Managers Limited, a company constituted under English company law, which is advised by Apax Partners LLP, a partnership constituted under English limited liability partnership law.

The business address for Parent is: c/o Apax Partners, L.P., 601 Lexington Avenue, 53rd Floor, New York, New York 10022, and its telephone number is (212) 753-6300.

Element Merger Sub, Inc., or Sub, a Delaware corporation, is a wholly-owned subsidiary of Parent and was formed solely for the purpose of facilitating the acquisition of Epicor. To date, Sub has not carried on any activities other than those related to its formation, the Offer and the Merger and arranging the related financing. Upon consummation of the proposed Merger, Sub will merge with and into Epicor and will cease to exist, with Epicor continuing as the surviving corporation and becoming a wholly-owned subsidiary of Parent.

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The business address for Sub is: c/o Apax Partners, L.P., 601 Lexington Avenue, 53rd Floor, New York, New York 10022. The business telephone number for Sub is (212) 753-6300.

Tender Offer (see page 67)

On April 11, 2011, Sub commenced a tender offer, which we refer to as the Offer, for all of the outstanding shares of Company common stock at a price of $12.50 per share, net to the seller in cash, without interest and less applicable withholding taxes, which we sometimes refer to as the Offer Price. The Offer contemplated that, after completion of the Offer and the satisfaction or waiver of all conditions, we will merge with Sub and all outstanding shares of Company common stock, other than shares held by Parent, Merger Sub or the Company, shares held by our stockholders who have and validly exercised appraisal rights under the General Corporation Law of the State of Delaware, which we refer to as the DGCL (which shall instead be converted into the right to receive such consideration as shall be determined pursuant to Section 262 of the DGCL), and shares held by our stockholders who are party to a non-tender and support agreement (which shall be treated in the manner agreed between the parties to the applicable non-tender and support agreement), will be canceled and converted into the right to receive cash equal to the $12.50 offer price per share. The Offer was commenced pursuant to the Merger Agreement.

Under the terms of the Merger Agreement, the parties agreed to complete the merger whether or not the Offer is consummated. If the Offer is not consummated, the parties agreed that the Merger could only be completed after the receipt of stockholder approval of the adoption of the Merger Agreement that will be considered at the special meeting. We are soliciting proxies for the special meeting to obtain stockholder approval of the adoption of the Merger Agreement to be able to consummate the Merger regardless of whether the Offer is consummated.

We refer in this proxy statement to the Offer and to terms of the Merger Agreement applicable to the Offer, however, the Offer is being made separately to the holders of shares of Company common stock and is not applicable to the special meeting.

The Merger (see page 70)

The Merger Agreement provides that Sub will merge with and into the Company (which we refer to as the Merger, with the Company continuing as the surviving corporation and becoming a wholly-owned subsidiary of Parent. The Company will continue to do business following the Merger, but will cease to be a publicly traded company. If the Merger is completed, you will not own any shares of the capital stock of the surviving corporation.

The Special Meeting (see page 23)

Date, Time and Place. The special meeting of Epicor stockholders will be held on [ ], [ ], 2011, at [ ] (Pacific Time), at our headquarters, located at 18200 Von Karman Avenue, Suite 1000, Irvine, CA 92612.

Matters to be Considered. At the special meeting, you will be asked to consider and vote on a proposal to adopt the Merger Agreement. You may also be asked to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in support of the proposal to adopt the Merger Agreement.

Record Date and Quorum. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on [ ], 2011, which we have set as the record

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date for the special meeting. The presence, in person or by proxy, of holders of record of a majority of the outstanding shares of our stock entitled to vote on the matters to be presented at the special meeting will constitute a quorum.

Required Votes. Adoption of the Merger Agreement requires the affirmative vote of a majority of the outstanding shares entitled to vote on the Merger. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of holders of a majority of the shares of Company common stock present in person or represented by proxy and entitled to vote on the matter at the special meeting.

As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, [ ] shares of Company common stock (excluding (1) shares issuable upon the exercise of options to purchase Company common stock, which we refer to as stock options and (2) shares issuable upon vesting of Company restricted stock units, which we refer to as restricted stock units), which represents approximately [ ]% of the outstanding shares of Company common stock on the record date. We believe that the directors and executive currently intend to vote all of the shares of Company common stock over which they have voting power **FOR** the proposal to adopt the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

In addition, immediately prior to the execution of the Merger Agreement, each of L. George Klaus and Richard H. Pickup, as well as Mr. Pickup s son, Todd Martin Pickup, together with their respective affiliated entities, entered into a non-tender and support agreement with Parent and Sub. Pursuant to the terms of such non-tender and support agreements, each of Messrs. Klaus, R. Pickup and T. Pickup has agreed to vote their shares of Company common stock in favor of the adoption of the Merger Agreement. Based on Schedule 13Ds filed by each of Mr. Klaus and Mr. R. Pickup on April 5, 2011 and the Schedule 13D filed by Mr. T. Pickup on April 7, 2011, we believe that the parties to the non-tender and support agreements collectively hold approximately 21% of the outstanding shares of Company common stock as of April 4, 2011.

In addition, following the execution of the Merger Agreement, Elliott Management Corporation entered into a tender and support agreement with Parent and Sub. It is anticipated that, pursuant to the terms of such tender and support agreement, Elliott Management Corporation and its affiliated funds will vote their shares of Company common stock in favor of the Merger. Based on the Schedule 13D filed by Elliott Associates, L.P. on April 14, 2011, affiliates of Elliott Management Corporation beneficially own approximately 11% of the outstanding shares of Company common stock as of April 10, 2011.

For a further discussion of the non-tender and support agreements and the tender and support agreement see The Merger Agreement and Additional Agreements Additional Agreements beginning on page 91.

Voting.

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 systems will be available until 11:59 p.m. (Eastern Time) on [_____], 2011. 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.

Recommendation of our Board of Directors (see page 33)

After careful consideration, including a thorough review of the Offer and the Merger with Epicor s legal and financial advisors, at a meeting held on April 3, 2011, the board of directors unanimously (i) approved and declared advisable the Merger Agreement, the Offer, the Merger, the Top-Up Option (as defined below) and the other transactions contemplated by the Merger Agreement, and (ii) declared that the terms of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, the Offer, the Top-Up Option and the

other transactions contemplated by the Merger Agreement, on the terms and subject to the conditions set forth therein, are fair to and in the best interests of the stockholders of Epicor.

In considering the recommendation of the board of directors with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours. The board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the stockholders of the Company. See the section entitled The Merger Interests of Our Directors and Officers in the Merger beginning on page 49.

The board of directors recommends that you vote FOR the proposal to adopt the Merger Agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate.

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Opinion of the Company s Financial Advisor (Page 38)

Moelis & Company, which we refer to as Moelis, was engaged by the Company to provide it with financial advisory services in connection with the potential sale of the Company. At the meeting of the Board of Directors on April 3, 2011, Moelis delivered its oral opinion, which was later confirmed in writing, that, based upon and subject to the conditions and limitations set forth in its written opinion, as of April 3, 2011, the consideration to be received by the stockholders of the Company in the Transaction (as defined in the written opinion of Moelis attached to this proxy statement as Appendix B) was fair from a financial point of view to such stockholders.

The full text of Moelis written opinion dated April 3, 2011, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this proxy statement as Appendix B and is incorporated herein by reference. You are urged to read Moelis written opinion carefully and in its entirety. Moelis opinion is limited solely to the fairness of the consideration from a financial point of view as of the date of the opinion and does not address the Company s underlying business decision to effect the Transaction or the relative merits of the Transaction as compared to any alternative business strategies or transactions that might be available to the Company. Moelis opinion does not constitute a recommendation as to whether you should vote with respect to the Merger or any other matter. Moelis opinion was approved by a Moelis fairness opinion committee.

Activant Merger (see page 93)

Parent only intends to consummate the Merger and, if applicable, the Offer, on the same day it consummates the merger, which we refer to as the Activant Merger, with Activant Group Inc., which we refer to as Activant, pursuant to an Agreement and Plan of Merger dated as of April 4, 2011 by and among Parent, Sun5 Merger Sub, Inc., a Delaware corporation and direct wholly-owned subsidiary of Parent, Activant and Hellman & Friedman Capital Partners V, L.P., a Delaware limited partnership, solely in its capacity as agent and attorney-in-fact for Activant s stockholders and optionholders, which we refer to as the Activant Merger Agreement. In addition, the consummation of the Merger is conditioned on the satisfaction or waiver of certain conditions set forth in the Activant Merger Agreement, including (i) the accuracy (subject to materiality and material adverse effect qualifications) of Activant s representations and warranties set forth in the Activant Merger Agreement, including that since September 30, 2010, there has not been any effect, event, change, occurrence or circumstance that, individually or in the aggregate, has had or reasonably would be expected to have an Activant Material Adverse Effect (as defined herein), (ii) Activant s compliance in all material respects with its covenants set forth in the Activant Merger Agreement and (iii) the absence of certain legal impediments to the Activant Merger. Furthermore, the Merger Agreement may be terminated in accordance with its terms if the Activant Merger Agreement is terminated in accordance with its terms prior to the consummation of the Activant Merger, or in certain circumstances if Parent breaches or fails to perform in any material respect any of its representations, warranties, covenants or other agreements in the Activant Merger Agreement. The Activant Merger Agreement also places certain restrictions on the ability of Parent to take certain actions in connection with the Merger.

Financing (see page 45)

Sub estimates that it will need up to approximately $715 million to purchase all of the issued and outstanding shares of Epicor s common stock and to pay related fees and expenses, and an additional $267 million to repay indebtedness of Epicor at the consummation of the Merger. Parent estimates that it will need up to approximately $391 million (subject to an adjustment relating to Activant s net working capital, not expected to exceed $5 million) to consummate the Activant Merger and to pay related fees and expenses, and

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an additional $503 million to repay the indebtedness of Activant at the consummation of the Merger. In the aggregate, including certain fees, expenses and other items not included in any of the above amounts, Parent estimates that it will need up to approximately $2.0 billion to complete the acquisition of both Epicor and Activant.

Debt Financing. Parent has received a commitment from Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Royal Bank of Canada to provide it with a senior secured credit facility in an aggregate amount of $945 million, which we refer to as the Senior Secured Facilities, comprised of an $870 million term loan facility and a $75 million revolving credit facility. Additionally, Parent expects to either (i) issue and sell senior unsecured notes, which we refer to as the Senior Notes, in a Rule 144A or other private placement on or prior to the consummation of the Offer or the Merger, as applicable, yielding at least $465 million in gross cash proceeds, or (ii) if and to the extent Parent does not, or is unable to issue Senior Notes yielding at least $465 million in gross cash proceeds on or prior to the consummation of the Offer or the Merger, as applicable, obtain up to $465 million, less the amount of Senior Notes, if any, issued on or prior to the consummation of the Offer or the Merger, as applicable, in loans under a new senior unsecured bridge facility, which we refer to as the Bridge Facility. We refer to the Bridge Facility, together with the Senior Secured Facilities, as the Credit Facilities. Subject to certain conditions, the Credit Facilities will be available to Parent to finance the Offer, the Merger and the Activant Merger, repay or refinance certain existing indebtedness of Epicor and Activant, pay related fees and expenses and to provide for funding of the surviving corporation. The debt commitment letter is not subject to due diligence or a market out condition, which would allow lenders not to fund their commitments if the financial markets are materially adversely affected, but such financing may not be considered assured. There is a risk that the conditions to the debt financing will not be satisfied and the debt financing may not be funded when required. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this proxy statement is not available as anticipated.

Equity Financing. Parent has obtained a $647 million equity commitment from the Apax VII Funds (or their permitted assignees), which have sufficient uncalled capital to fund such equity commitment. Parent will contribute or otherwise advance to Sub a portion of the proceeds of the equity commitments and of the Credit Facilities, such that together Sub will have sufficient funds to pay the aggregate Offer Price for all Shares tendered in the Offer, if any, the merger consideration and all related fees and expenses. The equity and debt financing commitments are subject to certain conditions.

While the Merger is not subject to a financing condition, Epicor is not entitled to seek specific performance of the consummation of the Merger and funding of the equity commitment pursuant to the equity commitment letters unless the debt financing is available. The funding under the debt and equity commitment letters is subject to certain conditions, including conditions that do not relate directly to the Merger Agreement. We believe the amounts committed under the debt and equity commitment letters and the proceeds from the Senior Notes will be sufficient to complete the Merger and the Activant Merger, but we cannot assure you of that. Those amounts might be insufficient if, among other things, one or more of the parties to the commitment letters fails to fund the committed amounts in breach of such debt or equity commitment letters or if the conditions to such commitments are not met. If the Merger Agreement is terminated in the circumstance in which Parent fails to consummate the Merger in accordance with the terms and conditions of the Merger Agreement because it does not receive the proceeds of the debt financing commitments, then Parent may be obligated to pay Epicor a termination fee of up to $60,000,000 and to pay Activant a termination fee of $48,950,000.

Interests of Our Directors and Officers in the Merger (see page 49)

Our directors and officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. These interests include the acceleration and cash-out of options and restricted stock units, certain severance benefits that may be payable upon termination following a change in control, the right to continued indemnification and insurance coverage by the surviving corporation after the merger.

Material United States Federal Income Tax Consequences (see page 61)

The receipt of $12.50 in cash by our stockholders for each outstanding share of our common stock will generally be a taxable transaction to United States Holders for United States federal income tax purposes. Each of our stockholders generally will recognize taxable gain or loss, measured by the difference, if any, between the stockholder s amount realized in the merger of $12.50 per share, and the tax basis of each share of our common stock owned by such stockholder. Stockholders should consult their own tax advisors to determine the particular tax consequences to them (including application of any U.S. federal non-income, foreign, state, local or other tax laws) of the merger.

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Regulatory Matters (see page 64)

Under the HSR Act, and the related rules and regulations that have been issued by the Federal Trade Commission, which we refer to as the FTC, certain acquisition transactions may not be consummated until certain information and documentary material has been furnished for review by the FTC and the Antitrust Division of the Department of Justice, which we refer to as the Antitrust Division, and certain waiting period requirements have been satisfied. These requirements apply to Sub s acquisition of the Shares in the Offer and the Merger.

Under the HSR Act and the rules promulgated thereunder by the Federal Trade Commission, or the FTC, Neither the Offer nor the Merger can be completed until each of the Company and Parent files a notification and report form with the FTC and the Antitrust Division of the Department of Justice, or the Antitrust Division, and the applicable waiting period has expired or been terminated. Each of Parent and the Company filed such a notification and report form on April 11, 2011. On April 15, 2011, we were informed by the FTC that early termination of the waiting period has been granted, effective as of April 15, 2011.

The Merger may also be subject to review by the governmental authorities of various other jurisdictions under the antitrust laws of those jurisdictions. Under the Merger Agreement, however, the consummation of the Merger is not conditioned upon the receipt of any approval of any governmental authority, or expiration of any waiting period, under the antitrust laws of those jurisdictions.

Appraisal Rights (see page 57)

Pursuant to Section 262 of the DGCL, if you do not vote in favor of the adoption of the Merger Agreement and you instead follow the appropriate procedures for demanding and perfecting appraisal rights as described on pages C-1 through C-5 and in Appendix C, you will receive a cash payment for the fair value of your shares of Epicor common stock, as determined by a Delaware Court of Chancery, instead of the $12.50 per share merger consideration to be received by our stockholders pursuant to the Merger Agreement. The fair value of Epicor common stock may be more than, less than or equal to the $12.50 merger consideration you would have received for each of your shares pursuant to the Merger Agreement if you had not exercised your appraisal rights.

Generally, in order to exercise appraisal rights, among other things, you must:

- not vote in favor of adoption of the Merger Agreement; and
- make written demand for appraisal in compliance with the DGCL prior to the vote of our stockholders to adopt the Merger Agreement.

Abstaining or voting against the adoption of the Merger Agreement will not perfect your appraisal rights under the DGCL. Appendix C to this proxy statement contains the Delaware statute relating to your appraisal rights. **If you want to exercise your appraisal rights, please read and carefully follow the procedures described on pages C-1 through C-5 and in Appendix C. The text of the Delaware statute governing appraisal rights is very complex and we urge you to consult with your own legal counsel in the event you decide to exercise your appraisal rights. Failure to take all of the steps required under the DGCL will result in the loss of your appraisal rights.**

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Litigation Related to the Merger (see page 65)

Following announcement of the Merger Agreement, three (3) putative stockholder class actions were filed in the Superior Court of California, Orange County, and one (1) such suit was filed in Delaware Chancery Court. The actions pending in California are entitled, *Kline v. Epicor Software Corp. et al*., (filed Apr. 6, 2011); *Tola v. Epicor Software Corp. et al*., (filed Apr. 8, 2011); *Watt v. Epicor Software Corp. et al*., (filed Apr. 11, 2011). The action pending in Delaware is entitled *Field Family Trust Co. v. Epicor Software Corp. et al*., (filed Apr. 12, 2011). Amended complaints were filed in the *Tola* and *Field Family Trust* actions on April 13, 2011 and April 14, 2011, respectively. The suits allege that the Epicor directors breached their fiduciary duties of loyalty and due care, among others, by seeking to complete the sale of Epicor to Apax and its affiliates through an allegedly unfair process and for an unfair price and by omitting material information from the Solicitation/Recommendation Statement on Schedule 14D-9 that Epicor filed on April 11, 2011 with the SEC. The complaints also allege that Epicor, Apax, and Sub aided and abetted the directors in the alleged breach of fiduciary duties. The plaintiffs seek certification as a class and relief that includes, among other things, an order enjoining the Offer and Merger, rescission of the Merger, and payment of plaintiff s attorneys fees and costs. We believe the lawsuits are without merit and intend to vigorously contest the actions. There can, however, be no assurance of the outcome of these lawsuits.

The Merger Agreement

Effects of the Merger on Our Common Stock and Equity Awards (see page 72)

Common Stock. At the effective time of the merger, each share of our common stock outstanding immediately prior to the effective time of the merger (other than shares held by Parent, Sub and their affiliates and stockholders who have perfected and not withdrawn a demand for appraisal rights under the DGCL (which shall instead be converted into the right to receive such consideration as shall be determined pursuant to Section 262 of the DGCL) and shares held by our stockholders who are party to a non-tender and support agreement (which shall be treated in the manner agreed between the parties to the applicable non-tender and support agreement)) will be automatically cancelled and converted into the right to receive $12.50 in cash, without interest.

Stock Options. Prior to the effective time of the merger, each outstanding stock option to purchase our common stock will vest in full. Each stock option to purchase our common stock outstanding at the effective time of the merger will be cancelled and converted into the right to receive, as soon as reasonably practicably after the effective time of the merger, an amount in cash equal to (i) the number of shares subject to such option multiplied by (ii) the excess (if any) of $12.50 over the exercise price per share of such option, less applicable withholding taxes If the exercise price per share of an option to acquire our common stock equals or exceeds the $12.50 per share merger consideration, such option will be cancelled without payment.

Restricted Stock Units. As of the effective time of the merger, each outstanding restricted stock unit will cancelled and converted into the right to receive, as soon as reasonably practicable following the effective time of the Merger, $12.50 per underlying share, without interest and less any applicable withholding taxes.

Restricted Stock. As of immediately prior to the consummation of the Offer or the Effective Time if the Offer is not consummated, each outstanding share of restricted stock shall become or otherwise be deemed vested pursuant to the terms of the equity plan and award agreement governing such restricted stock and all restrictions on such vested restricted stock shall lapse and holder thereof shall have the right to tender the Shares underlying the award of vested restricted stock then held (net of any tax withholding) into the Offer. To the extent any Shares that were formerly restricted stock are not so tendered or if the Offer is not consummated, upon the Effective Time, they shall be converted into the right to receive the Offer Price in accordance with the procedures for the Company common stock. Notwithstanding the foregoing, any Shares of restricted stock held by a person that is subject to a non-tender and support agreement shall be treated in the manner agreed between the parties to the applicable non-tender and support agreement.

Employee Stock Purchase Plan. Epicor shall terminate its existing Employee Stock Purchase Plan at or prior to the Effective Time.

Solicitation of Competing Proposals (see page 79)

The Merger Agreement provides that from April 4, 2011 until 11:59 p.m., Los Angeles time, on May 4, 2011, which we refer to as the go shop period, we are permitted to solicit any inquiry or the making of any competing proposals from third parties and to participate in any negotiations or discussions with third parties with respect to any competing proposals. From and after 12:00 a.m., Los Angeles time, on May 5, 2011 and until the effective time of the merger or, if earlier, the termination of the Merger Agreement, we are not permitted to solicit any inquiry or the making of any competing proposals or engage in any negotiations or discussions with any person relating to an competing proposal.

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Notwithstanding these restrictions, under certain circumstances, we may, from and after 11:59 a.m., Los Angeles time, on May 5, 2010, which we refer to as the no-shop period start date, and prior to the time that the earlier of the closing of the Offer or our stockholders adopting the Merger Agreement, respond to a competing proposal or engage in discussions or negotiations with the person making such a competing proposal. In addition, the restrictions applicable to us following the no-shop period start date do not apply to our activities with any person who made a written competing proposal prior to the no-shop period start date that our board of directors believed in good faith (after consultation with its financial advisor and outside legal counsel) could reasonably be expected to result in a superior proposal. At any time before the earlier of the closing of the Offer or the adoption of the Merger Agreement by our stockholders, if our board of directors determines that a competing proposal is a superior proposal, we may terminate the Merger Agreement and enter into any acquisition, merger or similar agreement, which we refer to as an alternative acquisition agreement, with respect to such superior proposal, so long as we comply with certain terms of the Merger Agreement, including paying a termination fee to Parent. See The Merger Agreement Terms of the Merger Agreement Termination Fees beginning on page 67.

Conditions to the Merger (see page 70)

The respective obligations of the Company, Parent and Sub to consummate the Merger are subject to the satisfaction or waiver of certain conditions, including, among others, the adoption of the Merger Agreement by our stockholders, receipt of required antitrust approvals or termination of the applicable waiting period, the accuracy of the representations and warranties of the parties, the satisfaction or waiver of the conditions to Parent s obligations to consummate the Activant Merger, and compliance by the parties with their respective obligations under the Merger Agreement. The representations and warranties of the Company are described under The Merger Agreement and Other Agreements Terms of the Merger Agreement Representations and Warranties beginning on page 74.

Termination (see page 86)

The Merger Agreement may be terminated:

by mutual written consent of Parent and Epicor at any time prior to the effective time of the Merger, whether or not stockholder approval of the adoption of the Merger Agreement has been obtained;

by either Parent or Epicor if:

the effective date of the Merger shall not have occurred on or before October 4, 2011, which we refer to as the Termination Date; provided, however, that the right to terminate the Merger Agreement on such date shall not be available to Parent or Epicor if (x) the consummation of the Offer shall have occurred or (y) the failure of Parent or Epicor, as applicable, to perform any of its obligations under the Merger Agreement or the Activant Merger Agreement has been a principal cause of the failure of the Merger to be consummated on or before such date; or

any governmental, regulatory, judicial or administrative authority, agency or commission of competent jurisdiction shall have issued a decree, order, judgment, injunction, temporary restraining

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order or other order in any suit or proceeding or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Merger Agreement or those contemplated by the Activant Merger Agreement, and such action shall have become final and non-appealable; provided that the party seeking to terminate the Merger Agreement pursuant to this clause shall have used their reasonable best efforts to prevent, oppose or remove such order, injunction, law or judgment; or

the Epicor stockholders shall not have adopted the Merger Agreement at the special meeting or at any adjournment or postponement thereof at which the transactions contemplated in the Merger Agreement have been voted upon; or

the Activant Merger Agreement shall have been terminated in accordance with its terms prior to the consummation of the Activant Merger; or

by Epicor if:

Parent or Sub breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements in the Merger Agreement or in the Activant Merger Agreement, which breach or failure to perform (x) would result in a failure of a condition to the Merger (or to the Activant Merger, as the case may be) regarding the accuracy of Parent or Sub s representations and warranties or compliance with its covenants or agreements to be satisfied and (y) cannot be cured on or before the Termination Date or, if curable, is not cured by Parent within 30 days of receipt by Parent of written notice of such breach or failure; however, Epicor does not have the right to terminate described in this clause if the consummation of the Offer has occurred; or

prior to the consummation of the Offer occurring and prior to obtaining the Stockholder Approval, to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal immediately following or concurrently with such termination to the extent permitted by the Merger Agreement (provided that concurrently with such termination, Epicor pays the Termination Fee and that in the event that such fee is not so paid, any attempted termination shall be null and void); or

all of the conditions to the Merger have been satisfied o