FORM 10−Q

AXS ONE INC − AXO

Filed: May 14, 1997 (period: March 31, 1997)

Quarterly report which provides a continuing view of a company's financial position

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED MARCH 31, 1997   COMMISSION FILE NUMBER   0-26368

COMPUTRON SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	13-2966911
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

301 ROUTE 17 NORTH RUTHERFORD, NEW JERSEY	07070
(Address of principal executive offices)	(Zip Code)

(201) 935-3400
(Registrant's telephone number, including area code)

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

YES ___x___ NO ________

Number of shares outstanding of the issuer's common stock as of April 25, 1997

CLASS	NUMBER OF SHARES OUTSTANDING
Common Stock, par value $0.01 per share	20,810,530

COMPUTRON SOFTWARE, INC.

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COMPUTRON SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	December 31, 1996	March 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$19,730	$21,217
Short-term investments	1,073	1,600
Restricted cash	3,081	1,293
Accounts receivable, less reserves of $5,084 and $4,768 at December 31, 1996 and March 31, 1997, respectively	20,340	15,023
Prepaid expenses and other current assets	1,988	2,017
Total current assets	46,212	41,150
Equipment and leasehold improvements, at cost:		
Computer and office equipment	10,249	10,298
Furniture and fixtures	1,436	1,249
Leasehold improvements	300	468
	11,985	12,015
Less - accumulated depreciation and amortization	7,598	8,109
	4,387	3,906
Capitalized software development costs, less amortization of $3,095 and $3,252 in 1996 and 1997, respectively	2,068	1,911
Goodwill, less amortization of $535 and $708 in 1996 and 1997, respectively	2,580	2,163
Other assets	1,446	1,250
	$56,693	$50,380

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

COMPUTON SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	December 31, 1996	March 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 506	$ 445
Accounts payable	3,975	2,843
Accrued expenses	17,420	16,292
Note payable	1,402	--
Deferred revenue	18,551	18,687
Total current liabilities	41,854	38,267
Long-term liabilities:		
Long-term debt, less current portion	97	52
Contingencies (Note 3)		
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 5,000 shares, no shares issued and outstanding	--	--
Common stock, $ .01 par value, authorized 50,000 shares; 20,801 shares issued and outstanding at December 31, 1996, and 20,811 shares issued and outstanding at March 31, 1997	208	208
Additional paid-in capital	63,879	63,889
Accumulated deficit	(49,371)	(51,368)
Cumulative translation adjustment	26	(668)
Total stockholders' equity	14,742	12,061
	$ 56,693	$ 50,380

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

COMPUTRON SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three months ended March 31, 1996	Three months ended March 31, 1997
Revenues:		
License fees	$ 2,350	$ 5,629
Services	5,319	11,162
Total revenues	7,669	16,791
Operating expenses:		
Cost of license fees	1,003	281
Cost of services	3,903	6,562
Sales and marketing	5,756	4,954
Research and development	2,982	2,431
General and administrative	2,701	4,821
Total operating expenses	16,345	19,049
Operating loss	(8,676)	(2,258)
Other income	605	261
Loss before income taxes	(8,071)	(1,997)
Income tax provision	--	--
Net loss	$ (8,071)	$ (1,997)
Net loss per common and common equivalent share	$ (0.39)	$ (0.10)
Weighted average number of common and common equivalent shares	20,767	20,809

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

COMPUTRON SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 1996	Three Months Ended March 31, 1997
Cash flows from operating activities:		
Net loss	$ (8,071)	$ (1,997)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities -		
Depreciation and amortization	561	870
Provision for doubtful accounts	127	--
Changes in current assets and liabilities -		
Restricted cash	--	1,788
Accounts receivable	51	5,317
Prepaid expenses and other current assets	(385)	(29)
Accounts payable and accrued liabilities	354	(2,260)
Deferred revenue	1,635	136
Net cash flows provided by (used in) operating activities	(5,728)	3,825
Cash flows from investing activities:		
Other assets	(2,677)	196
Capitalized software development costs	(387)	--
Purchase of equipment and leasehold improvements	(552)	(150)
Short-term investments	(3,484)	(527)
Net cash flows used in investing activities	(7,100)	(481)
Cash flows from financing activities:		
Proceeds from exercise of stock options	38	10
Payments of notes payable	--	(1,402)
Payments of long term debt	(156)	(106)
Decrease in other long-term liabilities	(250)	--
Net cash flows provided by financing activities	(368)	(1,498)
Foreign currency exchange rate effects	14	(359)
Net increase in cash and cash equivalents	(13,182)	1,487
Cash and cash equivalents, beginning of period	45,119	19,730
Cash and cash equivalents, end of period	$ 31,937	$ 21,217
Supplemental disclosures of cash flow information and noncash financing activities:		
Cash paid during the period for -		
Interest	$ 32	$ 9
Income taxes	$ 47	$ 86

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

COMPUTRON SOFTWARE, INC.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Company designs, develops, markets and supports client/server financial, workflow, plant maintenance and archival data management software solutions to manage mission-critical applications in large organizations operating across a broad range of industries worldwide.

Basis of Presentation:

The accompanying unaudited consolidated financial statements include the accounts of Computron Software, Inc. and its wholly owned foreign subsidiaries located in Australia, Canada, France, Germany, Hong Kong, Poland, Singapore, and the United Kingdom, (collectively, the "Company"). These financial statements have been prepared by the Company in accordance with generally accepted accounting principles and in the opinion of management, contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of these financial statements.

These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1996 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The results of operations for the three months ended March 31, 1997 are not necessarily indicative of results to be expected for any future periods.

(a) REVENUE RECOGNITION

The Company recognizes revenue from non-cancelable software licenses upon product shipment, provided collection is probable and no significant vendor and post-contract customer obligations remain at the time of shipment. License fees for contracts which contain uncertainties regarding collection or contain significant vendor obligations are deferred and recognized when collection is deemed probable and/or such obligations have been satisfied. The Company accounts for insignificant vendor obligations by deferring a portion of the revenue and recognizing it when the related services are performed. Post contract support (maintenance) service fees are typically billed separately and are recognized on a straight line basis over the life of the applicable agreement. The Company recognizes service revenues from consulting and implementation services, including training, provided by both its own personnel and by third parties, upon performance of the services.

COMPUTRON SOFTWARE, INC.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(b) CASH AND CASH EQUIVALENTS

Cash equivalents are stated at cost, which approximates market, and consist of short-term, highly liquid investments with original maturities of less than three months.

(2) RESTATED FINANCIAL RESULTS

The Company has restated its consolidated financial statements for each of the four years ended December 31, 1995, and certain unaudited quarters therein, and for each of the three unaudited quarters ended September 30, 1996. In the opinion of management, all material adjustments necessary to correct the financial statements have been recorded.

A summary of the impact of such restatements on the unaudited financial statements for the three month period ended March 31, 1996 is as follows:

	Three months ended March 31, 1996	
	Previously Reported	As Restated
Total Revenue	$ 9,378	$ 7,669
Operating Loss	(7,025)	(8,676)
Net Loss	(6,420)	(8,071)
Net Loss per common and common equivalent share	(.31)	(.39)

(3) CONTINGENCIES

During 1996, the Company and certain of its current and former officers and directors were named as defendants in six class action civil suits. The suits were filed in the United States District Court for the District of New Jersey and have been consolidated by court order into one suit captioned In re Computron Software, Inc. Securities Litigation, Master File No. 96-1911 (AJL). A Third Amended Consolidated Class Action Complaint was filed on April 28, 1997, on behalf of all purchasers of Computron Common Stock during the period from August 24, 1995 to January 27, 1997. The complaint asserts claims under Sections 11 and 15 of the Securities Act of 1933, Sections 10 (b) and 20 (a) of the Securities Exchange Act of 1934, as amended, Rule 10b-5 of the Securities and Exchange Commission promulgated thereunder, and state law, and seeks unspecified compensatory damages, attorneys' fees and costs. At a conference on April 30, 1997, the Court set a discovery cut-off date for all non-expert discovery of November 28, 1997, and for all expert discovery of December 31, 1997. The Court scheduled trial for February 10, 1998. Additionally, the Court scheduled another status conference for May 28, 1997. The Company intends to vigorously defend itself against the suits.

Since discovery only recently commenced, the Company is unable to assess the likelihood of an adverse result in the case. There can be no assurances as to the outcome of the case. The inability of the Company to resolve the claims that are the basis for the case or to prevail in any related litigation could result in the Company being required to pay substantial monetary damages for which the Company may not be adequately insured, which could have material adverse effect on the Company's business, financial condition and results of operations. In any event, the Company's defense of such litigation, even if the outcome is favorable to the Company, has resulted and will continue to result in substantial costs to the Company.

Historically, the Company has been involved in other disputes and/or litigation encountered in its normal course of business. The Company believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's business, financial condition and results of operations or cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Report contains statements of a forward-looking nature relating to future events or the future financial performance of the Company. Investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, investors should specifically consider the various factors identified in this Report and in the Company's 1996 Annual Report on Form 10-K filed with the Securities and Exchange Commission which could cause actual results to differ materially from those indicated by such forward-looking statements, including the matters set forth under the caption "Certain Factors That May Affect Future Results and Financial Condition and the Market Price of Securities" below.

The Company was founded in 1978 as a developer of custom financial software for mission-critical applications in large organizations, primarily financial institutions. In the early 1980's, the Company developed financial software for legacy platforms and introduced sophisticated enterprise-wide financial software. Identifying the need for client/server financial software applications in the late 1980's, the Company commenced the re-architecture of its financial software and began the development and deployment of new product, specifically a workflow and document management product. In 1993, the Company introduced Computron Financials and Computron Workflow, the client/server versions of its financial and workflow products. Computron COOL was introduced in the latter half of 1993. Since 1994, the Company has released versions of its products with the capability to interoperate with popular RDBMS software. During the fourth quarter of 1995, the Company acquired the rights to its Maintenance and Work Management Software.

During 1996, the Company acquired the Financial Services Division of Generale de Service Informatique (GSI) based in Paris, France, and AT&T Istel and Co., GMBH, in Essen, Germany. These operations primarily provide software services in their respective countries.

The Company's revenues are derived from license fees and services. Revenues for services and training are recognized upon performance of the services. The Company's license agreements generally do not provide a right of return. Historically, the Company's backlog has not been substantial, since products are generally shipped as orders are received.

The Company has experienced, and may in the future experience, significant fluctuations in its quarterly and annual revenues and results of operations. The Company believes that domestic and international operating results will continue to fluctuate significantly in the future as a result of a variety of factors, including the timing of revenue recognition related to significant license agreements, the lengthy sales cycle for the Company's products, the proportion of revenues attributable to license fees versus services, the utilization of third parties to perform services, the amount of revenue generated by resales of third party software, changes in product mix, demand for the Company's products, the size and timing of individual license transactions, the introduction of new products and product enhancements by the Company or its competitors, changes in customers' budgets, competitive conditions in the industry and general economic conditions.

Following the December 31, 1994 audit, the Company received a management letter from its independent public accountants that identified material weaknesses in the Company's internal control environment. During 1995, the Company experienced significant turnover of its senior financial and accounting personnel which management believes delayed the implementation of certain improvements and resulted in material weaknesses in these same areas. The December 31, 1995 audit resulted in material adjustments to the fourth quarter's revenues and expenses.

Upon completion of the December 31, 1995 audit, the Company again received a management letter from its independent public accountants that identified material weaknesses similar to those included in the 1994 management letter. In addition, the independent public accountants recommended that the Company implement an internal accounting control plan, approved by the Audit Committee of the Board of Directors, which addresses these weaknesses and reorganize and upgrade the contracts administration processes, procedures, controls and personnel to ensure proper revenue recognition and financial reporting.

Upon completion of the December 31, 1996 audit, the independent public accountants informed the Company that their management letter will again communicate material weaknesses similar to those included in the 1994 and 1995 management letters along with various other internal control deficiencies. In response to the independent public accountant's concerns and as a result of turnover in its accounting and finance departments, the Company has hired senior executives with software industry experience, including a Chief Executive Officer, a Chief Financial Officer, a Vice President of Finance and Administration, a Corporate Controller and Corporate Counsel. The Company expects to hire additional professionals during the remainder of 1997 as part of a plan to strengthen the Company's management and internal controls.

The Company has restated its consolidated financial statements for each of the four years in the period ended December 31, 1995 and certain unaudited quarters therein and for each of the three unaudited quarters ended September 30, 1996. The Company incurred net losses of $2.4 million for 1994, $8.6 million for 1995, and $31.8 million for 1996, and reported a net loss of $2.0 million for the quarter ended March 31, 1997. As of March 31, 1997, the Company had an accumulated deficit of $51.4 million. There can be no assurance that the Company will be profitable in the future.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain operating data as a percentage of total revenues:

	Three Months Ended March 31, 1996	Three Months Ended March 31, 1997
Revenues:		
License fees	30.6%	33.5%
Services	69.4	66.5
Total revenues	100.0	100.0
Operating expenses:		
Cost of license fees	13.1	1.7
Cost of services	50.9	39.1
Sales and marketing	75.1	29.5
Research and development	38.9	14.5
General and administrative	35.1	28.7
Total operating expenses	213.1	113.5
Operating loss	(113.1)	(13.5)
Other income	7.9	1.6
Loss before income taxes	(105.2)	(11.9)
Income tax provision	--	--
Net loss	(105.2)%	(11.9)%

TOTAL REVENUES

Total revenues increased 119% for the three months ended March 31, 1997, compared to the three months ended March 31, 1996, respectively. The increase was attributable to an increase in both license fees and services revenue. Results of operations for the three months ended March 31, 1996 do not include amounts associated with operations in France and Germany which were acquired during the second and third quarters of 1996, respectively.

The Company derived approximately $1.8 million and $7.4 million or 23.4% and 44.0% of its total revenues, from customers outside of the United States for the three months ended March 31, 1996 and 1997, respectively. The Company expects that such revenues will continue to represent a significant percentage of its total revenues in the future. Most of the Company's international license fees and services revenue are denominated in foreign currencies. Decreases in the value of foreign currencies relative to the US dollar could result in losses from foreign currency translations. The Company does not currently hedge its foreign exchange exposure. With respect to the Company's sales that are US dollar-denominated, decreases in the value of foreign currencies relative to the US dollar could make the Company's products less price competitive.

LICENSE FEES

License fees include revenues from software license agreements entered into between the Company and its customers with respect to both the Company's products and third party products resold by the Company. License fees increased 140% for the three months ended March 31, 1997, as compared to the three months ended March 31, 1996. The increase was attributable to increased demand for licenses, including revenues of $3.5 million from one customer which represented 20.8% of total revenues during the quarter ended March 31, 1997.

SERVICES REVENUE

Services revenue includes fees from software maintenance agreements, training, installation and consulting services. Maintenance fees are billed separately and are recognized ratably over the period of the maintenance agreement. Training, installation and consulting service revenues are recognized as the services are performed. Services revenue increased 110% for the three months ended March 31, 1997, as compared to the three months ended March 31, 1996. The increase was attributable to increased training, consulting and maintenance services which resulted from a larger installed base of the Company's products and acquired operations in France and Germany which represented $3.1 million of service revenues during the quarter ended March 31, 1997.

COST OF LICENSE FEES

Cost of license fees consists primarily of amortization of capitalized software development costs, amounts paid to third parties with respect to products resold by the Company in conjunction with licensing of the Company's products and, to a lesser extent, the costs of product media, duplication, manuals and shipping. The following table sets forth, for the periods indicated, the relationship of cost of license fees to license fee revenues:

	Three Months Ended March 31,	
	1996	1997
	(In thousands, except percentage data)	
License fees	$2,350	$5,629
Cost of license fees	1,003	281
Cost of license fees as a percentage of license fees	42.7%	5.0%

The dollar cost of license fees decreased substantially during the quarter ended March 31, 1997 as compared to the corresponding prior year period. Cost of license fees for the quarter ended March 31, 1996 included amounts associated with third party software resold to customers and for costs recorded on contracts, while the associated license revenues were deferred due to uncertainties with respect to collections.

COST OF SERVICES

Cost of services consists primarily of personnel costs for training, installation, consulting and customer support. These costs include training third party service and support organizations for the Company's products. The following table sets forth, for the periods indicated, the relationship of cost of services and services revenue:

	Three Months Ended March 31,	
	1996	1997
	(In thousands, except percentage data)	
Services revenue	$5,319	$11,162
Cost of services	3,903	6,562
Cost of services as a percentage of services revenue	73.4%	58.8%

For the three months ended March 31, 1997, cost of services as a percentage of services revenue decreased compared to the three months ended March 31, 1996, primarily as a result of efficiencies obtained through the outsourcing of training services and a significant increase in maintenance revenue for which there are lower associated costs as compared to implementation activities.

SALES AND MARKETING

Sales and marketing expenses consist primarily of salaries and commissions as well as travel and promotional expenses. The following table sets forth, for the periods indicated, the relationship of sales and marketing expenses to total revenues:

	Three Months Ended March 31,	
	1996	1997
	(In thousands, except percentage data)	
Sales and marketing expenses	$ 5,756	$ 4,954
Percentage increase (decrease) over the comparable period in the prior year	58.3%	(13.9%)
Sales and marketing expenses as a percentage of total revenues	75.1%	29.5%

Sales and marketing expenses decreased as a percentage of total revenue for the three months ended March 31, 1997 as compared to the three months ended March 31, 1996, primarily due to a decrease in personnel of approximately 35% as of March 31, 1997 as compared to March 31, 1996, sales and marketing programs initiated during the 1996 quarter which were not repeated in 1997 and a significant increase in revenues during the 1997 quarter.

RESEARCH AND DEVELOPMENT

Research and development expenses consist primarily of engineering personnel costs, costs of third party equipment and software for development purposes and costs of outside consultants hired by the Company to assist its product development efforts. Research and development expenses are generally charged to operations as incurred. However, certain software development costs are capitalized in accordance with Statement of Financial Accounting Standards No. 86. Such capitalized software development costs are generally amortized over periods not exceeding three years.

Research and development expenses (net of capitalized software development costs) decreased from $3.0 million in the first quarter of 1996 to $2.4 million in the first quarter of 1997. The Company capitalized software development costs of $0.4 million in the first quarter of 1996 and none in the first quarter of 1997. The rate of capitalization of software development costs may fluctuate depending on the mix and stage of development of the Company's product development and engineering projects.

GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of administrative, executive and financial personnel costs, and outside professional fees. General and administrative expenses represented 28.7% of total revenues for the three months ended March 31, 1997, compared to 35.1% of total revenues for the three months ended March 31, 1996. General and administrative expenses increased 78.5% for the three months ended March 31, 1997, as compared to the three months ended March 31, 1996, primarily due to increases in payroll and related costs due to an increase in finance and administrative personnel, increased severance costs, and professional fees associated with litigation. In addition, general and administrative expenses for the quarter ended March 31, 1997 include $1.1 million associated with the acquired operations in France and Germany.

QUARTERLY RESULTS

The Company has experienced, and may in the future continue to experience, significant quarter to quarter fluctuations in results of operations and revenues. Such fluctuations may result in volatility in the price of the Company's Common Stock. Quarterly revenues and results of operations may fluctuate as a result of a variety of factors, including the lengthy sales cycle for the Company's products, the proportion of revenue attributable to license fees versus services, the amount of revenue generated by resales of third party software, changes in product mix, demand for the Company's products, the size and timing of individual license transactions, the introduction of new products and product enhancements by the Company or its competitors, changes in customer budgets, competitive conditions in the industry and general economic conditions. Further, the license of the Company's products generally involves a significant commitment of capital, and may be delayed due to time-consuming authorization procedures within an organization. For these and other reasons, the sales cycles for the Company's products are typically lengthy and subject to a number of significant risks over which the Company has little or no control, including customers' budgetary constraints and internal authorization reviews. The Company has historically operated with relatively little backlog, since its products are generally shipped as orders are received. The Company has historically recognized a substantial portion of its revenues in the last month of a quarter, with these revenues frequently concentrated in the last week of the quarter. License fees in any quarter are substantially dependent on orders booked and shipped in the last month and last week of that quarter. Delays in the timing of recognition of specific revenues may adversely and disproportionately affect the Company's results of operations because a high percentage of the Company's operating expenses are relatively fixed, and planned expenditures are based primarily on sales forecasts and only a small percentage of the Company's operating expenses vary with its revenues. Accordingly, the Company believes that period to period comparisons of results of operations are not necessarily meaningful and should not be relied upon as an indication of future results of operations. There can be no assurance that the Company will be profitable in any future quarter.

The Company's business has experienced and is expected to continue to experience significant seasonality, due in part to customer buying patterns. These fluctuations are caused primarily by customer budgeting and purchasing pattern, and by the Company's sales commission policies which compensate sale personnel on the basis of quarterly and annual performance quotas. The Company believes this pattern may continue in the future.

Due to the foregoing factors, it is likely that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. Such an event would have a material adverse effect on the price of the Company's Common Stock.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1997, the Company had cash, cash equivalents, restricted cash and short-term investments of $24.1 million and working capital of $2.9 million. As of March 31, 1997, the Company maintained a $9.0 million line of credit with a bank pursuant to an agreement dated July 26, 1996. By terms of the revolving line of credit, which is fully secured by the pledge of $10 million in certificates of deposit, the Company is required to comply with quarterly and annual financial statement reporting requirements. The Company's primary lender has authorized $5.0 million to be available for letters of credit that mature on July 31, 1998. At March 31,1997, approximately $8.7 million was available under the credit line and there were $1.3 million of outstanding letters of credit under this facility. In March 1997, the Company was advised by the bank that it was in technical default of the line of credit covenants, and that the line would not be available for future issuance of standby letters of credit or advances under the line of credit. The Company has requested that the technical defaults be waived, that the credit line be permanently reduced, and that the related pledge agreement be permanently reduced to the extent of any amounts in excess of amounts required to fully secure outstanding letters of credit.

The Company's operating activities provided (used) cash of ($5.7) million and $3.8 million for the three months ended March 31, 1996 and 1997, respectively. Net cash used by operations in the three months ended March 31, 1996 was comprised primarily of the net loss offset by an increase in deferred revenue. Net cash provided by operations during the three months ended March 31, 1997 was comprised of a decreases in accounts receivable and restricted cash, offset by the net loss and decreases in accounts payable and accrued expenses.

The Company's investing activities used cash of $7.1 million and $.5 million for the three months ended March 31, 1996 and 1997, respectively. The principal uses have been increases in short-term investments, capitalized software costs and equipment purchases.

Cash used by financing activities was $.4 million and $1.5 million during the three months ended March 31, 1996 and 1997, respectively and related mainly to the repayment of debt.

The Company has no significant capital commitments. The Company's aggregate minimum operating lease payments for the remainder of 1997 and 1998 are expected to be approximately $4.4 million. The Company believes that its available cash and cash equivalents, together with investment income and cash flows from operations, will be sufficient to meet its cash requirements at least through 1997.

During 1996, the Company and certain of its current and former officers and directors were named as defendants in six civil suits filed as class actions on behalf of individuals claiming to have purchased Computron Common Stock during the time period from August 24, 1995, through January 27, 1997. The suits were filed in the United States District Court for the District of New Jersey and have been consolidated by court order into one suit captioned In re Computron Software, Inc. Securities Litigation, Master File No-96-1911 (AJL). See "Item 1 of Part II. Legal Proceedings".

Since discovery only recently commenced, the Company is unable to assess the likelihood of an adverse result in the case. There can be no assurances as to the outcome of the case. The inability of the Company to resolve the claims that are the basis for the case or to prevail in any related litigation could result in the Company being required to pay substantial monetary damages for which the Company may not be adequately insured, which could have a material adverse effect on the Company's business, financial condition and results of operations. In any event, the Company's defense of such litigation, even if the outcome is favorable to the Company, has resulted and will continue to result in substantial costs to the Company.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS AND FINANCIAL CONDITION AND THE MARKET PRICE OF SECURITIES

The Company's future business, results of operations and financial condition are also dependent on the Company's ability to successfully develop, manufacture, market and support its products in order to meet customer demands. Inherent in this process are a number of factors that the Company must carefully manage in order to be successful. A discussion of certain of these factors is discussed below.

HISTORY OF OPERATING AND NET LOSSES

The Company generated a net loss of $8.6 million for 1995, $31.8 million for 1996 and reported a net loss for the first quarter of 1997 of $2.0 million. The Company also incurred a net loss for each of the five years in the period ended December 31, 1994. As of March 31, 1997, the Company had an accumulated deficit of $51.4 million. There can be no assurance that the Company will be profitable in the future.

POTENTIAL FOR SIGNIFICANT FLUCTUATIONS IN QUARTERLY OPERATING RESULTS; SEASONALITY

The Company has experienced, and may in the future experience, significant quarter to quarter fluctuations in revenues and results of operations. Such fluctuations may result in volatility in the price of the Company's Common Stock. Quarterly revenues and results of operations may fluctuate as a result of a variety of factors, including the lengthy sales cycle for the Company's products, the proportion of revenues attributable to license fees versus services, the utilization of third parties to perform services, the amount of revenue generated by resales of third party software, changes in product mix, demand for the Company's products, the size and timing of individual license transactions, the introduction of new products and product enhancements by the Company or its competitors, changes in customer budgets, competitive conditions in the industry and general economic conditions. Further, the license of the Company's products generally involves a significant commitment of capital and may be delayed due to time-consuming authorization procedures within an organization. For these and other reasons, the sales cycles for the Company's products are typically lengthy and subject to a number of significant risks over which the Company has little or no control, including customers' budgetary constraints and internal authorization reviews. The Company has historically operated with little backlog, since its products are generally shipped as orders are received. The Company has historically recognized a substantial portion of its revenues in the last month of a quarter, with these revenues frequently concentrated in the last week of the quarter. License fees in any quarter are substantially dependent on orders booked and shipped in the last month and last week of that quarter. Delays in the timing of recognition of specific revenues may adversely and disproportionately affect the Company's results of operations because a high percentage of the Company's operating expenses are relatively fixed, and planned expenditure such as continued expansion of the Company's sales force, are based primarily on sales forecasts and only a small percentage of the Company's operating expenses vary with its revenues. Accordingly, the Company believes that period to period comparisons of results of operations are not necessarily meaningful and should not be relied upon as an indication of future results of operations. There can be no assurance that the Company will be profitable in any future quarter.

The Company's business has experienced and is expected to continue to experience significant seasonality, due in part to customer buying patterns. These fluctuations are caused primarily by customer budgeting and purchasing patters and by the Company's sales commission policies which compensate sales personnel on the basis of quarterly and annual performance quotas. The Company believes this pattern may continue in the future.

Due to the foregoing factors, it is likely that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. Such an event would have a material adverse effect on the price of the Company's Common Stock.

DELISTING FROM NASDAQ AND MARKET ILLIQUIDITY; NO ASSURANCE OF RELISTING ON NASDAQ

In January 1997, the Company announced that information had come to the attention of the Board of Directors that may impact previously issued financial statements and the Company's independent auditors withdrew their reports on the Company's previously reported financial statements. The Nasdaq Stock Market subsequently delisted the Company's Common Stock from quotation on the Nasdaq National Market System ("Nasdaq"). Trading in the Common Stock of the Company is now being conducted on the over-the-counter market in the "pink sheets" and on the NASD's "Electronic Bulletin Board." Consequently, the liquidity of the Company's Common Stock has been seriously impaired which may result in lower prices for the Company's Common Stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for the Company's Common Stock.

In addition, since the Common Stock is delisted from trading on Nasdaq and the trading price of the Common Stock is less than $5.00 per share, trading in the Common Stock is also subject to the requirements of Rule 15g-9 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under such rule, broker/dealers who recommend such low-priced securities to persons other than established customers and accredited investors must satisfy special sale practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosure in connection with any trades involving a stock defined as a penny stock (generally, according to recent regulations adopted by the Securities and Exchange Commission, any equity security not traded on an exchange or quoted on Nasdaq that has a market price of less than $5.00 per share, subject to certain exceptions), including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith. Such requirement could severely limit the liquidity of the Company's Common Stock.

The Company has restated its previously reported financial statements and the independent auditors have reissued their reports. The Company has appealed the Nasdaq Stock Market's decision to delist the Company's stock from Nasdaq and there is a meeting scheduled for June 1997. There can be no assurance that the Nasdaq Stock Market will approve the Company's appeal.

LITIGATION

During 1996, the Company and certain of its current and former officers and directors were named as defendants in six class action civil suits. The suits were filed in the United States District Court for the District of New Jersey and have been consolidated by court order into one suit captioned In re Computron Software, Inc. Securities Litigation, Master File No. 96-1911 (AJL). A Third Amended Consolidated Class Action Complaint was filed on April 28, 1997, on behalf of all purchasers of Computron Common Stock during the period from August 24, 1995 to January 27, 1997. The complaint asserts claims under Sections 11 and 15 of the Securities Act of 1933, Sections 10 (b) and 20 (a) of the Securities Exchange Act of 1934, as amended, Rule 10b-5 of the Securities and Exchange Commission promulgated thereunder, and state law, and seeks unspecified compensatory damages, attorneys' fees and costs. At a conference on April 30, 1997, the Court set a discovery cut-off date for all non-expert discovery of November 28, 1997, and for all expert discovery of December 31, 1997. The Court scheduled trial for February 10, 1998. Additionally, the Court scheduled another status conference for May 28, 1997. The Company intends to vigorously defend itself against the suits.

Since discovery only recently commenced, the Company is unable to assess the likelihood of an adverse result in the case. There can be no assurances as to the outcome of the case. The inability of the Company to resolve the claims that are the basis for the case or to prevail in any related litigation could result in the Company being required to pay substantial monetary damages for which the Company may not be adequately insured, which could have material adverse effect on the Company's business, financial condition and results of operations. In any event, the Company's defense of such litigation, even if the outcome is favorable to the Company, has resulted and will continue to result in substantial costs to the Company.

Historically, the Company has been involved in other disputes and/or litigation encountered in its normal course of business. The Company believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's business, financial condition and results of operations or cash flows.

MANAGEMENT CHANGES

During the past three years the Company has experienced significant growth. This growth has placed a significant strain on the Company's management, administrative and operational resources and financial control systems. Simultaneously, the Company has experienced significant turnover of executive management. The Company has recently added a number of key officers, including its President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President, Finance and Administration, in February 1997. The Company's future results of operations will depend, in part, on its ability to strengthen its senior management group, and on the ability of its officers and key employees to improve its management, administrative, operational and financial reporting systems and to expand, train, manage and retain its employee base. The Company's inability to manage these issues effectively could have a material adverse effect on the quality of the Company's products, the Company's ability to retain key personnel and the Company's business and financial condition and results of operations.

REPORTING, OPERATING AND CONTROL ENVIRONMENT

Following the audits of the Company's consolidated financial statements for 1994 and 1995, the Company received management letters from its independent public accountants, Arthur Andersen LLP, which enumerated material weaknesses in the Company's financial and accounting processes, controls, reporting systems and procedures. The Company's independent public accountants highlighted the Company's need for additional financial and accounting personnel with software industry experience. In addition, the Company's independent public accountants noted (i) the need for uniformity in the language of its contracts and recommended that the Company standardize the terms of its license agreements and expand its internal contract review and approval procedures , (ii) deficiencies in the organization of customer and contract files and recommended that the Company improve and standardize record keeping, (iii) the need for expanded and formalized accounts receivable collection procedures, (iv) the need for improved documentation and record keeping relating to consulting service projects, and (v) the need to develop policies and procedures to accurately identify the date when technological feasibility of developed software has been attained and to improve the documentation and record keeping for capitalized software development costs and to do so on a timely basis. In addition, in the 1995 letter, the Company's independent public accountants recommended that the Company implement improved internal accounting control procedures approved by the Audit Committee of the Board of Directors and reorganize and upgrade the contracts administration processes, procedures and personnel to ensure proper revenue recognition and financial reporting.

Upon completion of the December 31, 1996 audit, the independent public accountants informed the Company that their management letter will again communicate material weaknesses similar to those included in the 1994 and 1995 management letters along with various other internal control deficiencies. In response to the independent public accountant's concerns and as a result of turnover in its accounting and finance departments, the Company has hired senior executives with software industry experience, including a Chief Executive Officer, a Chief Financial Officer, a

Vice President of Finance and Administration, a Corporate Controller and Corporate Counsel. The Company expects to hire additional professionals during the remainder of 1997 as part of a plan to strengthen the Company's management and internal controls. There can be no assurance that the Company will be successful in implementing such plan.

INTENSE COMPETITION

The financial applications and business software market is intensely competitive and rapidly changing. A number of companies offer products similar to the Company's products and target the same customers as the Company. The Company believes its ability to compete depends upon many factors within and outside its control, including the timing and market acceptance of new products and enhancements developed by the Company and its competitors, product functionality, performance, price, reliability, customer service and support, sales and marketing efforts and product distribution. The primary competition for Computron Financials are the financial applications software offered by Oracle Corporation, PeopleSoft, Inc. and SAP AG. The principal competitors for the Company's Computron Workflow and Computron COOL software are Kodak and FileNet Corporation. The Company has entered into an agreement with Wang pursuant to which Wang has the right to license Computron COOL software to third parties under its own private label and modify such software. Most of the Company's competitors are substantially larger than the Company and have significantly greater financial, technical and marketing resources and established, extensive direct and indirect channels of distribution. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the development, promotion and sale of their products than the Company. The Company's products also compete with products offered by other vendors, and with proprietary software developed by third-party professional service organizations and management information systems departments of potential customers. Due to the relatively low barriers to entry in the software market, the Company expects additional competition from other established and emerging companies as the client/server applications software market continues to develop and expand. The Company also expects that competition will increase as a result of software industry consolidations. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of the Company's prospective customers. Accordingly, it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. Increased competition is likely to result in price reductions, reduced gross margins and loss of market share, any of which would have a material adverse effect on the Company's business, results of operations and financial condition. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that competitive pressures will not have a material adverse effect on the Company's business, results of operations and financial condition.

DEPENDENCE ON PRINCIPAL PRODUCTS

Substantially all of the Company's revenues are derived from the licensing of Computron Financials, Computron Workflow, Computron COOL, Maintenance and Work Management and fees from related services. These products and services are expected to continue to account for substantially all of the Company's revenues for the foreseeable future. Accordingly, the Company's future results of operations will depend, in part, on achieving broader market acceptance of these products and services, as well as the Company's ability to continue to enhance these products and services to meet the evolving needs of its customers. A reduction in demand or increase in competition in the market for financial applications or business software, or decline in sales of such products and services, could have a material adverse effect on the Company business, results of operations and financial condition.

NEW PRODUCTS AND RAPID TECHNOLOGICAL CHANGE; RISK OF PRODUCT DEFECTS, DEVELOPMENT DELAYS AND LACK OF MARKET ACCEPTANCE

The financial applications and business software market is characterized by rapid technological change, changes in customer requirements, frequent new product introductions and enhancements and emerging industry standards. The introduction of products embodying new technologies and emergence of new industry standards can render existing products obsolete and unmarketable. Accordingly, the life cycles of the Company's products are difficult to estimate. The Company's future success will depend in part upon its ability to enhance its current products and to develop and introduce new products that respond to evolving customer requirements and keep pace with technological development and emerging industry standards, such as new operating systems, hardware platforms, interfaces and third party applications software. There can be no assurance that the Company will be successful in developing and marketing product enhancements or new products that respond to technological change, changes in customer requirements, or emerging industry standards, that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of such products and enhancements, or that any new products or enhancements that it may introduce will achieve market acceptance. The inability of the Company for technological or other reasons, to develop and introduce new products or enhancements in a timely manner in response to changing customer requirements, technological change or emerging industry standards, would have a material adverse effect on the Company's business, results of operations and financial condition.

Software products as complex as those offered by the Company often encounter development delays and may contain undetected errors or failures when introduced or when new versions are released. The Company has in the past experienced delays in the development of software by third parties which software is being licensed to and implemented by customers who are simultaneously licensing and implementing the Company's products. Those delays have resulted in delays in the development and shipment of the Company's products. There can be no assurance that, despite testing by the Company and by current and potential customers, errors will not be found in new products or enhancements after commencement of commercial shipments, or that the Company will not experience development delays, resulting in loss of or delay in market acceptance of a new product or enhancement, which could have a material adverse effect on the Company's business, results of operations and financial condition.

DEPENDENCE ON PROPRIETARY RIGHTS; RISKS OF INFRINGEMENT

The Company's success is heavily dependent upon its proprietary technology. The Company regards its software as proprietary, and relies primarily on a combination of contract, copyright and trademark law, trade secrets, confidentiality agreements and contractual provisions to protect its proprietary rights. The Company has no patents or patent applications pending, and existing trade secrets and copyright laws afford only limited protection. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's products is difficult, and while the Company is unable to determine the extent to which piracy of its software products exists, software piracy can be expected to be a persistent problem. The Company makes source code available to certain of its customers which may increase the likelihood of misappropriation or other misuse of the Company's software. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States. There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technologies.

Although the Company has certain common law rights in relation to its trademarks, service marks and product names, it does not have any trademark or service mark registrations. The Company has two pending applications for "COMPUTRON." A number of corporations and businesses have trademarks and service marks which are similar to or identical to "COMPUTRON." Although the Company believes that its "COMPUTRON" mark and other trademarks and service marks are distinct, there can be no assurance that the Company will be able to register or protect its trademarks and service marks.

The Company is not aware that any of its products, trademarks or other proprietary rights infringe the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to current or future products. As the number of software products in the industry increases and the functionality of these products further overlap, the Company believes that software developers may become increasingly subject to infringement claims. Any such claims, with or without merit, can be time consuming and expensive to defend, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty and license agreements, if required, may not be available on terms acceptable to the Company, or at all, which could have a material adverse effect on the Company's business, results of operations and financial condition.

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS

The Company derived approximately $9.1 million, $14.2 million, and $21.3 million or 28.0%, 26.9%, and 39.2% of its total revenues, from customers outside of the United States in 1994, 1995, and 1996, respectively. The company derived approximately $1.8 million and $7.4 million or 23.4% and 44.0% of its total revenues, from customers outside of the United States for the quarters ended March 31, 1996 and 1997, respectively. The Company expects that such revenues will continue to represent a significant percentage of its total revenues in the future. The Company believes that its continued growth and profitability will require expansion of its sales in international markets. The Company intends to continue to expand its operations outside of the United States and enter additional international markets, which will require significant management attention and financial resources. During 1996, the Company acquired the operations, customers and products of AT&T ISTEL, in Essen, Germany, and the Financial Software Service Division of Generale de Service Informatique, in Paris, France. There can be no assurance, however, that the Company will be able to maintain or increase international market demand for its products and services. Most of the Company's international license fees and services revenue are denominated in foreign currencies. Decreases in the value of foreign currencies relative to the U.S. dollar could result in losses from foreign currency translations. The Company does not currently hedge its foreign exchange exposure. With respect to the Company's sales that are U.S. dollar-denominated, decreases in the value of foreign currencies relative to the U.S. dollar could make the Company's products less price competitive. Additional risks inherent in the Company's international business activities generally include unexpected changes in regulatory requirements, tariffs and other trade barriers, costs of localizing products for foreign countries, lack of acceptance of localized products in foreign markets, longer accounts receivable payment cycles, difficulties in managing international operations, potentially adverse tax consequences, restrictions on repatriation of earnings and the burdens of complying with a wide variety of foreign laws. There can be no assurance that such factors will not have a material adverse effect on the Company's future international revenues and, consequently, on the Company's business, results of operations and financial condition.

EXPANSION OF INDIRECT CHANNELS

An integral part of the Company's strategy is to expand indirect marketing channels using systems integrators and to increase the proportion of the Company's customers licensed through such indirect channels. The Company is currently investing, and intends to continue to invest, significant resources to develop indirect marketing channels. There can be no assurance that the Company will be able to attract and retain systems integrators that will be able to market the Company's products effectively and will be qualified to provide timely and cost-effective customer support and service. The Company's agreements with such third parties are generally not exclusive and many of those third parties also market competitive products. In many cases, these agreements may be terminated by either party at any time without cause. The inability to attract and retain systems integrators could have a material adverse effect on the Company's business, results of operations and financial condition.

RELIANCE ON CERTAIN RELATIONSHIPS

The Company relies on relationships with a number of consultants, systems integrators and software and hardware vendors to enhance its product development and marketing and sales efforts, to implement the Company's software products and to support its customers. These relationships, many of which are not the subject of formal written agreements, provide marketing and sales leads to the Company's direct sales force, assistance in the Company's product development process and assistance in the service and implementation of the Company's products. There can be no assurance that these companies, most of which have significantly greater financial and marketing resources than the Company, will not develop or market software products which compete with the Company's products in the future or will not otherwise discontinue their relationships with or support of the Company. The failure by the Company to maintain its existing relationships, or to establish new relationships in the future, because of a divergence of interests, acquisition of one or more of these third parties or other reason, could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company also licenses software from third parties which is incorporated into its products. These licenses expire from time to time. In addition, the Company generally does not have access to source code for the software supplied by these third parties. Certain of these third parties are small companies that do not have extensive financial and technical resources. If any of these relationships were terminated or if any of these third parties were to cease doing business, the Company may be forced to expend significant time and development resources to replace the licensed software. Such an event would have a material adverse effect upon the Company's business, results of operations and financial condition.

CONTROL BY EXISTING STOCKHOLDERS

The Company's senior management, directors and affiliates together beneficially own approximately 65.6 % of the outstanding shares of Common Stock. As a result, these stockholders are able to exercise control over matters requiring stockholder approval, including the election of directors, and mergers, consolidations and sales of all or substantially all of the assets of the Company. This may prevent or discourage tender offers for the Company's Common Stock unless the terms are approved by such stockholders.

RELIANCE ON KEY PERSONNEL

The Company's future success will depend to a significant extent upon a number of key management and technical personnel. The loss of the services of one or more key employees could have a material adverse effect on the Company's business. The Company is a party to employment agreements with certain key personnel. In addition, the Company is the beneficiary of key-person life insurance on the lives of certain key personnel. The Company believes that its future success will also depend in large part upon its ability to attract and retain highly skilled technical, management, sales and marketing personnel. Competition for such personnel is intense, and the services of qualified personnel are difficult to obtain and replace. There can be no assurance that the Company will be successful in attracting and retaining the personnel necessary to develop, market, service and support its products and conduct its operations successfully. The inability of the Company to attract, hire, assimilate and retain such personnel, or to increase revenues at a rate sufficient to absorb the resulting increased expenses, would have a material adverse effect on the Company's business, results of operations and financial condition.

POSSIBLE VOLATILITY OF STOCK PRICE

The trading price of the Company's Common Stock has been, and, in the future could be subject to significant fluctuations in response to variations in quarterly operating results, the gain or loss of significant contracts, changes in earning estimates by analysts, announcements of technological innovations or new products by the Company or its competitors, general conditions in the software and computer industries and other events or factors. In addition, the stock market in general has experienced extreme price and volume fluctuations which have affected the market price from many companies in industries similar or related to that of the Company and which have been unrelated to the operating performance of such companies. These market fluctuations may adversely affect the market price of the Company's Common Stock.

ANTI-TAKEOVER EFFECT OF CERTAIN CHARTER AND BY-LAW PROVISIONS AND DELAWARE LAW

The Company's Fourth Amended and Restated Certificate of Incorporation authorizes the Board of Directors to issue, without stockholder approval, 5,000,000 shares of Preferred Stock with voting, conversion and other rights and preferences that could materially and adversely affect the voting power or other rights of the holders of Common Stock. Although the Company has no current plans to issue any shares of Preferred Stock, the issuance of Preferred Stock or of rights to purchase Preferred Stock could be used to discourage an unsolicited acquisition proposal. In addition, the possible issuance of Preferred Stock could discourage a proxy contest, make more difficult the acquisition of a substantial block of the Company's Common Stock or limit the price that investors might be willing to pay in the future for shares of the Company's Common Stock. Certain provisions of the Company's by-laws and of Delaware law applicable to the Company could delay or make more difficult a merger, tender offer or proxy contest involving the Company.

Part II

Other Information

ITEM 1. LEGAL PROCEEDINGS

During 1996, the Company and certain of its current and former officers and directors were named as defendants in six class action civil suits. The suits were filed in the United States District Court for the District of New Jersey and have been consolidated by court order into one suit captioned In re Computron Software, Inc. Securities Litigation, Master File No. 96-1911 (AJL). A Third Amended Consolidated Class Action Complaint was filed on April 28, 1997, on behalf of all purchasers of Computron Common Stock during the period from August 24, 1995 to January 27, 1997. The complaint asserts claims under Sections 11 and 15 of the Securities Act of 1933, Sections 10 (b) and 20 (a) of the Securities Exchange Act of 1934, as amended, Rule 10b-5 of the Securities and Exchange Commission promulgated thereunder, and state law, and seeks unspecified compensatory damages, attorneys' fees and costs. At a conference on April 30, 1997, the Court set a discovery cut-off date for all non-expert discovery of November 28, 1997, and for all expert discovery of December 31, 1997. The Court scheduled trial for February 10, 1998. Additionally, the Court scheduled another status conference for May 28, 1997. The Company intends to vigorously defend itself against the suits.

Since discovery only recently commenced, the Company is unable to assess the likelihood of an adverse result in the case. There can be no assurances as to the outcome of the case. The inability of the Company to resolve the claims that are the basis for the case or to prevail in any related litigation could result in the Company being required to pay substantial monetary damages for which the Company may not be adequately insured, which could have material adverse effect on the Company's business, financial condition and results of operations. In any event, the Company's defense of such litigation, even if the outcome is favorable to the Company, has resulted and will continue to result in substantial costs to the Company.

Historically, the Company has been involved in other disputes and/or litigation encountered in its normal course of business. The Company believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's business, financial condition and results of operations or cash flows.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits -
   - 10.15 Severance Agreement between the Company and Joseph Esposito (filed herewith)
   - 10.16 Employment Agreement between the Company and Michael Jorgensen (filed herewith)

b) Reports on Form 8-K -
   None

SIGNATURE

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

COMPUTRON SOFTWARE, INC.

Date: May 14, 1997 By: : /s/ Michael R. Jorgensen

Michael R. Jorgensen
Executive Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibits	Description
10.15	Severance Agreement between the Company and Joseph Esposito (filed herewith)
10.16	Employment Agreement between the Company and Michael Jorgensen (filed herewith)
27.1	Financial Data Schedule

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EXHIBIT 10.15

[COMPUTRON SOFTWARE, INC. LETTERHEAD]

March 6, 1997

Mr. Joseph Esposito
4 Shadow Ridge Court
Holmdel, NJ 07733

Dear Joseph,

Per our conversation, the following are the terms and conditions in connection with your separation without cause from Computron Software Inc., to be effective March 24, 1997. What follows are items/issues in connection with your separation, and most importantly, your ongoing support of the Computron organization.

1) Severance Pay - you will receive severance pay from Computron for an additional twelve (12) months following your termination date of March 24, 1997 (total amount of severance equals $200,000). This amount will be paid out in regular semi-monthly installments and will be processed in keeping with regular payroll procedures.

2) Transition Period - you will provide me with reasonable support during a period of not more than 45 days starting March 24, 1997. This is intended to insure a smooth transition of your activities and responsibilities to include: closing business with prospects, communicating with employees, etc. Your voice mail will remain active for a period of three (3) months following your termination.

3) Benefits - your medical, dental, vision and prescription coverage are eligible for continuation under COBRA for 18 months beyond your termination date. The company will pay the cost of COBRA coverage for a period of 12 months for family coverage that was in force at the time of termination. You will receive under separate cover information regarding your rights under COBRA, including costs. In addition, you will be eligible to continue contributions to the 401(k) plan during your severance period, and receive all the benefits of such plan. All other insurance related benefits, including LTD and life will terminate effective March 24, 1997 per the terms of the individual plans, as will all other benefits not specifically covered in this letter.

4) Stock Options - you will retain rights to your original incentive stock option grant of 180,000 (post-split) shares, as follows: at termination, you were 50% vested in such shares (90,000); as of October 3, 1997 you will vest in an additional 45,000 shares; at March 24, 1998 your remaining 45,000 will vest and all outstanding options not exercised by you will be converted to non-qualified options.

5) Vacation Pay - you will receive pay for 25 vacation days earned but not used as of your termination date. This will be paid to you on the March 31, 1997 paydate.

6) Contingent Severance - you will be eligible for the following:

$20,000 bonus which has been earned and is payable on March 15, 1997 ($10,000 bonus for Federal Express and $10,000 for 1st Qtr)

$30,000 bonus for AIG when deal is closed and contract is signed by customer. No bonus will be due or payable if contract closes after June 30, 1997 (payment will be made within 10 days of signing).

$20,000 bonus for Inchcape when deal is closed and contract is signed by customer. No bonus will be due or payable if contract closes after June 30, 1997 (payment will be made within 10 days of signing).

7) Relocation Expense - you will be provided with $24,000 towards relocation back to Atlanta. This amount will be paid to you on March 31, 1997. It will be your responsibility to provide our accounts payable department with receipts for your relocation expenses including expenses associated with the sales, purchase, moving and other misc. expenses. In the absence of such receipts at December 31, 1997, we will be forced to issue a 1099 to you for the unsupported amount.

8) Personal Computer - you may retain the personal computer issued to you, at no cost to you.

9) Expenses - you will receive payment of all outstanding expenses through March 24, 1997, as well as any additional expenses incurred while conducting business on behalf of the company during the transition period. All expenses will be subject to normal review and approval processes.

10) Disparagement - you and the company agree that neither party shall make any statements, whether oral or in writing, that would tend to disparage or defame you, the company, its products, services or employees.

11) Non Compete - you agree that for a period of one year after separation from the company that you will not directly or indirectly own, manage, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with, a business or enterprise which competes with the company's operations (Financial, Workflow, COLD software sales).

12) Non-solicitation - you agree that for a period of one year following separation from the company that you will not, directly or indirectly, solicit business, directly or indirectly for like or competitive Financial, Workflow, COLD software products only, from any person or entity to whom the company has sold its services during the two years preceding separation, nor shall the employee contact, communicate with or solicit any employee of the company with the intent, purpose or effect of inducing or encouraging said employee to leave the employ of the company or to breach other obligations to the company.

13) Directors and Officers liability coverage - in regard to the outstanding class action lawsuit, a joint defense will continued to be provided by the company at the company's expense if you are brought into the class action for any reason. The company also agrees to reimburse you for any legal fees, if required, to address any class action/SEC related issues.

Upon execution of this agreement, it is mutually agreed that the separation will be jointly communicated to management. All other communications, internal and external, will be mutually agreed upon with respect to date, time, audience and content.

You understand and acknowledge that if you do not abide with the terms of this severance agreement, the company reserves the right to cancel this agreement and you will therefore forfeit any remaining compensation, privileges, benefits, etc. furnished hereunder by Computron.

Agreed to:

/s/ John Rade	3/6/97	/s/ Joseph Esposito	3/6/97
John Rade	Date	Joseph Esposito	Date

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EXHIBIT 10.16

March 6, 1997

Mr. Michael R. Jorgensen
28 Whaler Lane
Quincy, MA 02171

Dear Mike;

This letter is to confirm our offer of employment to you, under the following terms and conditions, to join Computron Software, Inc. as Executive Vice President and Chief Financial Officer, reporting to myself in our Rutherford, NJ office, starting employment on February 10, 1997.

SALARY: Starting salary will be $6,875.00 semi-monthly, paid on the 15th and last business day of each month.

BONUS: You will be eligible for an $85,000 bonus based on attainment of objectives to be submitted within 30 days. A portion of this is guaranteed. For the first year, $35,000 is payable in quarterly installments starting March 31. The balance of $50,000 is payable at years end subject to achieving goals.

STOCK OPTIONS: We will recommend to the Board of Directors of Computron Software, Inc. that you be awarded a stock option of 150,000 shares which will vest over a four (4) year period. We have also recommended an anti-dilution provision to the board. In the event of sale of all or a substantial part of the company, your options will vest immediately.

BENEFITS: Computron provides its employees with Medical, Dental and Life Insurance coverage effective date of hire. Optional dependent coverage is available at the employee's expense. Please see attached Outline of Benefit summary for details, which includes all benefits offered at this time, including holidays, vacation and other time off, and similar. In addition, the company offers a 401(k) plan, also explained in the Summary.

CAR ALLOWANCE: You will also be entitled to an automobile allowance of $400.00 (four hundred dollars) per month and reimbursement of the insurance costs for your vehicle.

EMPLOYMENT: Computron Software, Inc. is an equal opportunity employer. In addition, it should be understood that employment is "at will", as defined under the laws of New Jersey, and thus such employment can be terminated with or without cause, at the option of either party.

SEVERANCE PAY: If, at any time, the Company decides to terminate your position for any reason other than for cause, or in the event of a "Change in Control", as defined below, then the Company will provide severance equal to twelve (12) months of your base salary payable in 24 semi-monthly installments.

As used here-in, a "Change in Control" of the Company shall be deemed to have occurred:

I. Upon the consummation, in one transaction or a series of related transactions, of the sale or other transfer of voting power (including voting power exercisable on a contingent or deferred basis as well as immediately exercisable voting power) representing effective control of the Company to a person or group of related persons who, on the date of this agreement, does not have effective voting control of the Company, whether such sale or transfer results from a tender offer or otherwise; or

II. Upon the consummation of a merger or consolidation in which the Company is a constituent corporation and in which the Company's shareholders immediately prior thereto will beneficially own, immediately thereafter, securities of the Company or any surviving or new corporation resulting therefrom having less than a majority of the voting power of the Company or any such surviving or new corporation; or

III. Upon the consummation of a sale, lease, exchange or other transfer or disposition by the Company of all or substantially all of its assets to any person or group of related persons.

TEMPORARY LIVING ALLOWANCE/RELOCATION: The Company will pay weekly roundtrips to Boston and the cost of temporary living for up to twelve (12) months. A relocation allowance of up to $20,000 against reasonable and actual expense will also be paid upon permanent relocation to New Jersey.

CONFIDENTIALITY: You agree that any confidential information that becomes available to you in the course of employment is the sole property of Computron and shall not be used by you for any purpose other than fulfilling your position's objectives. This applies while an active employee of inactive employee. A partial list of items covered by Confidentiality include:

- Employee Lists
- Customer Lists
- Prospect Lists
- Product Materials
- Technical Product Knowledge
- Confidential Financial Data
- Product Price Lists
- Sales/Marketing Strategy

The above information and any other confidential material will remain confidential for a period of two years after employment at Computron, except for customer lists and possible other technical data, which remains confidential in perpetuity unless Computron makes it available to the public.

Please countersign this offer and Non-Disclosure Agreement and return to me to officially indicate your acceptance. This offer is contingent upon your review and acceptance of our Offer Letter, a favorable response from your references, and our review of verification of your identity and employment authorization documents as set forth in the Immigration Reform and Control Act.

Sincerely,

/s/ John Rade
John Rade
Chief Executive Officer

I ACCEPT:

/s/ Michael R. Jorgensen	3/7/97
Michael R. Jorgensen	Date

cc: Human Resources Department
Payroll

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