



FORM 10-Q

AXS ONE INC – AXO

Filed: November 12, 1997 (period: September 30, 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 SEPTEMBER 30, 1997

COMMISSION FILE NUMBER 0-26358

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-2966911
(I.R.S. Employer Identification No.)

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

07070
(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 October 15, 1997

Class	Number of Shares Outstanding
Common Stock, par value \$0.01 per share	20,839,780

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

	December 31, 1996	September 30, 1997
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$19,730	\$12,253
Short-term investments	1,073	477
Restricted cash	3,081	1,142
Accounts receivable, less reserves of \$5,084 and \$3,642 in 1996 and 1997, respectively	20,340	10,668
Prepaid expenses and other current assets	1,988	2,312
Total current assets	----- 46,212	----- 26,852
Equipment and leasehold improvements, at cost:		
Computer and office equipment	10,249	10,949
Furniture and fixtures	1,436	1,342
Leasehold improvements	300	585
	----- 11,985	----- 12,876
Less - accumulated depreciation and amortization	7,598	9,042
	----- 4,387	----- 3,834
Capitalized software development costs, less amortization of \$3,095 and \$3,588 in 1996 and 1997, respectively		
	2,068	1,614
Goodwill, less amortization of \$535 and \$938 in 1996 and 1997, respectively		
	2,580	1,885
Other assets		
	1,446	1,303
	----- \$56,693	----- \$35,488
	=====	=====

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

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

	December 31, 1996	September 30, 1997
	-----	-----
Current liabilities:		
Current portion of long-term debt	\$ 506	\$ 30
Accounts payable	3,975	3,378
Accrued expenses	17,420	13,019
Note payable	1,402	--
Deferred revenue	18,551	11,145
	-----	-----
Total current liabilities	41,854	27,572
	-----	-----
Long-term liabilities:		
Long-term debt, less current portion	97	55
	-----	-----
Contingencies (Notes 3 and 4)		
Common stock subject to repurchase (Note 3)	--	5,000
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 20,840 shares at September 30, 1997	208	208
Additional paid-in capital	63,879	63,894
Accumulated deficit	(49,371)	(60,800)
Cumulative translation adjustment	26	(441)
	-----	-----
Total stockholders' equity	14,742	2,861
	-----	-----
	\$ 56,693	\$ 35,488
	=====	=====

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

COMPUTRON SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1997	1996	1997
Revenues:				
License fees	\$ 3,377	\$ 3,763	\$ 9,911	\$ 14,275
Services	10,405	12,336	24,766	35,421
	-----	-----	-----	-----
Total revenues	13,782	16,099	34,677	49,696
	-----	-----	-----	-----
Operating expenses:				
Cost of license fees	468	534	1,725	1,421
Cost of services	7,900	7,085	18,763	20,518
Sales and marketing	6,416	3,085	18,843	11,466
Research and development	3,078	2,573	8,896	7,369
General and administrative	4,408	4,005	11,236	11,798
	-----	-----	-----	-----
Total operating expenses	22,270	17,282	59,463	52,572
	-----	-----	-----	-----
Operating loss	(8,488)	(1,183)	(24,786)	(2,876)
	-----	-----	-----	-----
Other income (expense):				
Costs related to proposed settlement of class action litigation	--	(6,912)	--	(9,185)
Other income	490	166	1,730	714
Other expense	(19)	(18)	(84)	(82)
	-----	-----	-----	-----
Other income (expense), net	471	(6,764)	1,646	(8,553)
	-----	-----	-----	-----
Loss before income taxes	(8,017)	(7,947)	(23,140)	(11,429)
Income tax provision	41	--	74	--
	-----	-----	-----	-----
Net loss	\$ (8,058)	\$ (7,947)	\$ (23,214)	\$ (11,429)
	=====	=====	=====	=====
Net loss per common and common stock equivalent	\$ (0.39)	\$ (0.38)	\$ (1.12)	\$ (0.55)
	=====	=====	=====	=====
Weighted average number of common and common equivalent shares	20,801	20,819	20,811	20,822
	=====	=====	=====	=====

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)

	Nine Months Ended	
	September 30, 1996	September 30, 1997
	-----	-----
Net loss	\$(23,214)	\$(11,429)
Adjustments to reconcile net loss to net cash flows used in operating activities -		
Proposed non-cash class action litigation costs	--	5,000
Depreciation and amortization	2,908	2,422
Provision for doubtful accounts	1,105	300
Loss on sale of equipment and leasehold improvements	--	27
Changes in current assets and liabilities net of effect of acquisitions:		
Restricted cash	(2,924)	1,939
Accounts receivable	(301)	9,372
Prepaid expenses and other current assets	(733)	(324)
Accounts payable and accrued expenses	5,153	(3,694)
Deferred revenue	1,961	(7,406)
	-----	-----
Net cash flows used in operating activities	(16,045)	(3,793)
Cash flows from investing activities:		
Other assets	61	143
Capitalized software development costs	(1,088)	--
Purchase of equipment and leasehold improvements	(1,864)	(1,248)
Proceeds from sale of equipment and leasehold improvements	--	75
Net cash paid for acquisitions in France and Germany	(1,373)	--
Cash paid for acquisition costs	(211)	--
Short-term investments	(3,344)	596
	-----	-----
Net cash flows used in investing activities	(7,819)	(434)
Cash flows from financing activities:		
Proceeds from exercise of stock options	82	15
Repayment of notes payable	(1,564)	(1,402)
Payments of long term debt	(563)	(518)
Decrease in liabilities related to acquisitions	(750)	(1,304)
	-----	-----
Net cash flows used in financing activities	(2,795)	(3,209)
Foreign currency exchange rate effects	46	(41)
	-----	-----
Net decrease in cash and cash equivalents	(26,613)	(7,477)
Cash and cash equivalents, beginning of period	45,119	19,730
	-----	-----
Cash and cash equivalents, end of period	\$ 18,506	\$ 12,253
	=====	=====
Supplemental disclosures of cash flow information and noncash financing activities:		
Cash paid during the period for -		
Interest	\$ 84	\$ 27
	=====	=====
Income taxes	\$ 87	\$ 37
	=====	=====
Capital lease obligations incurred	\$ 43	\$ --
	=====	=====

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 and nine months ended September 30, 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 and nine month periods ended September 30, 1996, is as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 1996		NINE MONTHS ENDED SEPTEMBER 30, 1996	
	Previously Reported	As Restated	Previously Reported	As Restated
Total Revenue	\$ 13,594	\$ 13,782	\$ 36,846	\$ 34,677
Loss from operations	(8,626)	(8,488)	(22,905)	(24,786)
Net Loss	(8,196)	(8,058)	(21,333)	(23,214)
Net Loss per share	(0.39)	(0.39)	(1.03)	(1.12)

(3) SUBSEQUENT EVENT - PROPOSED LITIGATION SETTLEMENT

During 1996, the Company and certain of its current and former officers and directors were named as defendants in nine 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 Fourth Amended Consolidated Class Action Complaint was filed on May 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 seeks unspecified compensatory damages, attorneys' fees and costs. The Court entered a stipulated order certifying the plaintiff class to include purchasers of Computron Common Stock from August 24, 1995, to January 27, 1997, including certain subclasses therein.

On October 28, 1997 the Company announced that a settlement, which is still subject to final documentation and court approval, was reached with lead counsel representing the certified class in the class action. As its share of the settlement, the Company will pay \$1 million in cash, and an additional \$5 million, which may be paid in the form of newly issued Computron common stock or, at the option of the Company, in cash.

The overall settlement includes consideration totaling \$15 million for the benefit of class members, which includes \$6 million of consideration from the Company, and a total of \$9 million in cash from certain of its present and former officers and directors, its former auditors, and the insurance companies that provided the Company with directors and officers liability insurance. In return for the payments by the insurance companies, the settlement also resolves a separate lawsuit brought by the Company against the insurance companies.

To the extent that the settlement includes stock, class members will receive a non-transferable right to resell the stock received in the settlement to a payment agent during an exercise period in December 1998 at a price to be negotiated. The number of shares to be issued and the price at which class members can exercise their right to resell the shares remain subject to negotiation. The resale right will expire at the end of the exercise period, or earlier as to any shares issued in the settlement that are sold by class members.

The resale right will also expire earlier than the exercise period if Computron's common stock trades on NASDAQ or a national securities exchange for 20 consecutive trading days at a price exceeding the exercise price of the resale right. The Company will arrange a \$5 million guarantee from a financial institution representing the maximum amount payable to class members upon exercise of their rights to resell the stock. In addition to professional fees related to the litigation, the Company has recorded a \$6 million charge to other income (expense) during the quarter ended September 30, 1997, reflecting the Company's share of the estimated settlement amount.

(4) CONTINGENCIES

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 within the meaning of the safe harbor provisions of section 21E of the Securities Exchange Act of 1934 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'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. 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 Company received a management letter which communicated material weaknesses similar to certain of those included in the 1994 and 1995 management letters along with certain other recommendations. 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 Senior Vice President of Operations, a Chief Financial Officer, a Vice President of Finance and Administration, a Corporate Controller, several international Controllers and Managing Directors and Corporate Counsel. The Company expects to further strengthen the Company's financial management and internal controls during the remainder of 1997.

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 \$11.4 million for the nine months ended September 30, 1997. As of September 30, 1997, the Company had an accumulated deficit of \$60.8 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues:				
License fees	24.5%	23.4%	28.6%	28.7%
Services	75.5	76.6	71.4	71.3
Total revenues	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of license fees	3.4	3.3	5.0	2.9
Cost of services	57.3	44.0	54.1	41.3
Sales and marketing	46.6	19.2	54.3	23.1
Research and development	22.3	16.0	25.7	14.8
General and administrative	32.0	24.9	32.4	23.7
Total operating expenses	161.6	107.4	171.5	105.8
Operating loss	(61.6)	(7.4)	(71.5)	(5.8)
Other income (expenses):				
Costs related to proposed settlement of class action litigation	--	(42.9)	--	(18.5)
Other income	3.4	0.9	4.7	1.3
Total other income (expense), net	3.4	(42.0)	4.7	(17.2)
Loss before income taxes	(58.2)	(49.4)	(66.8)	(23.0)
Provision for income taxes	0.3	--	0.2	--
Net loss	(58.5%)	(49.4%)	(67.0%)	(23.0%)

TOTAL REVENUES

Total revenues increased 16.8% and 43.3% for the three and nine months ended September 30, 1997, compared to the corresponding prior year periods. The increase was attributable to an

increase in both license fees and services revenue including total revenues of \$5.1 million from one customer which represented 10.2% of total revenue during the nine months ended September 30, 1997. In addition, a separate customer accounted for \$1.7 million or 10.4% of total revenues during the three months ended September 30, 1997. Results of operations for the three and nine month periods ended September 30, 1997 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 \$6.7 million and \$21.9 million, or 41.4% and 44.1% of its total revenues, from customers outside of the United States for the three and nine months ended September 30, 1997, respectively, compared to \$5.8 million, and \$12.9 million, or 42.0% and 37.2%, respectively, for the corresponding prior year periods. The Company expects that revenues from customers outside the United States 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. 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 11.4% and 44.0% for the three and nine month periods ended September 30, 1997, respectively, as compared to the prior year periods. The increase for the nine months ended September 30, 1997 includes license revenues of \$3.5 million from one customer or 24.5% of total license revenues for the nine month period. In addition, license revenue of \$1.4 million from a different customer accounted for 35.9% of total license revenue for the three months ended September 30, 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 18.6% or \$1.9 million and 43.0% and \$10.7 million for the three and nine months ended September 30, 1997, as compared to prior year periods. The increases were 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 \$2.7 million and \$8.4 million of service revenues during the three and nine months ended September 30, 1997, compared to \$2.9 million and \$5.0 million for the comparable 1996 periods.

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 dollar cost of license fees increased during the three months ended September 30, 1997, as compared to the corresponding prior year period due to increased costs associated with sales of third party software. However, such costs decreased during the nine month period ended September 30, 1997. Cost of license fees for the nine months ended September 30, 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, implementation, 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1996	1997
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)			
Services revenue	\$10,405	\$12,336	\$24,766	\$35,421
Cost of services	7,900	7,085	18,763	20,518
Cost of services as a percentage of services revenue	75.9%	57.4%	75.8%	57.9%

For the three and nine months ended September 30, 1997, cost of services as a percentage of services revenue decreased compared to the three and nine months ended September 30, 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 customer support costs as compared to implementation and consulting 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 license fee revenues:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1996	1997
	(IN THOUSANDS, EXCEPT PERCENTAGE DATA)			
Sales and marketing expense	\$ 6,416	\$ 3,085	\$ 18,843	\$ 11,466
Percentage increase (decrease) over the comparable period in the prior year	45.6	(51.9)	41.0	(39.1)
Sales and marketing expense as a percentage of total license fee revenue	190.0%	82.0%	190.1%	80.3%

Sales and marketing expenses decreased as a percentage of total license fee revenue for the three and nine months ended September 30, 1997, as compared to the prior year periods, primarily due to a decrease in personnel of approximately 39% as of September 30, 1997, as compared to September 30, 1996, sales and marketing programs initiated during the 1996 periods which were not repeated in 1997, and an increase in license fee revenues during the 1997 periods.

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 16.4% and 17.2%, respectively during the three and nine month periods ended September 30, 1997, as compared to the prior year periods. The Company capitalized software development costs of \$.2 million and \$1.1 million in the three and nine months ended September 30, 1996 and none in the 1997 periods. 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 24.9% and 23.7% of total revenues for the three and nine months ended September 30, 1997, compared to 32.0% and 32.4% of total revenues for the three and nine months ended September 30, 1996. General and administrative expenses increased 5.0% for the nine months ended September 30, 1997, as compared to prior year period, primarily due to acquired infrastructures in France and Germany. General and administrative expenses for the three and nine months ended September 30, 1997, include \$1.1 million and \$3.7 million associated with the acquired operations in France and Germany, compared to \$.3 million and \$.7 million for the comparable 1996 periods. These increases were offset in part by decreases in the Company's provision for doubtful accounts and professional fees during the 1997 periods.

COSTS RELATED TO PROPOSED SETTLEMENT OF CLASS ACTION LITIGATION

Litigation and proposed settlement costs associated with the class action civil suit resulted from the commencement of discovery during 1997 and the tentative settlement agreement announced on October 28, 1997 (see Note 3).

OTHER INCOME (EXPENSE)

Other income (expense) net decreased to (\$6.8) million and (\$8.6) million for the three and nine months ended September 30, 1997, respectively, compared to \$.5 million and \$1.6 million for the comparable prior year periods due to lower invested balances of cash, cash equivalents and short-term investments, and the costs related to the proposed settlement of the class action litigation (see note 3).

At September 30, 1997, the Company had cash, cash equivalents, restricted cash and short-term investments of \$13.9 million and a working capital deficit of \$.7 million. As of September 30, 1997, the Company maintains \$7 million in lines of credit with two banks which may be used for borrowings or letters of credit. As the Company borrows or secures letters of credit, such amounts will be secured by the pledge of an equal amount of certificates of deposit. The lines of credit expire during 1998. At September 30, 1997, the Company had no borrowings under the line of credit and there were \$1.3 million of outstanding letters of credit under these facilities.

The Company's operating activities used cash of \$16.0 million and \$3.8 million for the nine months ended September 30, 1996 and 1997, respectively. Net cash used in operations in the nine months ended September 30, 1996 was comprised primarily of the net loss offset by depreciation and amortization and increases in accounts payable and accrued expenses. Net cash used in operations during the nine months ended September 30, 1997 was comprised of the net loss and decreases in accounts payable and accrued expenses and deferred revenue offset by depreciation and amortization expense, decreases in accounts receivable and the proposed non-cash class action litigation costs.

The Company's investing activities used cash of \$7.8 million and \$.4 million for the nine months ended September 30, 1996 and 1997, respectively. The principal uses of cash during 1996 were increases in short-term investments, capitalized software costs and equipment purchases. The principal uses of cash during 1997 were equipment purchases offset by decreases in short term investments.

Cash used by financing activities was \$2.8 million and \$3.2 million during the nine months ended September 30, 1996 and 1997, respectively and related mainly to the repayment of debt associated with acquisitions.

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 \$3.1 million.

During 1996, the Company and certain of its current and former officers and directors were named as defendants in nine 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."

On October 28, 1997 the Company announced that a settlement, which is subject to final documentation and Court approval, was reached with lead counsel representing the certified class in the class action. In addition to professional fees related to the litigation, the Company has recorded a \$6 million charge to other income (expense) during the quarter ended September 30, 1997, reflecting the Company's share of the estimated settlement amount (see note 3).

The Company expects that its operating cash flow will be sufficient to fund the Company's working capital requirements (including the common stock subject to repurchase) through 1998.

However, the Company's ability to achieve this result is affected by the extent of cash generated from operations and pace at which the Company utilizes its available resources. In addition, the Company expects to arrange a \$5 million guarantee from a financial institution representing the maximum amount payable to class members upon exercise of their rights to resell the stock. Accordingly, the Company may in the future be required to seek additional sources of financing, including borrowing and/or the sale of equity securities. No assurance can be given that any such additional sources of financing or guarantees will be available on acceptable terms or at all.

NEW ACCOUNTING STANDARD

In March 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share. SFAS No. 128 establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock. This statement is effective for fiscal years ending after December 15, 1997 and early adoption is not permitted. When adopted, the statement will require restatement of prior years' earnings per share. The Company will adopt this statement for its fiscal year ended December 31, 1997. In addition, the Company believes that the adoption of SFAS No. 128, including the effect on prior periods will not have a material effect on its financial statements.

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 patterns, 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.

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 set forth 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 nine months ended September 30, 1997 of \$11.4 million. The Company also incurred a net loss for each of the five years in the period ended December 31, 1994. As of September 30, 1997, the Company had an accumulated deficit of \$60.8 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 expenditures, 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 patterns 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.

During 1996, the Company and certain of its current and former officers and directors were named as defendants in nine 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). See Note 3 and "Item I of Part II, Legal Proceedings" for further discussion.

On October 28, 1997 the Company announced that a settlement, which is subject to final documentation and Court approval, was reached with lead counsel representing the certified class in the class action. In addition to professional fees related to the litigation, the Company has recorded a \$6 million charge to other income (expenses) during the quarter ended September 30, 1997, reflecting the Company's share of the estimated settlement amount (see note 3).

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 and a senior Vice President of Operations and several Managing Directors through October 15, 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, 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, the 1995 letter, 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 Company received a management letter which communicated material weaknesses similar to certain of those included in the 1994 and 1995 management letters along with other recommendations. 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 Senior Vice President of Operations, a Chief Financial Officer, a Vice President of Finance and Administration, a Corporate Contoller, several international Controllers and Managing Directors and Corporate Counsel. The Company expects to further strengthen the Company's financial management and internal controls during the remainder of 1997.

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 products offered by Eastman Software (formerly Wang Software) and FileNet Corporation. The Company has entered into an agreement with Eastman pursuant to which Eastman 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 under limited circumstances 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.

The Company has obtained a Federal registration for its trademark "COMPUTRON" in the United States. In addition, the company has certain common law rights in relation to its other trademarks, service marks and product names. Although the Company believes that its trademarks and service marks are distinct, there can be no assurances that the Company will be able to 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 \$12.8 million and \$21.9 million or 37.2 % and 44.1% of its total revenues, from customers outside of the United States for the nine

months ended September 30, 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 certain operations, customers and products of AT&T ISTEEL, 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. 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

At December 31, 1996, the Company's senior management, directors and affiliates together beneficially owned 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 of the securities of 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.

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 nine 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 Fourth Amended Consolidated Class Action Complaint was filed on May 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 seeks unspecified compensatory damages, attorneys' fees and costs. The Court entered a stipulated order certifying the plaintiff class to include purchasers of Computron Common Stock from August 24, 1995, to January 27, 1997, including certain subclasses therein.

On October 28, 1997 the Company announced that a settlement, which is still subject to final documentation and court approval, was reached with lead counsel representing the certified class in the class action. As its share of the settlement, the Company will pay \$1 million in cash, and an additional \$5 million, which may be paid in the form of newly issued Computron common stock or, at the option of the Company, in cash.

The overall settlement includes consideration totaling \$15 million for the benefit of class members, which includes \$6 million of consideration from the Company, and a total of \$9 million in cash from certain of its present and former officers and directors, its former auditors, and the insurance companies that provided the Company with directors and officers liability insurance. In return for the payments by the insurance companies, the settlement also resolves a separate lawsuit brought by the Company against the insurance companies.

To the extent that the settlement includes stock, class members will receive a non-transferable right to resell the stock received in the settlement to a payment agent during an exercise period in December 1998 at a price to be negotiated. The number of shares to be issued and the price at which class members can exercise their right to resell the shares remain subject to negotiation. The resale right will expire at the end of the exercise period, or earlier as to any shares issued in the settlement that are sold by class members.

The resale right will also expire earlier than the exercise period if Computron's common stock trades on NASDAQ or a national securities exchange for 20 consecutive trading days at a price exceeding the exercise price of the resale right. The Company will arrange a \$5 million guarantee from a financial institution representing the maximum amount payable to class members upon exercise of their rights to resell the stock. In addition to professional fees related to the litigation, the Company has recorded a \$6 million charge to other income (expense) during the quarter ended September 30, 1997, reflecting the Company's share of the estimated settlement amount.

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
 - 10.17 Termination Agreement between the Company and Andreas Typaldos
 - 10.18 Consulting Agreement between the Company and Andreas Typaldos
- b) Reports on Form 8-K - Changes in Registrant's Certifying Accountant filed on July 28, 1997

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: November 12, 1997 By: : /s/ Michael R. Jorgensen

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

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AGREEMENT

This Agreement is made by Computron Software, Inc. ("Computron") and Andreas Typaldos ("Typaldos"). Computron and Typaldos shall hereafter collectively be referred to as the "Parties."

W I T N E S S E T H

WHEREAS, Typaldos has been an employee of Computron pursuant to an employment agreement, dated November 18, 1991 (as amended, the "Employment Agreement"); and

WHEREAS, the Parties wish to sever their relationship and settle any outstanding severance obligations which may exist between them;

NOW, THEREFORE, for and in consideration of the representations made, actions and agreements to be undertaken, and payments to be made as set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

A. Typaldos agrees that his employment with Computron terminated effective as of November 27, 1996 (the "Termination Date").

B. Typaldos agrees that his membership on Computron's board of directors and his position as chairman of said board of directors terminated on the Termination Date. Typaldos agrees that his membership in the board of directors of each subsidiary of Computron is terminated as of the Termination Date.

C. Typaldos agrees to cooperate fully with Computron's Chief Executive Officer to assure a smooth transition of his duties and responsibilities and to otherwise provide Computron with his full and complete cooperation from the Termination Date through and including November 30, 1997. Such cooperation and assistance shall be provided by Typaldos during such time without any further payments by Computron.

D. Typaldos shall retain stock options to purchase an aggregate of 30,000 shares of Computron's Common Stock, par value \$.01 ("Common Stock"), at an exercise price of \$1.90 per share. Additional stock options to purchase an aggregate of 30,000 shares of Common Stock, at an exercise price of \$1.90 per share, shall be deemed to have vested immediately upon the Termination Date. All such stock options shall be governed by the terms of the 1995 Stock Option Plan and the underlying stock option agreements (the "Stock Option Agreements"). Pursuant to such Stock Option Agreements, such stock options shall be exercisable at any time prior to December 31, 1997.

E. Computron shall pay Typaldos his full salary for one full year following the Termination Date at the rate being paid to Typaldos prior to May 1996, for a total of Four Hundred Fifty-Three Thousand Six Hundred Dollars and No Cents (\$453,600.00) (the "Severance Amount"). A portion of the Severance Amount has been paid to Typaldos since the Termination Date in semi-monthly installments (the "Payments") in accordance with Computron's existing payroll policies. Computron shall continue to pay to Typaldos the balance of the Severance Amount in accordance with Computron's existing payroll policies, with the last such payment to be made on or about November 1, 1997. Any payments shall be subject to standard and customary withholdings. Computron shall also pay Typaldos upon execution of this Agreement by Typaldos and Computron (i) all deferred compensation (the "Deferred Compensation") since May 1996 earned by Typaldos in accordance with the Employment Agreement but not yet paid through the date hereof, which amount is Seventy Thousand Dollars and No Cents (\$70,000.00) and (ii) amounts in respect of any accrued and earned, but unused, vacation time for the period commencing one year prior to the Termination Date through the Termination Date. Typaldos understands that he will not earn any additional vacation credit following the Termination Date. Computron shall reimburse Typaldos for all appropriate travel and entertainment expenses incurred by Typaldos prior to the Termination Date in accordance with its then existing policy within ten (10) days of presentation of appropriate documentation by Typaldos to Computron. Computron will transfer the life insurance policies listed on Schedule A attached hereto to Typaldos and will execute a policy loan with the proceeds payable to Computron for the maximum amount available under such policies less the cumulative annual premium and interest amounts through November 30, 2000. It is understood that Computron will not repay the policy loan and will retain any cash value in excess of the cumulative annual premiums and interest amounts through November 30, 2000. Computron will also pay the premiums for the disability insurance policies referenced on Schedule A for a period of one year from the Termination Date.

F. Typaldos shall retain possession of the automobile leased for his use by Computron until the expiration or termination of said lease (provided that no renewal options may be exercised) at which time Typaldos shall relinquish all rights to said automobile and shall make it available to lessor of said automobile. Computron agrees to make the monthly lease payments until the expiration or termination of such lease. Computron shall have no other or further obligations to make any payments under such lease (including, but not limited to, charges for wear and tear or purchase options).

G. Typaldos shall retain possession and ownership of the personal computer and laptop computer previously provided to Typaldos by Computron.

H. Computron shall pay to the provider of Typaldos' choice an amount of up to One Thousand Dollars (\$1,000) per month, for a period of twelve months, to cover the costs of an office in Manhattan, New York and the necessary secretarial services, supplies and related costs. Said amount shall be paid monthly in arrears on or about the tenth (10th) day of each month upon presentation of an invoice.

I. Typaldos will remain eligible to participate in Computron's health insurance program, at Computron's expense, for three years from the Termination Date (the "Benefit Period") unless and until Typaldos commences full-time employment with another employer that offers health insurance that is substantially equivalent to Computron's health insurance. Said health insurance program shall be equivalent to the health insurance programs that Computron provides to its senior executives.

J. Typaldos acknowledges that the payments made hereunder are not part of an exit incentive or other employment termination program offered to a group or class of employees.

K. Typaldos and Computron agree that, in order to better protect the goodwill of Computron and to better assure the prevention of disclosure of confidential materials and information of Computron, and given the unique nature of the services he has provided to Computron, Typaldos will not, directly or indirectly, for his own benefit or for or with any other person, firm or corporation, engage in any business or practice in direct competition with Computron for a period of one year following the Termination Date. Typaldos also agrees that he will not, directly or indirectly, for his own benefit or for or with any other person, firm, or corporation, become employed (including without limitation as an employee, consultant, or partner) by any person in any capacity in "direct and major competition" with Computron for a period of one year following the Termination Date. Those business entities listed as competitors in any Form 10-K or Form 10-Q of Computron from 1991 to 1998, inclusive, are in "direct and major competition" with Computron for purposes of this Section K.

L. Typaldos' prior employment with Computron creates a relationship of confidence and trust between Computron and him with respect to certain information applicable to the business of Computron or applicable to the business of any client or customer of Computron, which may be made known to him by Computron or by any client or customer of Computron, or learned by him during his employment. Computron possesses and will continue to possess information that has been or will be created, discovered, or developed by, or that otherwise has or will become known to, Computron (including, but not limited to, information created, discovered, or developed by Typaldos or made known to Typaldos during the period of or arising out of his prior employment by Computron), or in which property rights have been or may be assigned or otherwise conveyed to Computron, which information has commercial value in the business in which Computron is engaged and is treated by Computron as confidential. All such information is hereinafter called "Proprietary Information," which term, as used herein, shall also include, but shall not be limited to, trade secrets, systems, processes, formulae, data, functional specifications, blueprints, computer programs, know-how, improvements, discoveries, developments, designs, inventions, techniques, marketing plans, distribution channels, strategies, forecasts, new products, unpublished financial statements, budgets, projections, licenses, prices, costs, and customer and supplier lists. Without limiting Typaldos' obligations under Section K of this Agreement, Typaldos acknowledges that by reason of his prior employment with Computron, he has been

given, and in the future may be given access to Proprietary Information of Computron, its subsidiaries, or its dedicated distributors (individually and collectively the "Computron Entities"). Typaldos represents and warrants that he has kept, will keep, and will continue to keep all such information confidential and that he will not use such information for any purpose, except in connection with any legal proceeding to which Typaldos is a party, without the prior written consent of the Chief Executive Officer of Computron. All Proprietary Information shall be the sole property of Computron and its assigns.

M. Except for the payments and benefits provided in this Agreement, Typaldos acknowledges and agrees that he is entitled to no other salary, compensation, vacation pay, pension, insurance coverage or any other payments or benefits from Computron in connection with his employment with Computron, including without limitation any payments or benefits under the Employment Agreement. Typaldos hereby releases, discharges and covenants not to sue Computron, its past and present partners, parent, subsidiaries, related entities, predecessors, successors, directors, officers, employees, employer-sponsored employee benefit and welfare benefit plans, trustees, and administrators of such plans, contractors, and assigns from and with respect to any and all claims, actions, suits, agreements, liabilities, and damages whatsoever, known or unknown, arising out of the Employment Agreement or Typaldos' separation from his employment with Computron, including without limitation any claim at common law based on tort or contract, any claim for payments or benefits under the Employment Agreement, or any claim for breach of the Employment Agreement.

N. This Agreement is deemed to have been entered into in the State of New Jersey and shall be construed and interpreted in accordance with the laws of that state.

O. The Parties acknowledge and agree that no promises or representations were made which do not appear written in this Agreement. This Agreement represents the entire agreement between the parties hereto with respect to the severance of Typaldos' employment with Computron. This Agreement supersedes any and all prior agreements, whether written or oral, between the parties hereto, except for any agreements listed on Schedule A. Any provision set forth in the term sheet dated November 26, 1996 by and between the Parties shall not be modified or superseded by this Agreement unless the subject matter of the provision has been specifically addressed herein. This Agreement shall be construed to be fully enforceable. If for any reason any part of this Agreement is determined to be void or unenforceable, this Agreement and/or any remaining part hereof shall be construed without reference to such void or inapplicable provisions to be an enforceable Agreement between the parties.

P. All controversies, claims and disputes arising out of or relating to this Agreement, including without limitation any violation of its terms, shall be resolved by final and binding arbitration before a panel of three arbitrators in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The costs of such arbitration, including the arbitrators' fees, shall be divided equally between the parties. Each party shall be responsible for its own attorney's fees. With respect to any

breach or threatened breach of Sections K or L of this Agreement, Computron may elect to commence an action in a federal or state court of appropriate jurisdiction.

Q. The Parties acknowledge that they have read and understand the foregoing Agreement and that they sign it voluntarily and without coercion. They further acknowledge that they have been advised by and been given the opportunity to consult with an attorney of their own choosing concerning the provisions contained in this Agreement.

Dated: September 29, 1997 /s/ Andreas Typaldos

Andreas Typaldos

Dated: September 29, 1997 Computron Software, Inc.

By: /s/

SCHEDULE A

Life Insurance

Policy -----	Policy No. -----	Annual Premium -----
New England Mutual Life	NE06920195	\$16,050
New England Mutual Life	NE08728364	\$20,445

Disability Insurance

Policy No. -----	Annual Premium -----
DO66760	\$2,837
OD113929	\$2,577

Surviving Agreement

Agreement of Undertaking, executed by Andreas Typaldos, to repay amounts advanced by Computron in connection with the pending class action litigation and related proceedings.

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CONSULTING AGREEMENT

This Consulting Agreement is made by Computron Software, Inc. ("Computron") and Andreas Typaldos ("Typaldos").

W I T N E S S E T H :

WHEREAS, in accordance with the Agreement relating to the termination of employment of even date herewith (the "Agreement") between Typaldos and Computron, Typaldos has ceased his employment with Computron effective as of November 27, 1996;

WHEREAS, Computron desires to retain Typaldos to provide consulting services, and Typaldos desires to provide such consulting services to Computron, upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the representations made, actions and agreements to be undertaken, and payments to be made as set forth herein, and further good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Typaldos and Computron, the parties agree as follows:

1. CONSULTATION:

(a) During the period (the "Consulting Period") commencing on December 1, 1997 through the earlier of (a) November 30, 2000 or (b) the date this Consulting Agreement is terminated pursuant to Section 6 below, Typaldos shall make himself reasonably available to Computron, by telephone or in person, when so requested by the Chief Executive Officer of Computron or his designee, for consultation with the Chief Executive Officer or his designee on reasonable notice and at reasonable times and places to be determined by Computron. Typaldos shall cooperate fully with Computron in any special projects assigned to him, suitable for him based on prior recent experience and position, and shall use or provide any knowledge or information acquired by Typaldos during, or as a result of, his employment with Computron in connection with any such consultations or assignments.

(b) In return for the payments provided in Section 2 of this Consulting Agreement, Typaldos will make himself available as a consultant to the Chief Executive Officer of Computron, or his designee, for up to 60 hours each month during the Consulting Period; provided that he will not be entitled to additional compensation for hours in excess of 60 each month unless Computron's Chief Executive Officer gives prior written approval for such additional hours and such additional compensation. Within fifteen (15) days following the last day of each calendar month of the Consulting Period, Typaldos shall provide to Computron a written description of the consulting work he performed during the prior month, including a reasonably detailed description of each project and the time he spent on each project.

(c) Typaldos shall have no authority (actual, apparent, or otherwise) to bind Computron, or any of its past, present and future partners, parents, subsidiaries, related entities, predecessors, successors, directors, officers, agents, employees, contractors and assigns

(individually and collectively the "Computron Parties"), during and following the Consulting Period. Typaldos represents and warrants that during and following the Consulting Period, he will not make any commitments or otherwise bind Computron or the Computron Parties, or enter into any contract on behalf of Computron or the Computron Parties, and will not hold himself out as being authorized, directly or indirectly, to act as a representative of or on behalf of Computron or the Computron Parties.

2. PAYMENTS AND REIMBURSEMENT OF EXPENSES:

In exchange for his consulting services under this Consulting Agreement and during the term of the Consulting Period, Typaldos will be paid by Computron as follows:

- (i) Three Hundred Thousand Dollars and No Cents (\$300,000.00) for each of the first two years of the Consulting Period (December 1, 1997 through November 30, 1999), and Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00) for the third year of the Consulting Period (December 1, 1999 through November 30, 2000). Except as provided in Section 1(b), the total payments to Typaldos under this Consulting Agreement shall not exceed Eight Hundred Fifty Thousand Dollars (\$850,000.00). Computron will make such payments in equal quarterly installments (except as otherwise indicated) as follows:
 - (x) For the first year of the Consulting Period (December 1, 1997, through November 30, 1998), Computron will make a single payment of Three Hundred Thousand Dollars and No Cents (\$300,000.00) payable at or around December 1, 1997;
 - (y) For the second year of the Consulting Period (December 1, 1998 through November 30, 1999), Computron will make four equal quarterly payments of Seventy Five Thousand Dollars and No Cents (\$75,000.00), in advance, payable on or about December 1, 1998, March 1, 1999, June 1, 1999 and September 1, 1999, for a total payment of Three Hundred Thousand Dollars and No Cents (\$300,000.00);
 - (z) For the last year of the Consulting Period (December 1, 1999 through November 30, 2000), Computron will make four equal quarterly payments of Sixty Two Thousand Five Hundred Dollars and No Cents (\$62,500.00) on or about December 1, 1999, March 1, 2000, June 1, 2000, and September 1, 2000, for a total payment of Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00).

If this Consulting Agreement is terminated earlier than November 30, 2000 pursuant to the terms of Section 6 of this Consulting Agreement, Computron's obligations to make quarterly payments then unpaid shall be terminated and Typaldos shall reimburse Computron for any advances paid during the quarter but not yet earned (pro rated for the applicable quarter based on the days Typaldos was available to consult, whether or not he was actually consulting for Computron).

- (ii) Computron agrees to reimburse Typaldos, subject to the submission of appropriate itemization and receipts for any necessary and reasonable expenses that Typaldos incurs providing services to Computron under this Consulting Agreement, provided that no single expense shall exceed Five Hundred Dollars (\$500.00) unless Typaldos first obtains approval from the Chief Executive Officer of Computron or his designee to incur such expense. Typaldos shall be reimbursed for any travel expenses incurred in providing services to Computron under the Consulting Agreement, provided that travel outside the New York City Metropolitan area must be approved in advance by the Chief Executive Officer of Computron or his designee. Such travel expenses will be paid to Typaldos, subject to the submission of appropriate itemization and receipts.
- (iii) All payments made by Computron under this Consulting Agreement will be in the form of a check made payable to "Andreas Typaldos" and will be sent by regular mail to the following address:

130 West 79th Street
Apt. 19A
New York, New York 10024

3. NON-EMPLOYEE STATUS:

As a consultant to Computron, Typaldos will perform consulting services at the request of the Chief Executive Officer or his designee as an independent contractor. Typaldos understands and agrees that nothing in this Consulting Agreement, explicitly or implicitly, shall be construed to make him or any of his employees, representatives or agents an employee of Computron or any of the Computron Parties. Typaldos understands and agrees that neither he, nor anyone else he employs, will accrue any benefits under, or in any way be covered by Computron's employee benefit plans. Typaldos further understands and agrees that he will be exclusively liable for all federal, state, and local income taxes that may be due as a result of any fees or compensation Typaldos receives pursuant to this Consulting Agreement.

4. NONCOMPETITION AND CONFIDENTIALITY:

Typaldos and Computron agree that, in order to better protect the goodwill of Computron and to better assure the prevention of disclosure of confidential materials and information of Computron, and given the unique nature of the services he may provide to Computron, Typaldos will not, directly or indirectly, for his own benefit or for or with any other person, firm or corporation, engage in any business or practice in direct competition with Computron at any time during the Consulting Period and for a period of six months following the end of the Consulting Period. Typaldos also agrees that he will not, directly or indirectly, for his own benefit or for or with any other person, firm, or corporation, become employed (including without limitation as an employee, consultant, or partner) by any person in any capacity in "direct and major competition" with Computron at any time during the Consulting Period and for a period of six months following the end of the Consulting Period. Those business entities listed as competitors in any Form 10-K or Form 10-Q of Computron from 1991 to 2000, inclusive, are in "direct and major competition" with Computron for purposes of this Section 4. The parties understand and agree that this Section 4 covers any such engagement by Typaldos, including any such engagement that commences prior to the Consulting Period and which continues into the Consulting Period.

5. NONSOLICITATION:

Typaldos agrees that during the Consulting Period and during the one (1) year period immediately following the Consulting Period, he will not, directly or indirectly, induce or attempt to induce any employee of Computron, or of its subsidiaries or dedicated distributors (individually and collectively, the "Computron Entities"), to terminate his or her employment.

6. TERMINATION:

(a) Computron shall have the right to terminate all of its obligations hereunder, including without limitation its obligations to make the payments set forth in Section 2 (but not those set forth in Sections 7 and 9), by giving written notice to Typaldos at any time, if Typaldos shall commit any act or omit to take any action in bad faith to the material detriment of Computron or the Computron Entities, be convicted of a felony (other than motor vehicle), or, after thirty (30) days notice and opportunity to cure, materially breach any of the terms of the Agreement or the Consulting Agreement, such termination to be effective at the time such notice is given by Computron. In the case of termination under this Section 6(a), all of Typaldos' obligations hereunder (other than those set forth in Sections 4, 5, 7, 8, and 9 of this Consulting Agreement) shall terminate at the time the termination of Computron's obligations becomes effective.

(b) Typaldos may terminate his obligations hereunder (other than those set forth in Sections 4, 5, 7, 8, and 9) by giving Computron written notice of such termination, provided such termination shall not take effect until the expiration of thirty (30) days from the date such notice is given. Typaldos agrees to complete any assignments then in progress and to

cooperate fully with Computron in the termination of his obligations under this Consulting Agreement. In the case of any termination under this Section 6(b), Typaldos' obligations hereunder (other than those set forth in Sections 4, 5, 7, 8, and 9 of this Consulting Agreement) shall terminate and all of Computron's obligations hereunder, including without limitation its obligations to make the payments set forth in Section 2 (but not those set forth in Sections 7 and 9), shall terminate at the time the termination of Typaldos' obligations (other than those set forth in Sections 4, 5, 7, 8, and 9) become effective.

(c) This Consulting Agreement shall terminate (except for the obligations of Typaldos under Sections 4, 5, 7, 8, and 9) upon the expiration of the Consulting Period or in the event that Typaldos becomes employed by Computron or any of the Computron Entities. In the case of any termination under this Section 6(c), Typaldos' obligations hereunder (other than those set forth in Sections 4, 5, 7, 8, and 9 of this Consulting Agreement) shall terminate and all of Computron's obligations hereunder, including without limitation its obligations to make the payments set forth in Section 2 (but not those set forth in Sections 7 and 9), shall terminate at the time the termination of Typaldos' obligations (other than those set forth in Sections 4, 5, 7, 8, and 9) becomes effective.

(d) This Consulting Agreement shall terminate without further action of any party if Typaldos shall die or become disabled. For purposes of this Consulting Agreement, the term "disability" shall mean a physical or mental incapacity of Typaldos which has prevented him from performing consulting services for one hundred eighty (180) days, whether or not consecutive, out of any twelve (12) consecutive months. In the case of any termination under this Section 6(d), Typaldos' obligations hereunder (other than, in the case of disability, those set forth in Sections 4, 5, 7, 8, and 9 of this Consulting Agreement) shall terminate and all of Computron's obligations hereunder, including without limitation its obligations to make the payments set forth in Section 2 (but not those set forth in Sections 7 and 9), shall terminate at the time the termination of Typaldos' obligations (other than, in the case of disability, those set forth in Sections 4, 5, 7, 8, and 9) becomes effective.

7. INDEMNIFICATION:

Typaldos shall indemnify and hold harmless Computron and the Computron Entities from and against any and all liabilities, losses, claims, costs and expenses (including legal costs of any kind and nature) arising from (i) any failure by Typaldos to fulfill any of his obligations hereunder, (ii) any unlawful act committed by Typaldos during the Consulting Period, or (iii) any act, omission, or misrepresentation by Typaldos during the Consulting Period. Computron shall indemnify and hold harmless Typaldos from and against any and all liabilities, losses, claims, costs and expenses (including legal costs of any kind and nature) (collectively, "Losses") arising from any act or omission of Typaldos in connection with and related to his function as a consultant for Computron, provided that, with respect to the matters as to which Losses arise, Typaldos is, in all material respects, acting within the proper course and scope of Typaldos' duties as a consultant under the terms of this Consulting Agreement.

8. DUTY OF CONFIDENTIALITY AND COOPERATION:

(a) In further consideration of the covenants undertaken herein by Computron, Typaldos agrees to refrain from taking any action that harms the business interests, reputation, or goodwill of Computron, including but not limited to making derogatory comments to Computron's customers, suppliers, or employees, or to the general public regarding the character and ability of Computron, the Computron Entities, and its and their current officers and employees.

(b) Typaldos' prior employment with Computron and work as a consultant to Computron creates a relationship of confidence and trust between Computron and him with respect to certain information applicable to the business of Computron or applicable to the business of any client or customer of Computron, which may be made known to him by Computron or by any client or customer of Computron, or learned by him during his employment or the Consulting Period.

(c) Computron possesses and will continue to possess information that has been or will be created, discovered, or developed by, or that otherwise has or will become known to, Computron (including, but not limited to, information created, discovered, or developed by Typaldos or made known to Typaldos during the period of or arising out of his prior employment by Computron and during this Consulting Period), or in which property rights have been or may be assigned or otherwise conveyed to Computron, which information has commercial value in the business in which Computron is engaged and is treated by Computron as confidential. All such information is hereinafter called "Proprietary Information," which term, as used herein, shall also include, but shall not be limited to, trade secrets, systems, processes, formulae, data, functional specifications, blueprints, computer programs, know-how, improvements, discoveries, developments, designs, inventions, techniques, marketing plans, distribution channels, strategies, forecasts, new products, unpublished financial statements, budgets, projections, licenses, prices, costs, and customer and supplier lists.

(d) Without limiting Typaldos' obligations under Section 4 of this Agreement, Typaldos acknowledges that by reason of his prior employment with the Company, and by reason of this Consulting Agreement, he has been given, and in the future may be given access to Proprietary Information of Computron and the Computron Entities. Typaldos represents and warrants that he has kept, will keep, and will continue to keep all such information confidential and that he will not use such information for any purpose, except in connection with this Consulting Agreement or in connection with any legal proceeding to which Typaldos is a party, without the prior written consent of the Chief Executive Officer of Computron. All Proprietary Information shall be the sole property of Computron and its assigns.

9. ARBITRATION:

All controversies, claims and disputes arising out of or relating to this Consulting Agreement, including without limitation any violation of its terms, shall be resolved by final and binding arbitration before a panel of three arbitrators in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The costs of such arbitration, including the arbitrators' fees, shall be split equally between the parties. Each party shall pay its own attorney's fees. With respect to any breach or threatened breach of Sections 4, 5, or 8 of this Consulting Agreement, Computron may elect to commence an action in a federal or state court of appropriate jurisdiction.

10. OTHER PROVISIONS:

(a) This Consulting Agreement constitutes and contains the complete understanding of the parties with respect to the subject matters addressed herein, and supersedes and replaces any prior negotiations and all agreements, proposed or otherwise (except for the agreement of even date herewith), whether written or oral, concerning the subject matters hereof. This Consulting Agreement is an integrated document. This Consulting Agreement may not be modified or amended unless such modification or amendment is in writing and signed by both Typaldos and the Chief Executive Officer of Computron.

(b) If any provision of this Consulting Agreement or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of the Consulting Agreement that can be given effect without the invalid provision or application and, to such end, the provisions of this Consulting Agreement are declared to be severable.

(c) This Consulting Agreement may be executed in any number of counterparts, each of which shall be deemed to constitute an original but all of which shall constitute one and the same instrument.

(d) This Consulting Agreement is deemed to have been executed and delivered within the State of New Jersey and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with the laws of the State of New Jersey.

(e) No waiver or any breach of any term or provision of this Consulting Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Consulting Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

(f) Both parties to this Consulting Agreement agree to cooperate fully and to execute any and all supplementary documents and to take all additional actions as may be necessary and appropriate to give full force to the basic terms of the intent of this Consulting Agreement and which are not inconsistent with its terms.

Executed this 29th day of September, 1997.

COMPUTRON SOFTWARE, INC.

By: _____

ANDREAS TYPALDOS

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