PETERSON RONALD
Form 4
February 03, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
PETERSON RONALD

(Last) (First) (Middle)

3551 7TH STREET, SUITE 100

(Street)

MOLINE, IL 61265

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
QCR HOLDINGS INC [QCRH]

3. Date of Earliest Transaction (Month/Day/Year)
02/01/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/01/2010		A		450	A	$ 9	1,800	D	
Common Stock								2,000	I	by IRA
Common Stock								3,375	I	by Managed Account (1)
Common Stock								14,996.66	I	by Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PETERSON RONALD 3551 7TH STREET SUITE 100 MOLINE, IL 61265	X			

Signatures

By: Rick J. Jennings For: Ronald G. Peterson	02/03/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Indirect beneficial ownership by 401 (k) plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. stock or make any other changes in its equity capital structure; (b) purchase, redeem, or otherwise acquire, directly or indirectly, any shares of its capital stock or any options, rights, or warrants to purchase any such capital stock or any securities convertible into or exchangeable for any such capital stock; (c) declare, set aside, or pay any dividend or make any other distribution in respect of shares of its capital stock;

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Explanation of Responses:

(d) amend its charter, bylaws, or similar organizational documents;

(e) purchase any material business, purchase a material amount of assets or stock of any corporation, or merge or consolidate with any person;

(f) sell, lease, license, encumber or otherwise dispose of any assets or properties, other than in the ordinary course of business consistent with past practice, which sales, leases, licenses, encumbrances or other dispositions of assets other than inventory, in any event, are not material to Buyer and its Subsidiaries, taken as a whole;

(g) change or modify in any material respect any existing accounting method, principle, or practice, other than as required by GAAP;

(h) except as expressly permitted pursuant to Section 9.1, take any action or omit to take any action that would or is reasonably likely to (i) result in any of the conditions to the Merger set forth in Article VIII not being satisfied, or (ii) prevent, materially delay or materially impede the consummation of the Merger;

(i) knowingly take any action that would result in a failure to maintain trading of Buyer Common Stock on the Nasdaq National Market;

(j) issue, or enter into an agreement to issue, a material amount of debt or equity securities in any transaction that would be reasonably likely to materially delay the Closing; or

(k) enter into any commitment to do any of the foregoing.

SECTION 6.4 *Tax Covenant.* From the date hereof to the Effective Time, Buyer agrees, as to itself and its Subsidiaries, that each of them (i) will not, except in the ordinary course of business consistent with past practice, make any material Tax election or settle or compromise any Tax liabilities that, individually or in the aggregate, are material to Buyer or any of its Subsidiaries, and (ii) will promptly notify the Company of the making of any request for extension of the time within which to file any federal income Tax Return for that entity.

SECTION 6.5 *Third-Party Consents.* Buyer shall, and shall cause its Subsidiaries to, use reasonable efforts, consistent with United States and foreign laws, to obtain any third-party consents necessary or desirable to consummate the Merger. Buyer shall promptly notify the Company of any failure or prospective failure to obtain any such consents and, if requested, shall provide copies of all consents obtained to the Company.

ARTICLE VII

ADDITIONAL AGREEMENTS

SECTION 7.1 *Shareholders Meetings; Registration Statement and Joint Proxy Statement.*

(a) The Company shall cause a special meeting of its stockholders (the Company Stockholders Meeting) to be duly called and held as soon as reasonably practicable after the effectiveness of the Registration Statement (as defined in Section 7.1(b)) under the Securities Act for the purpose of voting on the approval of (i) this Agreement and the Merger, and (ii) the amendment and restatement of the Certificate of Designation of Series A-1 Convertible Preferred Stock relating to the Company Series A-1 Preferred Stock in the form of Exhibit F (together, the Company Stockholder Proposals) by (x) the holders of the Company Common Stock and the holders of the Company Series A-1 Preferred Stock, voting together as a single class, and (y) the holders of the Company Series A-1 Preferred Stock, voting separately as a class, respectively. Notwithstanding anything to the contrary contained in this Agreement, the Company may adjourn or postpone the Company Stockholders Meeting (i) to the extent necessary to ensure that any necessary supplement or amendment to the Registration Statement and/or the Joint Proxy Statement is provided to the Company s stockholders in advance of the vote on the Company Stockholder Proposals or (ii) if at the time for which the Company Stockholders Meeting is originally scheduled (as set forth in the Registration Statement and the Joint Proxy Statement) there are insufficient shares represented, either in person or by proxy, to constitute a quorum necessary to conduct the business of the

Company Stockholders Meeting. Buyer shall cause a special meeting of its shareholders (the Buyer Shareholders Meeting) to be duly called and held as soon as reasonably practicable after the effectiveness of the Registration Statement for the purpose of voting on the approval of the issuance of shares of Buyer Common Stock in the Merger as contemplated by this Agreement (the Share Issuance). The Company Stockholders Meeting and the Buyer Shareholders Meeting are referred to together as the Shareholder Meetings. Notwithstanding anything to the contrary contained in this Agreement, Buyer may adjourn or postpone the Buyer Shareholders Meeting (i) to the extent necessary to ensure that any necessary supplement or amendment to the Registration Statement and/or the Joint Proxy Statement is provided to the Buyer s shareholders in advance of the vote on the Share Issuance or (ii) if at the time for which the Buyer Shareholders Meeting is originally scheduled (as set forth in the Registration Statement and the Joint Proxy Statement) there are insufficient shares represented, either in person or by proxy, to constitute a quorum necessary to conduct the business of the Buyer Shareholders Meeting. The Board of Directors of the Company shall recommend to the Company s stockholders that they vote in favor of approval of the Company Stockholder Proposals and shall not (i) withdraw, modify or qualify in any manner adverse to Buyer such recommendation or (ii) take any action or make any statement in connection with the Company Stockholder Meeting inconsistent with such recommendation; provided, however, that the Board of Directors of the Company (i) shall not be obligated to recommend approval of the Company Stockholder Proposals to its stockholders if the Company has received a Company Superior Third-Party Acquisition Offer (defined in Section 7.2(a)) and the Board of Directors of the Company, in the good faith exercise of its fiduciary duties, after consultation with its outside legal counsel, shall determine that it wishes to recommend approval of the Company Superior Third-Party Acquisition Offer, and, therefore, that the recommendation of the Company Stockholder Proposals should not be made, and (ii) may make any statement required by Rules 14d-9 or 14e-2 promulgated under the Exchange Act with regard to any tender or exchange offer. Any disclosure that the Company s Board of Directors may be required to make in the good faith exercise of its fiduciary duties in connection with a Third-Party Acquisition Offer or otherwise in order to comply with Rules 14d-9 or 14e-2 will not constitute a violation of this Agreement. The Board of Directors of Buyer shall recommend to Buyer s shareholders that they vote in favor of approval of the Share Issuance and shall not (i) withdraw, modify or qualify in any manner adverse to the Company such recommendation or (ii) take any action or make any statement in connection with the Buyer Shareholder Meeting inconsistent with such recommendation; provided, however, that, with respect to clause (ii) of this sentence, Buyer s Board of Directors may evaluate whether to make and may make any statement required by Rules 14d-9 or 14e-2 promulgated under the Exchange Act with regard to any tender or exchange offer.

(b) The Company and Buyer, as promptly as reasonably practicable following the execution of this Agreement, shall prepare and file with the SEC a proxy statement, together with a form of proxy, with respect to the Company Stockholders Meeting and the Buyer Shareholders Meeting (such proxy statement, together with any amendments thereof or supplements thereto, being called the Joint Proxy Statement). Buyer, as promptly as reasonably practicable following the execution of this Agreement, shall prepare and file with the SEC a Registration Statement on Form S-4 in connection with the issuance of shares of Buyer Common Stock in the Merger (the Registration Statement), in which the Joint Proxy Statement will be included as a prospectus. The Company and Buyer (i) shall use reasonable best efforts to have the Joint Proxy Statement cleared by the SEC and the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing, and (ii) as soon as reasonably practicable thereafter, shall cause copies of the Joint Proxy Statement and form of proxy to be mailed to their respective shareholders in accordance with applicable provisions of law. The Joint Proxy Statement and form of proxy shall comply as to form in all material respects with the applicable requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder. Each of Buyer and the Company shall, as promptly as practicable after the receipt thereof, provide the other party with copies of any written comments and advise each other of any oral comments with respect to the Joint Proxy Statement or the Registration Statement received from the SEC. Each party shall cooperate and provide the other party with a reasonable opportunity to review and comment on any amendment or supplement to the Joint Proxy Statement and the Registration Statement prior to filing such with the SEC and will

provide each other with a copy of all such filings with the SEC. Notwithstanding any other provision herein to the contrary, no amendment or supplement (including by incorporation by reference) to the Joint Proxy Statement or the Registration Statement shall be made without the approval of both Buyer and the Company; provided, however, that, with respect to documents filed by a party hereto that are incorporated by reference in the Registration Statement or Joint Proxy Statement, this right of approval shall apply only with respect to information relating to the other party or its business, financial condition or results of operations; and, provided further, that the Company, in connection with a Company Superior Third-Party Acquisition Offer, may amend or supplement the Joint Proxy Statement or Registration Statement (including by incorporation by reference) to reflect any change in the recommendation of the Company s Board of Directors in connection therewith, and in such event, this right of approval shall apply only with respect to information relating to the other party or its business, financial condition or results of operations, and shall be subject to the right of each party of have its Board of Directors deliberations and conclusions accurately described. After the delivery to the Company s and Buyer s shareholders of copies of the Joint Proxy Statement and form of proxy, the Company and Buyer shall use reasonable best efforts to solicit proxies in connection with the Company Stockholders Meeting and the Buyer Shareholders Meeting, respectively, in favor of, in the case of the Company, approval of the Company Stockholder Proposals and, in the case of Buyer, approval of the Share Issuance, unless, in the case of the Company, the Company has received a Company Superior Third-Party Acquisition Offer and the Board of Directors of the Company determines, in the good-faith exercise of its fiduciary duties, after consultation with its outside legal counsel, that it wishes to recommend approval of the Company Superior Third-Party Acquisition Offer, and, therefore, that such solicitation should not be made. The Registration Statement shall comply as to form in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder. Each party hereto will advise the other party, promptly after it receives notice thereof, of the time when the Registration Statement has become effective, the issuance of any stop order, the suspension of the qualification of the Buyer Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Joint Proxy Statement or the Registration Statement. If, at any time prior to the Effective Time, any information relating to Buyer or the Company, or any of their respective Subsidiaries or affiliates, officers or directors, is discovered by Buyer or the Company and such information should be set forth in an amendment or supplement to any of the Registration Statement or the Joint Proxy Statement so that any of such documents would not include any misstatements of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party hereto discovering such information shall promptly notify the other parties hereto and, to the extent required by law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and disseminated to the shareholders of Buyer and the Company. Buyer shall also take any commercially reasonable action, if any, required to be taken under any applicable state securities laws in connection with the issuance of the Buyer Common Stock in the Merger and upon the exercise of Replacement Options, and the Company shall furnish all information concerning the Company and the holders of its equity securities as may be reasonably requested by Buyer in connection with any such action.

(c) The Company and Buyer each shall engage a nationally recognized proxy solicitor (that is reasonably acceptable to the other) to solicit proxies in connection with the special meeting of its shareholders in favor of approval of, in the case of the Company, the Company Stockholder Proposals, and, in the case of Buyer, the Share Issuance.

(d) The Company and Buyer will coordinate and cooperate with respect to the timing of the shareholder approvals and will use reasonable efforts to hold the Shareholder Meetings on the same day and to secure such approvals as soon as practicable after the date on which the Registration Statement becomes effective. Notwithstanding any other provision of this Agreement, if (i) the Company Stockholders Meeting is scheduled to be held after the end of a fiscal quarter of Buyer, and (ii) Buyer has not publicly announced its financial results for such fiscal quarter, the Company may delay the Company Stockholders Meeting until it has received, in accordance with the Confidentiality Agreement (defined in Section 7.2(a)(ii)), reasonably detailed financial results of Buyer for such quarter. Notwithstanding any

other provision of this Agreement, if (i) the Buyer Shareholders Meeting is scheduled to be held after the end of a fiscal quarter of the Company, and (ii) the Company has not publicly announced its financial results for such fiscal quarter, Buyer may delay the Buyer Shareholders Meeting until it has received, in accordance with the Confidentiality Agreement, reasonably detailed financial results of the Company for such quarter.

SECTION 7.2 *No Shopping.*

(a) From the date hereof until the Effective Time, the Company and its Subsidiaries will not, and will not permit any officer, director, financial adviser, or other agent or representative of the Company or its Subsidiaries, directly or indirectly, to:

(i) take any action to seek, encourage, initiate or solicit any offer from any person or group to acquire any shares of capital stock of the Company or any of its Subsidiaries, to merge or consolidate with the Company or any of its Subsidiaries, or to otherwise acquire, except to the extent not prohibited by Section 5.3, any significant portion of the assets of the Company and its Subsidiaries, taken as whole (a Company Third-Party Acquisition Offer), or

(ii) except to the extent the Board of Directors of the Company determines is required in the good faith exercise of its fiduciary duties after consultation with its outside legal counsel, engage in discussions or negotiations concerning a Company Third-Party Acquisition Offer with any person or group, or disclose non-public financial information relating to the Company or any of its Subsidiaries or any confidential or proprietary trade or business information relating to the business of the Company or any of its Subsidiaries, or afford access to the properties, books, or records of the Company or any of its Subsidiaries, or otherwise cooperate in any way with, any person or group that the Company has reason to believe is considering a Company Third-Party Acquisition Offer; provided that (A) before furnishing such non-public information or access to such person or group, the Company s Board of Directors shall receive from such person an executed confidentiality agreement that is no less favorable to the Company than the Mutual Non-Disclosure Agreement dated September 21, 2003 between the Company and Buyer (the Confidentiality Agreement), and all information provided to such person or group shall be provided on a substantially concurrent basis to Buyer, and (B) before entering into discussions or negotiations with such person or group, the Company s Board of Directors shall have determined in good faith, after consultation with its outside legal counsel and financial adviser, that such Company Third-Party Acquisition Offer is reasonably likely to be more favorable to the Company s stockholders than the Merger and for which financing, to the extent required, is committed or, in the good-faith judgment of the Company s Board of Directors, is reasonably capable of being obtained by the third party (a Company Superior Third-Party Acquisition Offer).

(b) In addition to the obligations of the Company set forth above, the Company promptly shall advise Buyer orally and in writing of any Company Third-Party Acquisition Offer or any inquiry or request for information that the Company reasonably believes could lead to or contemplates a Company Third-Party Acquisition Offer and the terms and conditions thereof, including the identity of the offeror or person making the request or inquiry, and the Company shall keep Buyer informed in all material respects of the status and details thereof (including changes or amendments thereto).

(c) Nothing in this Section 7.2 shall operate to hinder or prevent the Company from fully complying with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act with regard to a Company Third-Party Acquisition Offer.

(d) The Company shall not release any third party from, or waive any provision of, any standstill agreement to which it is a party or any confidentiality agreement between it and another person who has made, or who is reasonably likely to make, a Company Third-Party Acquisition Offer, unless the Company s Board of Directors determines in good faith, after consultation with its outside legal counsel, that such action is necessary for the Board of Directors to comply with its fiduciary duties to Company stockholders under Delaware law. Notwithstanding anything stated in this Section 7.2(d), the Company need not refuse a request from any person who has signed a standstill agreement with the Company to

make a Company Third-Party Acquisition Offer to the Chief Executive Officer or the Board of Directors of the Company if the Board of Directors determines in good faith, after consultation with its outside legal counsel, that such action is necessary for the Board of Directors to comply with its fiduciary duties to Company stockholders under Delaware law.

SECTION 7.3 *Access to Information.* From the date hereof until the Effective Time, the Company and Buyer will each give the other and its respective counsel, financial advisers, auditors, and other authorized representatives reasonable access to its and its Subsidiaries offices, properties, books, and records at all reasonable times and upon reasonable notice, and will instruct its and its Subsidiaries employees, counsel, financial advisers, and auditors to cooperate with the other and each such representative in all reasonable respects in its investigation of the business of Buyer and the Company, as the case may be, and each such representative will conduct such investigation in a manner as not to unreasonably interfere with the operations of the other and its Subsidiaries and will take all reasonable precautions to protect the confidentiality of any information of the other and its Subsidiaries disclosed to such persons during such investigation, in all cases in accordance with the terms and conditions of the Confidentiality Agreement.

SECTION 7.4 *Amendment of the Company s Employee Plans.* The Company will, effective at or immediately before the Effective Time, cause any Company Employee Plans that are required to be amended, to the extent, if any, reasonably requested by Buyer, for the purpose of permitting such Company Employee Plan to continue to operate in conformity with ERISA and the Code following the Merger or to terminate any such Company Employee Plans prior to the Merger if requested by Buyer.

SECTION 7.5 *Certain Resignations.* The Company will use reasonable efforts to assist Buyer in procuring the resignation, effective as of the Effective Time, of all of the members of the Boards of Directors of the Company and its Subsidiaries.

SECTION 7.6 *Confidentiality Agreements.* The Confidentiality Agreement shall remain in full force and effect until the Effective Time. Until the Effective Time, the Company and Buyer shall comply with the terms of the Confidentiality Agreement.

SECTION 7.7 *Employee Benefits.* From and after the Effective Time, for purposes of determining eligibility, vesting, entitlement to any service-based matching contribution under any 401(k) plan and entitlement to vacation and severance benefits for employees actively employed full-time by the Company or any of its Subsidiaries immediately before the Effective Time under any compensation, stock purchase, severance, welfare, pension, benefit, or savings plan of the Surviving Corporation, Buyer, or any of its Subsidiaries in which active full-time employees of the Company and its Subsidiaries become eligible to participate, service with the Company or any of its Subsidiaries (whether before or after the Effective Time) shall be credited as if such service had been rendered to the Surviving Corporation, Buyer, or such Subsidiary. Following the Effective Time, Buyer shall arrange for participants in the Company Employee Plans (the Company Participants) who become employees of the Buyer, or a Subsidiary of the Buyer, at the Effective Time, and their dependents, to participate in Buyer s Benefit Plans on, or as soon as reasonable practicable after, the Effective Time under the same terms and conditions as similarly situated persons who were employees of the Buyer or Subsidiary before the Effective Time. If applicable and to the extent possible under any Buyer Welfare Plan that provided any health benefit, Buyer shall cause any and all pre-existing condition limitations, actively at work or similar requirements, eligibility waiting periods and evidence of insurability requirements under such plan to be waived with respect to such Company Participants and their eligible dependents and shall provide them with credit for any co-payments, deductibles, and offsets (or similar payments) made during the plan year including the Effective Time for the purposes of satisfying any applicable deductible, out-of-pocket, or similar requirements under such Buyer Welfare Plan in which they are eligible to participate after the Effective Time.

SECTION 7.8 *Indemnification.* All rights to indemnification, expense advancement, and exculpation existing in favor of any present or former director, officer, or employee of the Company or any of its Subsidiaries as provided in the charter, bylaws, or similar organizational documents of the Company or any of its Subsidiaries or by law or written agreement or resolution as in effect on the date hereof shall survive the Merger for a period of six years after the Effective Time whether or not pertaining to any matter

existing or occurring at or prior to the Effective Time and whether or not asserted or claimed prior to, or at, or after the Effective Time (or, in the event any relevant claim is asserted or made within such six-year period, until final disposition of such claim) , including claims based in whole or in part on or arising in whole or in part out of or pertaining to this Agreement or the transactions contemplated hereby, and no action taken during such period shall be deemed to diminish the obligations set forth in this Section 7.8.

SECTION 7.9 *Directors and Officers Liability Insurance.* For a period of six years after the Effective Time (the Tail Period), Buyer shall cause the Surviving Corporation to maintain in effect either (a) the current policy of directors and officers liability insurance maintained by the Company (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous in any material respect to the insured parties thereunder) with respect to claims arising from facts or events that occurred at or before the Effective Time whether or not pertaining to any matter existing or occurring at or prior to the Effective Time and whether or not asserted or claimed prior to, or at, or after the Effective Time (including claims based in whole or in part on or arising in whole or in part out of or pertaining to this Agreement or the transactions contemplated hereby), or (b) a run-off (*i.e.*, tail) policy or endorsement with respect to the current policy of directors and officers liability insurance covering claims asserted within the Tail Period arising from facts or events that occurred at or before the Effective Time whether or not pertaining to any matter existing or occurring at or prior to the Effective Time and whether or not asserted or claimed prior to, or at, or after the Effective Time (including claims based in whole or in part on or arising in whole or in part out of or pertaining to this Agreement or the transactions contemplated hereby); and such policies or endorsements shall name as insureds thereunder all present and former directors and officers of the Company or any of its Subsidiaries. Notwithstanding the foregoing, if the cost to the Company of the insurance coverage required pursuant to this Section 7.9 exceeds $850,000 in the aggregate for the duration of the Tail Period, Buyer shall maintain or provide the most advantageous policies of directors and officers liability insurance for all present and former directors and officers of the Company or any of its Subsidiaries obtainable for $850,000 in the aggregate for the duration of the Tail Period. Buyer will not, nor will Buyer permit the Surviving Corporation to merge or consolidate with any other entity or sell all or substantially all of Buyer s or such subsidiary s assets unless Buyer or the Surviving Corporation will ensure that the surviving or resulting entity assumes the obligations imposed by Section 7.8 and this Section 7.9. Each of the current and former officers and directors of the Company are intended to be third-party beneficiaries of Sections 7.8 and 7.9 and may specifically enforce their respective terms.

SECTION 7.10 *Cooperation.* Prior to the Effective Time, to the extent permitted by law, each of Buyer and the Company shall, and shall cause its Subsidiaries to, (i) confer on a regular and reasonably frequent basis as mutually agreed with one or more representatives of the other to discuss material operational matters and the general status of its ongoing operations; (ii) obtain consents of (a) all third parties and governmental entities required for the consummation of the Merger, and (b) all third parties required for the continued effectiveness of contracts of the Company after the Merger; (iii) promptly provide the other (or the other s counsel) with copies of all filings made by it or any of its Subsidiaries with any state, federal or foreign court, administrative agency, commission or other governmental authority in connection with this Agreement and the transactions contemplated by this Agreement, and (iv) execute any such additional instruments necessary to consummate the transactions contemplated hereby.

SECTION 7.11 *Satisfaction of Conditions to the Merger; Notification; Additions to and Modification of Disclosure Schedules.*

(a) Subject to the terms and conditions of this Agreement and the fiduciary duties of the Boards of Directors of the Company and Buyer, each of the Company and Buyer agrees to use reasonable efforts promptly to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement (subject to the appropriate vote of shareholders of Buyer and the Company, respectively, described in Section 7.1(a)), as promptly as practicable after the date of this Agreement, including using reasonable efforts to cause the conditions precedent set forth in Article VIII to

be satisfied. Subject to the terms and conditions of this Agreement, Buyer and Buyer Subsidiary agree to use all reasonable efforts to cause the Effective Time to occur as soon as practicable after the approval of the Company Stockholder Proposals by the Company s stockholders and the approval of the Share Issuance by Buyer s shareholders are obtained.

(b) Each of the Company and Buyer shall, as promptly as reasonably practicable, give written notice to the other of (i) any representation or warranty made by it contained in this Agreement becoming untrue or inaccurate such that the condition set forth in Section 8.2(a) or 8.3(a), as the case may be, would not be satisfied, or (ii) any material failure by the Company, Buyer or Buyer Subsidiary, as the case may be, to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that no notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

(c) Each of the Company and Buyer shall, as promptly as reasonably practicable, give written notice to the other of any events or occurrences, of which its executive officers have knowledge, that would, or could reasonably expected to, have a Company Material Adverse Effect or Buyer Material Adverse Effect.

(d) Each of the Company and Buyer shall, as promptly as reasonably practicable, provide the other party with any additions to or modifications to the Company Disclosure Schedule or the Buyer Disclosure Schedule, as the case may be, following the date of this Agreement such that the disclosures therein shall be true, correct and complete at all times subsequent to the date hereof; provided, however, that any such additions to or modifications shall not cure any earlier breach or non-compliance, be deemed to constitute an exception to the representations and warranties under Article III or Article IV, affect the conditions to the obligations of Buyer and Buyer Subsidiary to effect the Merger under Section 8.2(a), affect the conditions to the obligation of the Company to effect the Merger under Section 8.3(a), or limit or otherwise affect the remedies available hereunder to the party receiving such notice, other than (i) Section 3.2 of the Company Disclosure Schedule and Section 4.2 of the Buyer Disclosure Schedule disclosing a subsidiary acquired or investment made subsequent to the date of this Agreement, (ii) Section 3.10 of the Company Disclosure Schedule and Section 4.10 of the Buyer Disclosure Schedule disclosing any Material Contracts entered into or modified subsequent to the date of this Agreement, and (iii) Sections 3.11(b) and (g) of the Company Disclosure Schedule and Sections 4.11(a) and (f) of the Buyer Disclosure Schedule relating to Company and Buyer Intellectual Property agreements, filings, or proceedings subsequent to the date of this Agreement.

SECTION 7.12 *Rule 145 Affiliates.* Prior to the date of the Company Stockholders Meeting, the Company shall deliver to Buyer a letter, substantially in the form of Exhibit G attached hereto, identifying all persons who are expected to be, at the time this Agreement is submitted for approval to such stockholders, affiliates of the Company for purposes of Rule 145 under the Securities Act (Company Affiliates). The list of Company Affiliates shall be updated as necessary to reflect changes from the date of the letter. The Company shall use reasonable efforts to cause to be delivered to Buyer on or prior to the date of the Company Stockholders Meeting a letter agreement from each of the Company Affiliates, substantially in the form of Exhibit H attached hereto.

SECTION 7.13 *Listing of Buyer Common Stock.* Buyer shall use reasonable efforts to cause the shares of Buyer Common Stock to be issued in the Merger and the shares of Buyer Common Stock to be issued upon the exercise of Replacement Options to be approved for listing on the Nasdaq National Market System, subject to official notice of issuance, prior to the Closing.

SECTION 7.14 *Section 16 Matters.*

(a) Prior to the Effective Time, the Board of Directors of Buyer, or an appropriate committee of non-employee directors thereof, shall adopt a resolution consistent with the interpretive guidance of the SEC so that (i) the assumption by Buyer of the Company Stock Options held by any officer or director of the Company who may become a covered person of Buyer for purposes of Section 16 of the Exchange Act (Company Insiders) in the Merger and (ii) the receipt by Company Insiders of Buyer Common Stock

in exchange for Company Common Stock in the Merger, shall in each case be an exempt transaction for purposes of Section 16 of the Exchange Act.

(b) Prior to the Effective Time, the Board of Directors of the Company, or an appropriate committee of non-employee directors thereof, shall adopt a resolution consistent with the interpretive guidance of the SEC so that (i) the assumption by Buyer of the Company Stock Options held by any officer or director of the Company in the Merger and (ii) the exchange of Company Common Stock for Buyer Common Stock in the Merger, shall in each case be an exempt transaction for purposes of Section 16 of the Exchange Act.

SECTION 7.15 *HSR Act Filings***.**

(a) The Company shall: (i) as promptly as reasonably practicable following such time subsequent to the date of this Agreement that the parties determine that the Merger is subject to the notification requirements of the HSR Act, file the notification required under the HSR Act relating to the transactions contemplated by this Agreement with the United States Department of Justice and the Federal Trade Commission; (ii) promptly file any required foreign competition law pre-merger notifications with respect to the Company; (iii) promptly respond to inquiries from the United States Department of Justice and the Federal Trade Commission or any other governmental entity in connection with any such notification and promptly respond to any requests for information from any governmental entity, including any so-called second request under the HSR Act; (iv) request early termination of the waiting period under the HSR Act; and (v) take all other commercially reasonable actions necessary or appropriate to gain all approvals necessary to consummate the transactions contemplated by this Agreement under the HSR Act or any other antitrust, competition, or trade regulatory laws, rules, or regulations of any governmental entity. Subject to such confidentiality restrictions as may be reasonably requested, the Company shall coordinate and cooperate with Buyer in preparing such notifications, responding to such inquiries, and taking all such other actions.

(b) Buyer shall: (i) as promptly as reasonably practicable following such time subsequent to the date of this Agreement that the parties determine that the Merger will be subject to the notification requirements of the HSR Act, file the notification required under the HSR Act relating to the transactions contemplated by this Agreement with the United States Department of Justice and the Federal Trade Commission; (ii) promptly file any required foreign competition law pre-merger notifications with respect to Buyer; (iii) promptly respond to inquiries from the United States Department of Justice and the Federal Trade Commission or any other governmental entity in connection with any such notification and promptly respond to any requests for information from any governmental entity, including any so-called second request under the HSR Act; (iv) request early termination of the waiting period under the HSR Act; and (v) take all other commercially reasonable actions necessary or appropriate to gain all approvals necessary to consummate the transactions contemplated by this Agreement under the HSR Act or any other antitrust, competition, or trade regulatory laws, rules, or regulations of any governmental entity; provided that nothing in this Section 7.15(b) shall require Buyer to agree to the divestiture of any assets of Buyer or its Subsidiaries or to any limits or restrictions on the operations of the business of Buyer or its Subsidiaries. Subject to such confidentiality restrictions as may be reasonably requested, Buyer shall coordinate and cooperate with the Company in preparing such notifications, responding to such inquiries, and taking all such other actions.

(c) Any and all HSR filing fees paid or incurred by the Company in connection with the Merger (including any international notifications) shall be reimbursed by Buyer within five business days of payment thereof by the Company, or paid directly by Buyer in accordance with any applicable laws or regulations.

SECTION 7.16 *Tax-Free Reorganization.*

(a) Prior to the Effective Time, each party shall use its best efforts to cause the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code, and will not take any action that would be reasonably expected to cause the Merger to not so qualify. Buyer shall not take, or cause any Subsidiary to take, any action after the Effective Time that would be reasonably expected to cause the

Merger not to qualify as a reorganization under Section 368(a) of the Code. The parties shall use their best efforts to obtain the opinions described in Sections 8.2(d) and 8.3(d), including the provision of representations to Faegre & Benson LLP and Morrison & Foerster LLP by the Company and by Buyer required by Faegre & Benson LLP and Morrison & Foerster LLP to render the opinions described in Sections 8.2(d) and 8.3(d).

(b) Following the Merger, Buyer will comply with record-keeping and information filing requirements of Section 1.368-3 of the Treasury Regulations with respect to the Merger.

SECTION 7.17 *Buyer Board of Directors.* Buyer shall take all requisite action to appoint Alan B. Menkes to the Buyer s Board of Directors as of the Effective Time, provided that if Mr. Menkes is unable or unwilling to serve on the Buyer s Board of Directors at the Effective Time, Buyer shall instead take all requisite action to appoint such other person as the Company may designate, who is reasonably acceptable to Buyer.

ARTICLE VIII

CONDITIONS PRECEDENT

SECTION 8.1 *Conditions to Each Party s Obligation to Effect the Merger.* The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or before the Effective Time of the following conditions, any one or more of which, to the extent permitted by applicable law, may be waived in a writing signed by all of the parties to this Agreement:

(a) Shareholder Approvals. The Company Stockholder Proposals shall have been approved by the stockholders of the Company in accordance with the DGCL and the Company s Certificate of Incorporation, and the Share Issuance shall have been approved by the shareholders of Buyer in accordance with the Minnesota Business Corporation Act (the MBCA) and Buyer s Articles of Incorporation.

(b) Registration Statement Effective. The Registration Statement shall have become effective under the Securities Act, no stop order suspending the effectiveness of the Registration Statement shall then be in effect, and no proceedings for that purpose shall then be threatened by the SEC or shall have been initiated by the SEC and not concluded or withdrawn.

(c) Listing. The shares of Buyer Common Stock issuable to holders of Company Common Stock and holders of Company Series A-1 Preferred Stock pursuant to this Agreement and such other shares required to be reserved for issuance in connection with the Merger or upon the exercise of Replacement Options shall have been authorized for listing on the Nasdaq National Market System, subject to official notice of issuance.

(d) HSR Act. All waiting periods, if any, under the HSR Act relating to the transactions contemplated hereby will have expired or been terminated early and all material foreign antitrust approvals required to be obtained prior to the Merger in connection with the transactions contemplated hereby shall have been obtained.

(e) Injunctions or Restraints. There shall not be pending any litigation or administrative proceeding brought by any governmental or other regulatory or administrative agency or commission requesting an injunction, writ, order, judgment or decree (each, an Injunction) that is reasonably likely to result in an order to restrain or prohibit the consummation of any of the transactions contemplated hereby or to require rescission of this Agreement or any such transactions or to have a Surviving Corporation Material Adverse Effect if the transactions contemplated hereby are consummated, nor shall there be in effect any Injunction directing that any of the transactions provided for herein not be consummated as so provided (it being agreed that each of the parties shall use all reasonable efforts to prevent the entry of any such Injunction and to appeal as promptly as possible any such Injunction that may be entered).

SECTION 8.2 *Conditions to the Obligations of Buyer and Buyer Subsidiary.* The obligations of Buyer and Buyer Subsidiary to effect the Merger shall be subject to the fulfillment at or before the

Effective Time of the following conditions, any one or more of which, to the extent permitted by applicable law, may be waived in a writing signed by Buyer and Buyer Subsidiary:

(a) Representations, Warranties and Covenants. The representations and warranties of the Company contained in Article III of this Agreement shall be true and correct in all material respects as of the date of this Agreement and immediately before the Effective Time as though made immediately before the Effective Time (except those representations and warranties that speak of an earlier date, which shall be true and correct in all material respects as of such earlier date), except that any representation or warranty that is qualified by materiality or Company Material Adverse Effect or similar qualification shall be true and correct in all respects as of the applicable time; the Company shall have, in all material respects, performed and complied with the agreements and obligations contained in this Agreement required to be performed and complied with by it immediately before the Effective Time; and Buyer and Buyer Subsidiary shall have received a certificate signed by the chief executive officer and the chief financial officer of the Company to the effect set forth in this Section 8.2(a).

(b) Material Adverse Effect. Neither the Company nor any of its Subsidiaries shall have, since the date of this Agreement, suffered any business interruption, damage to or destruction of its properties, or other incident, occurrence, or event that, individually or in the aggregate, has had or would be reasonably likely to have (after giving effect to any insurance coverage reasonably likely to be received) a Company Material Adverse Effect.

(c) Company Rights Agreement. No Company Rights shall have become exercisable under the Company Rights Agreement.

(d) Tax Opinion. Buyer shall have received from Faegre & Benson LLP, after providing appropriate representations to that firm, an opinion to the effect that the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code and that, with respect to the Merger, Buyer, Buyer Subsidiary and the Company will each be a party to a reorganization within the meaning of Section 368(b) of the Code.

(e) Corporate Authority Opinion. Buyer shall have received a written opinion from E*Law Group to the effect that the Merger and the Company Stockholder Proposals have been duly authorized by all necessary corporate action on the part of the Company.

(f) Dissenting Shares. Holders of no more than 10% of the issued and outstanding shares of Company Common Stock shall have taken such action as is necessary to entitle them to demand payment of the fair value of such shares as referred to in Section 2.2(e) of this Agreement.

(g) Consent of Third Parties. Buyer shall have received duly executed copies of all material consents necessary in order to effect the Merger without breach or default by the Company, any of its Subsidiaries, or the Surviving Corporation under any Company Material Contract or the imposition of any encumbrance on any asset of the Company, any of its Subsidiaries, or the Surviving Corporation.

(h) Board of Director Resignations. Each of the directors of the Company shall have delivered to Buyer, in a form reasonably acceptable to Buyer, their resignation from the Board of Directors of the Surviving Corporation effective as of the date on which the registration statement related to the Replacement Options called for by Section 2.3(j) becomes effective under the Securities Act.

SECTION 8.3 *Conditions to Obligation of the Company.* The obligation of the Company to effect the Merger shall be subject to the fulfillment at or before the Effective Time of the following conditions, any one or more of which, to the extent permitted by applicable law, may be waived in writing by the Company:

(a) Representations, Warranties and Covenants. The representations and warranties of Buyer and Buyer Subsidiary contained in Article IV of this Agreement shall be true and correct in all material respects as of the date of this Agreement and immediately before the Effective Time as though made immediately before the Effective Time (except those representations and warranties that speak of an earlier date, which shall be true and correct in all material respects as of such earlier date), except

that any representation or warranty that is qualified by materiality or Buyer Material Adverse Effect or similar qualification shall be true and correct in all respects as of the applicable time; Buyer and Buyer Subsidiary shall have, in all material respects, performed and complied with the agreements and obligations contained in this Agreement required to be performed and complied with by them immediately before the Effective Time; and the Company shall have received a certificate signed by the chief executive officer and the chief financial officer of Buyer to the effects set forth in this Section 8.3(a).

(b) Material Adverse Effect. Neither Buyer nor any of its Subsidiaries shall have, since the date of this Agreement, suffered any business interruption, damage to or destruction of its properties, or other incident, occurrence, or event that, individually or in the aggregate, has had or would reasonably be expected to have (after giving effect to any insurance coverage reasonably likely to be received) a Buyer Material Adverse Effect.

(c) Corporate Authority Opinion. The Company shall have received a written opinion from Faegre & Benson LLP, counsel to Buyer and Buyer Subsidiary, to the effect that the Merger and the Share Issuance have been duly authorized by all necessary corporate action on the part of Buyer and Buyer Subsidiary.

(d) Tax Opinion. The Company shall have received from Morrison & Foerster LLP, after providing appropriate representations to that firm, an opinion to the effect that the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code and that, with respect to the Merger, Buyer, Buyer Subsidiary and the Company will each be a party to a reorganization within the meaning of Section 368(b) of the Code.

ARTICLE IX

TERMINATION AND AMENDMENT

SECTION 9.1 *Termination.* This Agreement may be terminated at any time before the Effective Time, whether before or after approval of the Company Stockholder Proposal by the stockholders of the Company or approval of the Share Issuance by the shareholders of Buyer (except as provided otherwise in Section 9.1(e)):

(a) by written agreement of Buyer, Buyer Subsidiary and the Company;

(b) by Buyer or the Company, if the transactions contemplated hereby shall not have been consummated on or before May 31, 2004 (the End Date, as such date may be extended by written agreement of Buyer and the Company), provided that such failure is not due to the failure of the party seeking to terminate this Agreement (or, in the event Buyer is seeking to terminate this Agreement, of Buyer Subsidiary) to comply in all material respects with its obligations under this Agreement;

(c) by Buyer, if (i) any condition set forth in Section 8.1 or 8.2 shall become impossible to fulfill on or prior to the End Date (provided that such failure is not due to the failure of Buyer or Buyer Subsidiary to comply in all material respects with its obligations under this Agreement), and such conditions shall not have been waived under Section 8.1 or 8.2, (ii) the stockholders of the Company shall fail to approve the Company Stockholder Proposals by the votes required by the DGCL and the Company s Certificate of Incorporation at the first stockholders meeting called for that purpose or any adjournment thereof, (iii) the shareholders of Buyer shall fail to approve the Share Issuance by the vote required by the MBCA and Buyer s Articles of Incorporation at the first shareholders meeting called for that purpose or any adjournment thereof (provided that such failure is not due to the failure of Buyer or Buyer Subsidiary to comply in all material respects with its obligations under this Agreement), (iv) the Board of Directors of the Company withdraws or modifies, in any manner adverse to Buyer, its recommendation of approval of the Company Stockholder Proposals, (v) there shall have been a material breach of any representation or warranty on the part of the Company in this Agreement or there shall have been a material breach by the Company of any covenants or agreements materially adversely affecting (or materially delaying) the

consummation of the Merger and such breach has not been cured within ten business days following written notice from Buyer, or (vi) there shall have been a Company Material Adverse Effect that has continued unabated for five consecutive business days;

(d) by the Company, if (i) any condition set forth in Section 8.1 or 8.3 shall become impossible to fulfill on or prior to the End Date (provided that such failure is not due to the failure of the Company to comply in all material respects with its obligations under this Agreement), and such conditions shall not have been waived under Section 8.1 or 8.3, (ii) the stockholders of the Company shall fail to approve the Company Stockholder Proposals by the votes required by the DGCL and the Company s Certificate of Incorporation at the first stockholders meeting called for that purpose or any adjournment thereof, (provided that such failure is not due to the failure of the Company to comply in all material respects with its obligations under this Agreement) (iii) the shareholders of Buyer shall fail to approve the Share Issuance by the vote required by the MBCA and Buyer s Articles of Incorporation at the first shareholders meeting called for that purpose or any adjournment thereof, (iv) there shall have been a material breach of any representation or warranty on the part of Buyer or Buyer Subsidiary in this Agreement or there shall have been a material breach by Buyer or Buyer Subsidiary of any of their respective covenants or agreements materially adversely affecting (or materially delaying) the consummation of the Merger and such breach has not been cured within ten business days following written notice from the Company, or (v) there shall have been a Buyer Material Adverse Effect that has continued unabated for five consecutive business days; or

(e) by the Company, at any time prior to the Company Stockholders Meeting, upon written notice to Buyer, if the Board of Directors of the Company shall have approved a Company Superior Third-Party Acquisition Offer; provided, however, that, prior to termination, (i) the Company shall have complied in all material respects with Section 7.2(a), (ii) the Board of Directors of the Company shall have determined in good faith, after consultation with its outside legal counsel and financial advisor, that consideration of such Company Superior Third-Party Acquisition Offer and termination of this Agreement is necessary for the Board of Directors to comply with its fiduciary duties under Delaware law, and (iii) the Company shall have notified Buyer in writing at least five business days before termination of its intention to enter into an agreement with respect to a Company Superior Third-Party Acquisition Offer (the Intention Notice) and shall have provided Buyer with the proposed definitive documentation for such transaction; and provided, further, that, during the period of five business days following the Intention Notice, the Company shall have afforded Buyer a reasonable opportunity to make such adjustments to the terms and conditions of this Agreement as would enable the Company to proceed with the transactions contemplated hereby, and the notice of termination shall not be effective if Buyer submits to the Company during such period a legally binding, executed unconditional offer to enter into an amendment to this Agreement, which amendment shall not contain conditions to Closing that are in addition to those set forth in this Agreement, within such period unless the Company s Board of Directors shall have determined in good faith, after consultation with its outside legal counsel and financial advisor, that the amendment to this Agreement that Buyer has agreed to enter into during such period is not at least as favorable to the Company s stockholders as the Company Superior Third-Party Acquisition Offer.

SECTION 9.2 *Procedure and Effect of Termination.* In the event of termination of this Agreement by the Company or Buyer under Section 9.1, written notice shall forthwith be given to the other parties identifying with reasonable particularity the applicable provisions of Section 9.1 and the basis therefor (provided that the failure to provide written notice with reasonable particularity shall not be a bar to any recovery of the fees and expenses set forth in Section 9.3), and this Agreement shall terminate and the Merger shall be abandoned without further action by any of the parties. If this Agreement is terminated as provided herein, no party hereto shall have any liability or further obligation to any other party to this Agreement, except as otherwise provided in Section 9.3 or to the extent that the termination is a result of a willful and material violation by such party of a representation, warranty, covenant or agreement contained in this Agreement. The Confidentiality Agreement will survive the termination of this Agreement in accordance with its terms.

SECTION 9.3 *Termination Fee; Expenses.*

(a) If (i) this Agreement is terminated pursuant to Section 9.1(c)(iv) or 9.1(e); or (ii) (x) a Company Third-Party Acquisition Offer shall have become known publicly prior to the termination of this Agreement, (y) this Agreement shall have been terminated pursuant to Section 9.1(b), 9.1(c)(i) or 9.1(d)(i) (in each case, other than by reason of the failure of the conditions set forth in any of Section 8.1(b), (c), (d) or (e)to be fulfilled or the failure of the conditions set forth in Section 8.3 to be fulfilled), or pursuant to Section 9.1(c)(ii) or 9.1(d)(ii) and (z) within six months after termination the Company shall have entered into an agreement with respect to, or consummated, any Company Third-Party Acquisition (defined below), and provided that the Company did not otherwise have the right to terminate the Agreement pursuant to Sections 9.1(d)(iv) or 9.1(d)(v), then the Company shall pay to Buyer a fee equal to $1.6 million in cash (the Termination Fee), plus an amount, in cash (the Buyer Expense Reimbursement Amount), not to exceed $750,000, equal to all documented out-of-pocket expenses and fees incurred by Buyer (including fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to this Agreement, the Merger or the transactions contemplated by this Agreement. The Termination Fee shall be paid by wire transfer of same day funds to an account designated by Buyer (x) in the case of Section 9.3(a)(i), upon termination of this Agreement, and (y) in the case of Section 9.3(a)(ii), upon the earlier of such entry into an agreement with respect to a Company Third-Party Acquisition or such consummation of a Company Third-Party Acquisition. It shall be a condition to termination of this Agreement by the Company pursuant to any paragraph of Section 9.1 that requires payment of the Termination Fee upon termination pursuant thereto, that such payment has been made. In no event shall more than one Termination Fee be payable under this Article IX. The Buyer Expense Reimbursement Amount shall be paid in accordance with Section 9.3(b). As used in Section 9.3(a)(ii)(z), a Company Third-Party Acquisition means (i) a transaction pursuant to any Company Third-Party Acquisition Offer in which any third party acquires at least 50% of the outstanding shares of Company Common Stock by tender offer, exchange offer or otherwise, (ii) a merger or other business combination (other than with Buyer or Buyer Subsidiary) in which, immediately after giving effect thereto, stockholders other than the stockholders of the Company immediately prior thereto own at least 50% of the entity surviving such merger or business combination, or (iii) any transaction pursuant to which any third party acquires assets of the Company having a fair market value equal to at least 50% of all of the assets of the Company and its Subsidiaries, taken as a whole, immediately prior to such transaction.

(b) If this Agreement is terminated by Buyer pursuant to Section 9.1(c)(v) under conditions that otherwise would not entitle Buyer to the Termination Fee and Buyer Expense Reimbursement Amount pursuant to Section 9.3(a), and provided that the Company did not otherwise have the right to terminate this Agreement pursuant to Section 9.1(d), then the Company shall pay to Buyer the Buyer Expense Reimbursement Amount. If this Agreement is terminated by the Company pursuant to Section 9.1(d)(iv) under conditions that otherwise would not entitle Buyer to the Termination Fee and Buyer Expense Reimbursement Amount pursuant to Section 9.3(a), and provided that the Buyer did not otherwise have the right to terminate this Agreement pursuant to Section 9.1(c), then Buyer shall pay to the Company an amount, in cash, not to exceed $750,000, equal to all documented out-of-pocket expenses and fees incurred by the Company (including fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors) arising out of, in connection with or related to this Agreement, the Merger or the transactions contemplated by this Agreement. If this Agreement is terminated under condition that entitle Buyer to receive the Buyer Expense Reimbursement Amount, or entitle the Company to receive a payment under this Section 9.1(b), then the party entitled to receive such payment shall provide the party required to make such payment with a reasonably detailed summary of the amount of such payment within 15 business days of such termination. Within three business days after the received of such summary, the party required to make such payment shall pay such amount by wire transfer of same day funds to an account designated by the party entitled to receive such payment.

(c) (i) The existence of the right to receive payment pursuant to this Section 9.3 shall not constitute an election of remedies or in any way limit or impair a party s right to pursue any other remedy against the other party to which it may be entitled under this Agreement, at law or in equity, or otherwise;

provided, however, the successful exercise by Buyer of the right under Section 9.3(a) shall constitute an election of remedies and shall preclude Buyer from any other remedy against the Company to which Buyer may otherwise be entitled under this Agreement, at law or in equity or otherwise.

(ii) The parties agree that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by the Agreement and are an inducement to Buyer and the Company to enter into this Agreement and not a penalty.

(iii) If a party fails to pay promptly the other any amount due under this Section 9.3, such party shall pay the costs and expenses of the other (including reasonable legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime or base rate of Wells Fargo Bank Minnesota, N.A. from the date such fee was required to be paid.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.1 *Termination of Representations and Warranties.* No investigation or due diligence findings made by or on behalf of any other party hereto, any person controlling any such party or any of their officers, directors, representatives or agents whether prior to or after the execution of this Agreement shall affect the representations and warranties of each party hereto. The representations and warranties of the parties set forth in this Agreement (including those set forth in the Company Disclosure Schedule and the Buyer Disclosure Schedule) or in any certificate furnished under this Agreement shall not survive the Effective Time.

SECTION 10.2 *Amendment and Modification.* To the extent permitted by applicable law, this Agreement may be amended, modified, or supplemented only by written agreement of the parties hereto at any time before the Effective Time with respect to any of the terms contained herein, except that after the Company Stockholders Meeting the amount of the Common Stock Per Share Consideration or the Preferred Stock Per Share Consideration shall not be decreased and the form of the Common Stock Per Share Consideration or the Preferred Stock Per Share Consideration shall not be altered from that provided for in this Agreement without the approval of the stockholders of the Company.

SECTION 10.3 *Waiver of Compliance; Consents.* Any failure of Buyer or Buyer Subsidiary, on the one hand, or the Company, on the other hand, to comply with any obligation, covenant, agreement, or condition herein may be waived in a writing signed by the other, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 10.3.

SECTION 10.4 *Expenses.* All expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring or required to pay such expenses as a matter of law, except (i) as otherwise provided in Section 9.3, (ii) all expenses (excluding legal, accounting and other advisors fees and expenses) incurred in connection with the preparation, printing, filing and mailing of the Joint Proxy Statement and the Registration Statement shall be shared equally by the Company and Buyer.

SECTION 10.5 *Press Releases and Public Announcements.* The parties will make a mutually acceptable joint press release promptly after the execution and delivery hereof. Neither Buyer nor the Company shall issue any other press release or make any other public announcement relating to the subject matter of this Agreement without prior written approval of the other; provided, however, that each of the Company and Buyer may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing party will advise the other parties to this Agreement and provide them with a reasonable period of time to comment before making the disclosure).

SECTION 10.6 *Additional Agreements.* Subject to the terms and conditions of this Agreement, each of the parties agrees to use its reasonable efforts to take or cause to be taken all action, and do or cause to be done all things necessary, proper, or advisable under applicable laws and regulations, to ensure that the conditions set forth in Article VIII are satisfied and to consummate and make effective the transactions contemplated by this Agreement (subject to the Company s Board of Directors and Buyer s Board of Directors right to exercise in good faith its fiduciary duties). If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each corporation that is a party to this Agreement shall take all such necessary action.

SECTION 10.7 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, effective when delivered, or if delivered by express delivery service, effective when delivered, or if mailed by registered or certified mail (return receipt requested), effective three business days after mailing, or if delivered by telecopy, effective when telecopied with confirmation of receipt, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Company, to it at:

Optika Inc.

7450 Campus Drive 2nd Floor
Colorado Springs, Colorado 80920
Telecopy: (719) 531-0119
Telephone: (719) 548-9800
Attention: Mark K. Ruport

with a copy to:

E*Law Group

3555 West 110th Place
Westminster, Colorado 80031
Telecopy: (303) 410-0468
Telephone: (303) 410-8988
Attention: Jeremy W. Makarechian

(b) If to Buyer of Buyer Subsidiary, to it at:

Stellent, Inc.

7777 Golden Triangle Drive
Eden Prairie, Minnesota 55344
Telecopy: (952) 829-5424
Telephone: (952) 903-2000
Attention: Robert F. Olson

with a copy to:

Faegre & Benson LLP

2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901
Telecopy: (612) 766-1600
Telephone: (612) 766-7000
Attention: W. Smith Sharpe
Gordon S. Weber

SECTION 10.8 *Assignment.* This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other parties. This Agreement is not intended to confer upon any other person except the parties any rights or remedies hereunder.

SECTION 10.9 *Rules of Interpretation.* As used in this Agreement,

(a) including means including without limitation ;

(b) includes means includes without limitation ;

(c) person includes an individual, a partnership, a limited liability company, a joint venture, a corporation, a trust, an incorporated organization, and a government or any department or agency thereof;

(d) affiliate has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act;

(e) business day means any day other than a Saturday, Sunday or a day that is a statutory holiday under the laws of the United States or the States of Colorado and Minnesota;

(f) all dollar amounts are expressed in United States funds;

(g) defined terms include the singular and the plural;

(h) the phrase to the knowledge of the Company or to the knowledge of the Buyer, or any similar phrase, means the actual knowledge of one or more of the executive officers of the Company or Buyer, as the case may be; and

(i) all references to statutes or regulations are deemed to refer to such statutes and regulations as amended from time to time or as superseded by comparable successor statutory provisions.

SECTION 10.10 *Governing Law.* This Agreement shall be governed by the laws of the State of Delaware (except to the extent such matter relates solely to the corporate governance or internal operations of Buyer or the approval of the Share Issuance, in which event the laws of the State of Minnesota shall govern) without giving effect to conflict-of-laws principles. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the courts of the Court of Chancery of Delaware and the federal courts of the United States of America located in the State of Delaware solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit, or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware state or federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute. Each party further acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such party hereby irrevocably and unconditionally waives any right such party may have to trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement or the transactions contemplated by this Agreement.

SECTION 10.11 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

SECTION 10.12 *Headings; Internal References.* The Article and Section headings contained in this Agreement are solely for the purpose of reference, and are not part of the agreement of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.13 *Entire Agreement.* This Agreement, including the Company Disclosure Schedule, the Buyer Disclosure Schedule and the Exhibits, the Confidentiality Agreement and the Preferred Share Voting Agreement, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein, and supersede all prior agreements and understandings among the parties with respect to such subject matter including, specifically, the letter agreement dated November 28, 2003 between Buyer and the Company. There are no restrictions, promises, representations, warranties (express or implied), covenants, or undertakings of the parties in respect of the subject matter

set forth herein, other than those expressly set forth or referred to in this Agreement, or the Confidentiality Agreement.

SECTION 10.14 *Severability.* If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms hereof will continue in full force and effect and will in no way be affected, impaired, or invalidated.

SECTION 10.15 *Equitable Remedies.* The parties agree that money damages or another remedy at law would not be a sufficient or adequate remedy for any breach or violation of, or default under, this Agreement by them and that in addition to all other remedies available to them, each of them shall be entitled, to the fullest extent permitted by law, to an injunction restraining such breach, violation, or default or threatened breach, violation, or default and to any other equitable relief, including specific performance, without bond or other security being required in any federal court located in the State of Delaware or any Delaware state court.

SECTION 10.16 *Disclosure Schedules.* Matters reflected in the Company Disclosure Schedule or the Buyer Disclosure Schedule are not necessarily limited to matters required by this Agreement to be reflected in the Company Disclosure Schedule or the Buyer Disclosure Schedule. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature that are not required to be reflected in the Company Disclosure Schedule or the Buyer Disclosure Schedule. A disclosure made by the Company or Buyer in any Section of this Agreement or its Disclosure Schedule that is sufficient to reasonably inform the other of information required to be disclosed in another Section of this Agreement or the Disclosure Schedule in order to avoid a misrepresentation thereunder shall be deemed to have been made with respect to such other Section of this Agreement or the Disclosure Schedule.

[Remainder of page left intentionally blank signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first above written.

STELLENT, INC.

By: /s/ ROBERT F. OLSON

Robert F. Olson
President and Chief Executive Officer

OPTIKA INC.

By: /s/ MARK K. RUPORT

Mark K. Ruport
President and Chief Executive Officer

STEL SUB, INC.

By: /s/ ROBERT F. OLSON

Robert F. Olson
President and Chief Executive Officer

[Agreement and Plan of Merger]

ANNEX B

VOTING AGREEMENT

This Voting Agreement (this *Agreement*) is dated as of January 11, 2004, among Optika Inc., a Delaware corporation (the *Company*), and the persons listed on Annex A hereto, each of whom is a holder (a *Shareholder*) of shares of common stock of Stellent, Inc., a Minnesota corporation (the *Buyer*).

Recitals

A. The Buyer, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Buyer *(Merger Sub*), and the Company are entering into an Agreement and Plan of Merger dated as of the date hereof (the *Merger Agreement*), pursuant to which (1) the Company will merge (the *Merger*) with and into Merger Sub, (2) the existing holders of shares of common stock of the Company will exchange such shares for shares of common stock of the Buyer *(Buyer Common Stock)* and (3) the existing holders Series A-1 Convertible Preferred Stock of the Company will exchange such shares for cash and, in certain circumstances, shares of Buyer Common Stock.

B. Each Shareholder is a director or executive officer of the Buyer.

C. The execution and delivery of this Agreement is a condition precedent to the Company entering into the Merger Agreement.

Agreement

Now, therefore, the parties hereby agree as follows:

1. *Voting; Proxy.*

(a) During the term of this Agreement, at each meeting of the Buyer s shareholders convened to consider and vote upon the issuance of shares of Buyer Common Stock in the Merger, each Shareholder agrees to vote (to the extent not voted by the person or persons appointed under the proxy granted under Section 1(b)) all shares of Buyer Common Stock owned of record by the Shareholder at the record date for the vote (including, except for any shares for which the Shareholder s sole voting power results from his or her having been named as proxy pursuant to the proxy solicitation conducted by the Buyer s Board of Directors in connection with the meeting, any shares of Buyer Common Stock over which the Shareholder has voting power, by contract or otherwise) in favor of the approval of the stock issuance.

(b) Each Shareholder acknowledges that he or she has executed and delivered to the Company an irrevocable proxy in the form of *Annex B* hereto.

2. *No Transfer.* During the term of this Agreement, each Shareholder agrees that he or she will not sell, pledge, assign, or otherwise transfer, or authorize, propose, or agree to the sale, pledge, assignment, or other transfer of, any of his or her shares of Buyer Common Stock, unless (a) at least two business days written notice of the proposed transfer is provided to the Company and (b) the intended transferee agrees in writing to be bound by this Agreement as if he or she were a Shareholder.

3. *Representations and Warranties.* Each Shareholder, severally and not jointly, represents and warrants to the Company with respect to himself or herself as follows:

(a) *Authority.* He or she has the requisite power and authority to enter into this Agreement, to perform his or her obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by him or her and constitutes his or her valid and binding obligation, enforceable against him or her in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, or similar laws affecting the enforcement of creditors rights generally, and except for judicial limitations on the enforcement of the remedy of specific performance and other equitable remedies.

(b) *Title; Authority to Vote Shares.* He or she owns of record and has voting power over the number of shares of Buyer Common Stock set forth beside his or her name on *Annex A* hereto; and

such shares are held by him or her free and clear of all liens, charges, pledges, restrictions, and encumbrances that would prevent him or her from performing his or her obligations hereunder.

(c) *Noncontravention.* Neither his or her execution and delivery of this Agreement, nor his or her consummation of any of the transactions contemplated hereby, nor his or her compliance with any of the provisions hereof will violate, conflict with, or result in a breach of, or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, or result in the termination or suspension of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien upon, any of his or her properties or assets under any agreement or instrument to which he or she is a party or any statute, rule, regulation, judgment, order, decree, or other legal requirement applicable to him or her.

(d) *Litigation.* (i) There is no claim, action, proceeding, or investigation pending or, to his or her knowledge, threatened against or relating to him or her before any court or governmental or regulatory authority or body (including the National Association of Securities Dealers, Inc.), and (ii) he or she is not subject to any outstanding order, writ, injunction, or decree, that, in the case of clause (i) or (ii), if determined adversely, would prohibit him or her from performing his or her obligations hereunder.

4. *Termination.* This Agreement will terminate automatically and without further action on behalf of any party at the earlier of (a) the Effective Time or (b) the date and time the Merger Agreement is terminated pursuant to its terms. In the event of a termination of this Agreement pursuant to this Section 4, this Agreement will forthwith become void and there will be no liability or obligation on the part of any party; provided, that nothing herein will release any party from any liability for any breach of this Agreement. If this Agreement is terminated, the proxies of the Shareholders delivered under Section 1(b) will also terminate and be of no further force or effect, and the Company will promptly return the proxies to the respective Shareholders.

5. *Director Matters Excluded.* The Company acknowledges and agrees that, with respect to each Shareholder that is a member of the Buyer s Board of Directors, no provision of this Agreement will limit or otherwise restrict such Shareholder with respect to any act or omission that he may undertake or authorize in his capacity as a member of the Buyer s Board of Directors, including, without limitation, any vote that such Shareholder may make as a director of the Buyer with respect to any matter presented to the Buyer s Board of Directors.

6. *Miscellaneous.*

(a) *Notices.* All notices and other communications hereunder will be in writing and will be deemed given if delivered personally, effective when delivered, or if delivered by express delivery service, effective when delivered, or if mailed by registered or certified mail (return receipt requested), effective three business days after mailing, or if delivered by telecopy, effective when telecopied with confirmation of receipt, to the parties at the following addresses (or at such other address for a party as may be specified by like notice):

If to a Shareholder at the address and/or telecopy number set forth under his or her name on *Annex A* hereto;

If to Company to:

Optika Inc.
7450 Campus Drive, Suite 200
Colorado Springs, Colorado 80920
Telecopy: (719) 531-0119
Telephone: (719) 548-9800
Attention: Chief Executive Officer

with a copy to:

E* Law Group
3555 West 110th Place
Westminster, Colorado 80031
Telecopy: (303) 410-0468
Telephone: (303) 766-8988
Attention: Jeremy W. Makarechian

(b) *Interpretation.* The headings contained in this Agreement are for reference purposes only and do not affect the interpretation of this Agreement.

(c) *Counterparts.* This Agreement may be executed by facsimile signature and in one or more counterparts, all of which will be considered the same agreement.

(d) *Entire Agreement.* This Agreement (along with the documents and instruments referred to herein, including the Merger Agreement), constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(e) *Severability.* The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law.

(f) *Governing Law.* This Agreement will be governed by Delaware law, without regard to the principles of conflicts of law.

(g) *Assignment.* Neither this Agreement nor any of the rights, interests, or obligations hereunder may be assigned by any party, whether by operation of law or otherwise, without the express written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors, heirs, legal representatives, and permitted assigns. The representations, agreements, and obligations of the Shareholders contained herein will survive the death or incapacity of any Shareholder and will be binding upon the heirs, personal representatives, successors, and assigns of each Shareholder.

(h) *Remedies.* In addition to all other remedies available, the parties agree that, in the event of a breach by a party of any of its obligations hereunder, the non-breaching party will be entitled to specific performance or injunctive relief.

(i) *Defined Terms.* All capitalized terms used but not defined herein have the meanings given them in the Merger Agreement.

[Remainder of page left intentionally blank signature pages follow]

IN WITNESS WHEREOF, each of the parties have signed this Agreement as of the date first written above.

OPTIKA INC.

By: /s/ MARK K. RUPORT

Mark K. Ruport
Chief Executive Officer

/s/ ROBERT F. OLSON

Robert F. Olson

/s/ KENNETH H. HOLEC

Kenneth H. Holec

/s/ PHILIP E. SORAN

Philip E. Soran

/s/ RAYMOND A. TUCKER

Raymond A. Tucker

/s/ STEVEN C. WALDRON

Steven C. Waldron

/s/ GREGG A. WALDON

Gregg A. Waldon

/s/ DAVID S. BATT

David S. Batt

/s/ FRANK A. RADICHEL

Frank A. Radichel

/s/ DANIEL P. RYAN

Daniel P. Ryan

ANNEX A
TO BUYER STOCKHOLDER AGREEMENT

Name	Number of Shares of Buyer Common Stock
Robert F. Olson	2,255,764
Kenneth H. Holec	90,315
Philip E. Soran	0
Raymond A. Tucker	10,000
Steven C. Waldron	0
Gregg A. Waldon	10,000
David S. Batt	0
Frank A. Radichel	250
Daniel P. Ryan	10,000

ANNEX B
TO BUYER STOCKHOLDER AGREEMENT

IRREVOCABLE PROXY

The undersigned, revoking any proxy heretofore given, hereby constitutes and appoints each of Mark K. Ruport and Steven M. Johnson the true and lawful attorney, with full power of substitution, for and in the name of the undersigned to vote, at any time before the Termination (defined below), all shares of common stock of Stellent, Inc., a Minnesota corporation (the *Buyer*), or other shares of capital stock of the Buyer entitled to vote on the business to be transacted, (1) registered in the name of the undersigned at the record date for such vote, or (2) except as set forth below, over which the undersigned has voting power by power of attorney or other contractual arrangements with the owner of record (collectively, the *Shares*), at any meeting of the shareholders of the Buyer, and at all adjournments thereof, and pursuant to any consent of the shareholders in lieu of a meeting or otherwise, in favor of approval of the Stock Issuance (defined below).

This Proxy is given with respect to the approval of the issuance of shares of common stock of the Buyer (the *Stock Issuance*) pursuant to the Agreement and Plan of Merger among the Buyer, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Buyer, and Optika Inc., a Delaware corporation (the *Company*), dated as of January , 2004 (the *Merger Agreement*). This Proxy is given to induce the Company to enter into the Merger Agreement, is coupled with an interest, and is irrevocable; provided, that this Proxy will terminate automatically and without further action on behalf of the undersigned upon the termination of the Voting Agreement, dated as of the date hereof, among the Company and each of the persons and entities listed on Annex A thereto (the *Termination*).

Notwithstanding clause (2) of the first paragraph above, this Proxy will not include any shares of capital stock of the Buyer that are not subject to clause (1) of the first paragraph above for which the undersigned s only voting power results from the undersigned having been named as proxy pursuant to the proxy solicitation conducted by the Buyer s Board of Directors in connection with a meeting of the shareholders of the Buyer and over which the undersigned does not otherwise have voting power with respect thereto.

The undersigned hereby ratifies and confirms all that the proxies named herein may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of this January , 2004.

____

AMENDMENT NO. 1

TO
VOTING AGREEMENT

This Amendment No. 1 (this *Amendment*) is entered into as of the 27th day of January, 2004 among Optika Inc., a Delaware corporation (the *Company*), and the persons listed on the signature page hereto, each of whom is a holder (a *Shareholder*) of shares of common stock of Stellent, Inc., a Minnesota corporation (the *Buyer*).

Recitals

A. The Company and the Shareholders entered into a voting agreement dated as of January 11, 2004 (the *Original Agreement*).

B. The Company and the Shareholders desire to amend the Original Agreement in certain respects.

Amendment

Therefore, the parties agree as follows:

1. *Maximum Percentage of Shares Covered.* The Original Agreement is hereby amended by adding a new Section 1(c) thereto to read as follows:

> (c) Notwithstanding anything to the contrary in this Agreement or the irrevocable proxies executed and delivered pursuant to Section 1(b), until such time as the Company s acquisition of beneficial ownership of shares of common stock of the Buyer under this Agreement and such proxies shall have received the approval required under Section 302A.673, subd. 1, of the Minnesota Statutes, neither this Agreement nor such proxies shall apply to shares representing, in the aggregate, more than 9.9% of the outstanding shares of common stock of the Buyer.

2. *Miscellaneous.* Except as specifically set forth herein, all terms and provisions of the Original Agreement remain in full force and effect with no other modification or waiver. This Amendment may be executed in two or more counterparts, each which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[Signature Page Follows]

The undersigned have executed this Amendment as of the date first written above.

OPTIKA INC.

By: /s/ MARK K. RUPORT

Mark K. Ruport
Chief Executive Officer

/s/ ROBERT F. OLSON

Robert F. Olson

/s/ KENNETH H. HOLEC

Kenneth H. Holec

/s/ PHILIP E. SORAN

Philip E. Soran

/s/ RAYMOND A. TUCKER

Raymond A. Tucker

/s/ STEVEN C. WALDRON

Steven C. Waldron

/s/ GREGG A. WALDON

Gregg A. Waldon

/s/ DAVID S. BATT

David S. Batt

/s/ FRANK A. RADICHEL

Frank A. Radichel

/s/ DANIEL P. RYAN

Daniel P. Ryan

IRREVOCABLE PROXY

The undersigned, revoking any proxy heretofore given, hereby constitutes and appoints each of Mark K. Ruport and Steven M. Johnson the true and lawful attorney, with full power of substitution, for and in the name of the undersigned to vote, at any time before the Termination (defined below), all shares of common stock of Stellent, Inc., a Minnesota corporation (the *Buyer*), or other shares of capital stock of the Buyer entitled to vote on the business to be transacted, (1) registered in the name of the undersigned at the record date for such vote, or (2) except as set forth below, over which the undersigned has voting power by power of attorney or other contractual arrangements with the owner of record (collectively, the *Shares*), at any meeting of the shareholders of the Buyer, and at all adjournments thereof, and pursuant to any consent of the shareholders in lieu of a meeting or otherwise, in favor of approval of the Stock Issuance (defined below); *provided, however,* that until such time as the Company s acquisition of beneficial ownership of Shares under this Proxy shall have received the approval required under Section 302A.673, subd. 1, of the Minnesota Statutes, this Proxy shall not apply to any Shares that would cause the proxies appointed hereby to have the right to vote, in the aggregate, more than 9.9% of the outstanding shares of common stock of the Buyer.

This Proxy is given with respect to the approval of the issuance of shares of common stock of the Buyer (the *Stock Issuance*) pursuant to the Agreement and Plan of Merger among the Buyer, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Buyer, and Optika Inc., a Delaware corporation (the *Company*), dated as of January 11, 2004 (the *Merger Agreement*). This Proxy is given to induce the Company to enter into the Merger Agreement, is coupled with an interest, and is irrevocable; provided, that this Proxy will terminate automatically and without further action on behalf of the undersigned upon the termination of the Voting Agreement, dated as of the date hereof, among the Company and each of the persons and entities listed on Annex A thereto (the *Termination*).

Notwithstanding clause (2) of the first paragraph above, this Proxy will not include any shares of capital stock of the Buyer that are not subject to clause (1) of the first paragraph above for which the undersigned s only voting power results from the undersigned having been named as proxy pursuant to the proxy solicitation conducted by the Buyer s Board of Directors in connection with a meeting of the shareholders of the Buyer and over which the undersigned does not otherwise have voting power with respect thereto.

The undersigned hereby ratifies and confirms all that the proxies named herein may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of this January 27, 2004.

/s/ ROBERT F. OLSON

Robert F. Olson

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ANNEX C

VOTING AGREEMENT

This Voting Agreement (this *Agreement*) is dated as of January 11, 2004, among Stellent, Inc., a Minnesota corporation (the *Company*), and the persons listed on Annex A hereto, each of whom is a holder (a *Stockholder*) of common stock of Optika, Inc., a Delaware corporation (the *Target*).

RECITALS

A. The Company, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company *(Merger Sub*), and the Target are entering into an Agreement and Plan of Merger dated as of the date hereof (the *Merger Agreement*), pursuant to which (1) the Company will merge (the *Merger*) with and into Merger Sub, (2) the existing holders of shares of common stock of the Target *(Target Common Stock*) will exchange such shares for shares of common stock of the Buyer and (3) the existing holders Series A-1 Convertible Preferred Stock of the Company will exchange such shares for cash and, in certain circumstances, shares of common stock of Buyer.

B. Each Stockholder is a director or executive officer of the Target.

C. The execution and delivery of this Agreement is a condition precedent to the Company entering into the Merger Agreement.

AGREEMENT

Now, therefore, the parties hereby agree as follows:

1. *Voting; Proxy.*

(a) During the term of this Agreement, at each meeting of the Target s stockholders convened to consider and vote upon the approval of the Merger Agreement, each Stockholder agrees to vote (to the extent not voted by the person or persons appointed under the proxy granted under Section 1(b)) all shares of Target Common Stock owned of record by the Stockholder at the record date for the vote (including, except for any shares for which the Stockholder s sole voting power results from his or her having been named as proxy pursuant to the proxy solicitation conducted by the Target s Board of Directors in connection with the meeting, any shares of Target Common Stock over which the Stockholder has voting power, by contract or otherwise) in favor of the approval of the Merger Agreement.

(b) Each Stockholder acknowledges that he or she has executed and delivered to the Company an irrevocable proxy in the form of Annex B hereto.

2. *No Transfer.* During the term of this Agreement, each Stockholder agrees that he or she will not sell, pledge, assign, or otherwise transfer, or authorize, propose, or agree to the sale, pledge, assignment, or other transfer of, any of his or her shares of Target Common Stock, unless (a) at least two business days written notice of the proposed transfer is provided to the Company and (b) the intended transferee agrees in writing to be bound by this Agreement as if he or she were a Stockholder.

3. *Representations and Warranties.* Each Stockholder, severally and not jointly, represents and warrants to the Company with respect to himself or herself as follows:

(a) *Authority.* He or she has the requisite power and authority to enter into this Agreement, to perform his or her obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by him or her and constitutes his or her valid and binding obligation, enforceable against him or her in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, moratorium, or similar laws affecting the enforcement of creditors rights generally, and except for judicial limitations on the enforcement of the remedy of specific performance and other equitable remedies.

(b) *Title; Authority to Vote Shares.* He or she owns of record and has voting power over the number of shares of Target Common Stock set forth beside his or her name on Annex A hereto; and

such shares are held by him or her free and clear of all liens, charges, pledges, restrictions, and encumbrances that would prevent him or her from performing his or her obligations hereunder.

(c) *Noncontravention.* Neither his or her execution and delivery of this Agreement, nor his or her consummation of any of the transactions contemplated hereby, nor his or her compliance with any of the provisions hereof will violate, conflict with, or result in a breach of, or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, or result in the termination or suspension of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien upon, any of his or her properties or assets under any agreement or instrument to which he or she is a party or any statute, rule, regulation, judgment, order, decree, or other legal requirement applicable to him or her.

(d) *Litigation.* (i) There is no claim, action, proceeding, or investigation pending or, to his or her knowledge, threatened against or relating to him or her before any court or governmental or regulatory authority or body (including the National Association of Securities Dealers, Inc.), and (ii) he or she is not subject to any outstanding order, writ, injunction, or decree, that, in the case of clause (i) or (ii), if determined adversely, would prohibit him or her from performing his or her obligations hereunder.

4. *Termination.* This Agreement will terminate automatically and without further action on behalf of any party at the earlier of (a) the Effective Time or (b) the date and time the Merger Agreement is terminated pursuant to its terms. In the event of a termination of this Agreement pursuant to this Section 4, this Agreement will forthwith become void and there will be no liability or obligation on the part of any party; provided, that nothing herein will release any party from any liability for any breach of this Agreement. If this Agreement is terminated, the proxies of the Stockholders delivered under Section 1(b) will also terminate and be of no further force or effect, and the Company will promptly return the proxies to the respective Stockholders.

5. *Director Matters Excluded.* The Company acknowledges and agrees that, with respect to each Stockholder that is a member of the Target s Board of Directors, no provision of this Agreement will limit or otherwise restrict such Stockholder with respect to any act or omission that he may undertake or authorize in his capacity as a member of the Target s Board of Directors, including, without limitation, any vote that such Stockholder may make as a director of the Target with respect to any matter presented to the Target s Board of Directors.

6. *Miscellaneous.*

(a) *Notices.* All notices and other communications hereunder will be in writing and will be deemed given if delivered personally, effective when delivered, or if delivered by express delivery service, effective when delivered, or if mailed by registered or certified mail (return receipt requested), effective three business days after mailing, or if delivered by telecopy, effective when

telecopied with confirmation of receipt, to the parties at the following addresses (or at such other address for a party as may be specified by like notice):

If to a Stockholder at the address and/or telecopy number set forth under his or her name on Annex A hereto;

If to Company to:

Stellent, Inc.
7777 Golden Triangle Drive
Eden Prairie, MN 55344
Telecopy: (952) 903-2000
Telephone: (952) 829-5424
Attention: Chief Executive Officer

with a copy to:

Faegre & Benson LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901
Telecopy: (612) 766-1600
Telephone: (612) 766-7000
Attention: Kris Sharpe

(b) *Interpretation.* The headings contained in this Agreement are for reference purposes only and do not affect the interpretation of this Agreement.

(c) *Counterparts.* This Agreement may be executed by facsimile signature and in one or more counterparts, all of which will be considered the same agreement.

(d) *Entire Agreement.* This Agreement (along with the documents and instruments referred to herein, including the Merger Agreement), constitutes the entire agreement and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(e) *Severability.* The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law.

(f) *Governing Law.* This Agreement will be governed by Delaware law, without regard to the principles of conflicts of law.

(g) *Assignment.* Neither this Agreement nor any of the rights, interests, or obligations hereunder may be assigned by any party, whether by operation of law or otherwise, without the express written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors, heirs, legal representatives, and permitted assigns. The representations, agreements, and obligations of the Stockholders contained herein will survive the death or incapacity of any Stockholder and will be binding upon the heirs, personal representatives, successors, and assigns of each Stockholder.

(h) *Remedies.* In addition to all other remedies available, the parties agree that, in the event of a breach by a party of any of its obligations hereunder, the non-breaching party will be entitled to specific performance or injunctive relief.

(i) *Defined Terms.* All capitalized terms used but not defined herein have the meanings given them in the Merger Agreement.

[*Remainder of page left intentionally blank signature pages follow*]

IN WITNESS WHEREOF, each of the parties have signed this Agreement as of the date first written above.

STELLENT, INC.

By: /s/ ROBERT F. OLSON

Robert F. Olson
Its: Chief Executive Officer

/s/ MARK K. RUPORT

Mark K. Ruport

/s/ STEVEN M. JOHNSON

Steven M. Johnson

/s/ ALAN B. MENKES

Alan B. Menkes

/s/ JAMES T. ROTHE

James T. Rothe

/s/ EDWIN C. WINDER

Edwin C. Winder

/s/ GREG D. COOKE

Greg D. Cooke

/s/ DERRICK S. CROW

Derrick S. Crow

/s/ JAMES A. FRANKLIN

James A. Franklin

/s/ PATRICK DONOVAN

Patrick Donovan

/s/ CHRISTOPHER J. RYAN

Christopher J. Ryan

/s/ RANDALL WEAKLY

Randall Weakly

ANNEX A
TO COMPANY SHAREHOLDER AGREEMENT

Name	Number of Shares of Target Common Stock
Mark K. Ruport	57,500
Steven M. Johnson	29,700
Alan B. Menkes	0
James T. Rothe	7,000
Edwin C. Winder	81,000
Greg D. Cooke	100
Derrick S. Crow	0
James A. Franklin	0
Patrick Donovan	0
Christopher J. Ryan	5,000
Randall Weakly	4,500

ANNEX B
TO COMPANY STOCKHOLDER AGREEMENT

IRREVOCABLE PROXY

The undersigned, revoking any proxy heretofore given, hereby constitutes and appoints each of Robert F. Olson and Greg A. Waldon the true and lawful attorney, with full power of substitution, for and in the name of the undersigned to vote, at any time before the Termination (defined below), all shares of common stock of Optika, Inc., a Delaware corporation (the *Target*), or other shares of capital stock of the Target entitled to vote on the business to be transacted, (1) registered in the name of the undersigned at the record date for such vote, or (2) except as set forth below, over which the undersigned has voting power by power of attorney or other contractual arrangements with the owner of record (collectively, the *Shares*), at any meeting of the stockholders of the Target, and at all adjournments thereof, and pursuant to any consent of the stockholders in lieu of a meeting or otherwise, in favor of approval of the Merger Agreement (defined below).

This Proxy is given with respect to the approval of the Agreement and Plan of Merger among Stellent, Inc., a Minnesota corporation (the *Company*), STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company, and the Target, dated as of January , 2004 (the *Merger Agreement*). This Proxy is given to induce the Company to enter into the Merger Agreement, is coupled with an interest, and is irrevocable; provided, that this Proxy will terminate automatically and without further action on behalf of the undersigned upon the termination of the Voting Agreement, dated as of the date hereof, among the Company and each of the persons and entities listed on Annex A thereto (the *Termination*).

Notwithstanding clause (2) of the first paragraph above, this Proxy will not include any shares of capital stock of the Target that are not subject to clause (1) of the first paragraph above for which the undersigned s only voting power results from the undersigned having been named as proxy pursuant to the proxy solicitation conducted by the Target s Board of Directors in connection with a meeting of the stockholders of the Target and over which the undersigned does not otherwise have voting power with respect thereto.

The undersigned hereby ratifies and confirms all that the proxies named herein may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of this January , 2004.

____

Printed Name:

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ANNEX D

WRITTEN CONSENT AND VOTING AGREEMENT

This Written Consent and Voting Agreement (this Agreement) is dated as of January 11, 2004, among Stellent, Inc., a Minnesota corporation (the Buyer), Optika Inc., a Delaware corporation (the Company), and the entities listed on Exhibit A hereto, each of whom is a holder (a Series A-1 Holder) of shares of Series A-1 Convertible Preferred Stock, par value $0.001, of the Company (the Company Preferred Stock).

RECITALS

A. The Buyer, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Buyer (Merger Sub), and the Company, concurrently with the execution of this Agreement, are entering into an Agreement and Plan of Merger in the form attached hereto as Exhibit B (including the exhibits and schedules thereto, the Merger Agreement), dated as of the date hereof, pursuant to which (1) the Company will merge (the Merger) with and into Merger Sub, (2) the existing holders of shares of common stock of the Company (Company Common Stock ; and collectively with the Company Preferred Stock, the Company Capital Stock) will exchange their shares of Company Common Stock for shares of common stock of the Buyer and (3) the Series A-1 Holders will exchange their shares of Company Preferred Stock for cash and, in certain circumstances, shares of common stock of the Buyer.

B. Terms that are capitalized but not defined in this Agreement have the meaning assigned to them in the Merger Agreement.

C. Prior to the Effective Time, the Company will be required to amend and restate its Certificate of Designation of Series A-1 Convertible Preferred Stock (the Certificate of Designation) in the form attached hereto as Exhibit C (the Restatement).

D. The Merger constitutes a Change of Control (as defined in the Certificate of Designation) pursuant to which the Series A-1 Holders would not receive the full Preference Amount (as defined in the Certificate of Designation) to which each such holder is entitled as a result of such a transaction and, therefore, the written consent of a majority of the Series A-1 Holders is required pursuant to Section 4(b) of the Certificate of Designation prior to entering into the Merger Agreement.

E. The execution and delivery of this Agreement is an inducement, and a condition precedent, to the Buyer and the Company entering into the Merger Agreement.

AGREEMENT

Now, therefore, the parties hereby agree as follows:

1. *Consent to Merger Agreement.* In accordance with Section 4(b) of the Certificate of Designation, as currently in effect, each Series A-1 Holder hereby consents to (i) the Company entering into the Merger Agreement in the form attached hereto as Exhibit B; (ii) any such modifications, revisions and amendments to the Merger Agreement as the Company, the Buyer and Merger Sub shall agree in accordance with the terms of the Merger Agreement; provided, however, that the parties hereto agree that no modification, revision or amendment may be made to Merger Agreement that could reasonably be deemed to either (A) be adverse to the Series A-1 Holders or (B) confer additional benefits upon any stockholder or member of management of the Company, in each case, without the prior written consent of Thomas Weisel Capital Partners, L.P. (TWCP) (any modification, revision or amendment made in violation of this proviso, a Non-Consenting Amendment); (iii) the Merger; and (iv) the Restatement of the Certificate of Designation.

2. *No Solicitation.* Each Series A-1 Holder agrees that it will not, and will cause its officers and employees, in their capacities as such, and its agents or representatives (including any investment banker or attorney retained by it) not to, initiate, solicit, or encourage, directly or indirectly, the making or implementation of any Company Third-Party Acquisition Offer or provide any confidential information or confidential data to, or have any discussions with, any person relating to a Company

Third-Party Acquisition Offer; provided that, any Series A-1 Holder may engage in any of the activities that the Company may engage in (as set forth in Section 7.2(a)(ii) of the Merger Agreement) concerning a Company Third-Party Acquisition Offer once the Board of Directors of the Company has determined that such activities are required in the good faith exercise of its fiduciary duties pursuant to the requirements of Section 7.2(a)(ii) of the Merger Agreement. Each Series A-1 Holder shall promptly notify the Buyer if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it.

3. *Voting; Proxy.*

(a) During the term of this Agreement, at each meeting of the Company s stockholders convened to consider and vote upon the approval of the Merger Agreement, the Merger and the Restatement, each Series A-1 Holder agrees to vote (to the extent not voted by the person or persons appointed under the proxy granted under Section 3(b)) all shares of Company Capital Stock owned of record by the Series A-1 Holder at the record date for the vote (including any shares of Company Capital Stock over which the Series A-1 Holder has voting power, by contract or otherwise) in favor of the approval of the Merger Agreement, the Merger and the Restatement.

(b) Each Series A-1 Holder acknowledges that it has executed and delivered to the Buyer an irrevocable proxy in the form of Exhibit D hereto.

4. *Exchange and Consent.* Upon the Effective Time, each Series A-1 Holder agrees that it will exchange each share of its Company Preferred Stock for the Preferred Stock Per Share Consideration and no other consideration, notwithstanding any liquidation preference or other rights or preferences of the Company Preferred Stock, as set forth in the Certificate of Designation, as currently in effect, the Company s Certificate of Incorporation, as amended, or any other documents or agreements between the holders of the Company Preferred Stock and the Company. The Series A-1 Holders and the Company consent and agree that upon the Effective Time, the following agreements are terminated and will have no further force and effect: (i) the Exchange Agreement dated as of May 7, 2001, among the Company, TWCP and certain of its affiliates and RKB Capital, L.P., (ii) the letter agreement regarding future treatment of Company Preferred Stock dated May 7, 2001 among the Company, TWCP and certain of its affiliates and RKB Capital, L.P. and (iii) the Registration Rights Agreement dated as of February 23, 2000 among the Company, the Founders and Investors described therein, TWCP and certain of its affiliates and RKB Capital, L.P., as amended (the Registration Rights Agreement). As used in this Section 4, termination of the Registration Rights Agreement means that the Registration Rights Agreement is deemed to be amended to terminate the rights and obligations of the Purchasers (as defined in the Registration Rights Agreement) and any holders of the Securities (as defined in the Registration Rights Agreement).

5. *Further Assurances.* During the term of this Agreement, each Series A-1 Holder agrees that it will from time to time upon the request of the Buyer or the Company, use its commercially reasonable efforts to do, execute, acknowledge and deliver, and cause to be done, executed, acknowledged or delivered, all such further acts, deeds, transfers, conveyances, assignments, powers of attorney or assurances as may be reasonably required to complete the Merger in accordance, in all material respects (subject to the approval rights of the Series A-1 Holders set forth in Section 1 above), with the terms set forth in the Merger Agreement and this Agreement, and to take such other commercially reasonable actions as the Buyer or the Company may reasonably request in order to carry out the intent of this Agreement and to complete the Merger.

6. *No Transfer.* During the term of this Agreement, each Series A-1 Holder agrees that it will not sell, pledge, assign, distribute, hypothecate or otherwise transfer, or authorize, propose, or agree to the sale, pledge, assignment, distribution, hypothecation or other transfer of, any of its shares of Company Preferred Stock without the Company s and the Buyer s prior written consent, except to its affiliates who agree in writing to be bound by the terms of this Agreement.

7. *Adjustment Shares.* Each Series A-1 Holder agrees that it will comply with the Securities Act in selling any Adjustment Shares that it may receive.

8. *Representations and Warranties of the Series A-1 Holders.* Each Series A-1 Holder, severally and not jointly, represents and warrants to the Buyer on the date hereof with respect to itself as follows:

(a) *Authority.* It has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by it and constitutes its valid and binding obligation, enforceable against it in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, fraudulent transfer, moratorium, or similar laws affecting the enforcement of creditors rights generally, and except for judicial limitations on the enforcement of the remedy of specific performance and other equitable remedies.

(b) *Title; Authority to Vote Shares.* It owns of record and has voting power over the number of shares of Company Capital Stock set forth beside its name on Exhibit A hereto; and such shares are held by it free and clear of all liens, charges, pledges, restrictions, and encumbrances that would prevent it from performing his or her obligations hereunder.

(c) *Noncontravention.* Neither its execution and delivery of this Agreement, nor its consummation of any of the transactions contemplated hereby, nor its compliance with any of the provisions of this Agreement will violate, conflict with, or result in a breach of, or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, or result in the termination or suspension of, or accelerate the performance required by, or result in a right of termination or acceleration under, any agreement or instrument to which it is a party or any statute, rule, regulation, judgment, order, decree, or other legal requirement applicable to it.

9. *No Other Agreements to Make Payments.*

(a) Each of the Company and the Buyer, severally and not jointly, represents and warrants to each of the Series A-1 Holders on the date hereof and on the Closing Date with respect to itself that, except as expressly set forth in the Merger Agreement and other than the Employment Agreement with Mark K. Ruport in the form of Exhibit D to the Merger Agreement, there are no agreements or understandings (binding or otherwise) between any of the Company, the Buyer, Merger Sub and any member of senior management of the Company to make any payments (or (A) in the case of Mark K. Ruport and Steven M. Johnson, grant any options, and (B) in the case of other members of senior management, grant any options other than customary grants) (i) to any such member of senior management (excluding any severance which may be payable upon the involuntary termination of management following the Effective Time pursuant to written employment agreements attached to the letter agreement dated December 5, 2003 between the Company and TWCP (the TWCP LOI) or delivered to counsel for the Series A-1 Holders on or before the date of this Agreement) or (ii) to any other person in connection with the Merger (other than (X) the fees and expenses of the Company s and the Buyer s outside legal, accounting and financial advisors, payments made in the ordinary course of the Company s and the Buyer s businesses and customary fees and payments made in order to facilitate the consummation of the Merger, and (Y) director fees substantially similar to those paid to other members of Buyer s Board of Directors (Buyer s Board) to be paid by the Buyer to Alen B. Menkes following his election to Buyer s Board).

(b) The Company and the Buyer agree, and represent and warrant to the Series A-1 Holders, that, except as expressly set forth in the Merger Agreement, no director (with respect to Mark K. Ruport, in his capacity as director of the company only) shall receive any payments in connection with the Merger (other than director fees substantially similar to those paid to other members of Buyer s Board to be paid by the Buyer to Alen B. Menkes following his election to Buyer s Board).

10. *Indemnification.*

(a) Effective at and after the date of this Agreement, the Company, the Buyer and Merger Sub each agree to indemnify the Series A-1 Holders and each of their affiliates (each, an Indemnified Party) against, and agrees to hold each of them harmless from, any and all damage, loss, liability and expense (including reasonable expenses of investigation and reasonable attorneys fees and expenses in connection

with any action, suit or proceeding) (Damages) incurred or suffered by any Indemnified Party arising out of or in connection with (i) the performance by the Series A-1 Holders of their obligations under this Agreement (other than by the Company or the Buyer to enforce the terms of this Agreement) or (ii) any action, suit or proceeding brought by any holder of Company Capital Stock or any other person against any Indemnified Party in connection with the Merger, regardless of whether such Damages arise under any theory of law or equity; provided, however, that none of the Company, the Buyer or Merger Sub shall be liable under this Section 10 for Damages arising out of, or based upon, any breach of the representations and warranties of the Series A-1 Holders contained in Section 8 hereof.

(b) The Company and the Buyer agree to share equally in any amounts paid to, or expenses incurred on behalf of, any Indemnified Party under Section 10(a) of the this Agreement, irrespective of whether such Indemnified Party asserted its right to indemnification against the Company, the Buyer, the Merger Sub or any combination thereof. If the Company makes payments to, or incurs expenses on behalf of, any Indemnified Party in excess of its obligation under this Section 10(b), it will have the right to recover the amount of such excess from the Buyer. If the Buyer and/or Merger Sub, on a combined basis, make payments to, or incur expenses on behalf of, any Indemnified Party in excess of the Buyer s obligation under this Section 10(b), the Buyer will have the right to recover the amount of such excess from the Company.

11. *Confidentiality.* The Company, the Buyer and Merger Sub each agree (i) not to disclose, prior to the filing of this Agreement as an Exhibit to the Joint Proxy Statement and Registration Statement (the Joint Proxy Statement) or to the Form 8-K filed by the Company in connection with the execution of the Merger Agreement (the Form 8-K), the existence of this Agreement or the contents or subject matter hereof to any other party, and (ii) not to issue any press release or other public announcement (A) containing a reference to TWCP or any of its affiliates, or (B) in any way concerning the Company Preferred Stock or the Preferred Stock Per Share Consideration, in each case, without the prior written consent of TWCP, unless, in each case, required by applicable law or stock exchange rules or regulations (in which case, the disclosing party shall allow TWCP reasonable time to comment on the contents of such disclosure in advance of such disclosure); provided, however, that (x) TWCP hereby consents to the filing this Agreement as an Exhibit to the Joint Proxy Statement and to the Form 8-K, and (y) once a press release or other public announcement covered by clause (ii)(B) of this Section 11 has been issued in accordance with this Section 11, the information included in such press release or other public announcement may be reiterated by the Company, the Buyer or Merger Sub without limitation.

12. *Fees and Expenses.* Notwithstanding anything contained herein that may be deemed to be to the contrary, the Company hereby agrees to reimburse TWCP in cash for its fees and expenses incurred in connection with its participation in the negotiation of the Merger and the Merger Agreement, this Agreement and the transactions contemplated hereby and thereby (including, without limitation, the fees and disbursements of its attorneys, accountants, consultants and other advisors) regardless of whether this Agreement or the Merger Agreement is terminated, up to $100,000 plus fifty percent (50%) of any such fees and expenses in excess of $100,000, up to a maximum of $175,000.

13. *Termination.* This Agreement will terminate automatically and without further action at the earliest to occur of (a) the Effective Time, (b) the date and time the Merger Agreement is terminated in accordance with its terms, (c) the date and time any Non-Consenting Amendment is made and (d) the date and time that the representation and warranty contained in Section 9 shall be untrue in any material respect. In the event of a termination of this Agreement pursuant to this Section 13, this Agreement will forthwith become void and there will be no liability or obligation on the part of any party; provided, however, that the obligations under Section 7 (Adjustment Shares), Section 9 (No Other Agreements to Make Payments), Section 10 (Indemnification), Section 11 (Confidentiality), Section 12 (Fees and Expenses) and clauses (a), (e), (h), (i) and (j) of Section 15 (Miscellaneous) shall survive any such termination; provided, further, that nothing herein will release any party from any liability for any breach of this Agreement. If this Agreement is terminated, the proxies of the Series A-1 Holders delivered under Section 3(b) will also terminate and be of no further force or effect, and the Buyer will promptly return the proxies to the respective Series A-1 Holders.

14. *Director Matters Excluded.* With respect to each Series A-1 Holder that has a designee that is a member of the Company s Board of Directors, no provision of this Agreement will limit or otherwise restrict such Series A-1 Holder s designee with respect to any act or omission that he or she may undertake or authorize in his or her capacity as a member of the Company s Board of Directors, including, without limitation, any vote that such designee of a Series A-1 Holder may make as a director of the Company with respect to any matter presented to the Company s Board of Directors.

15. *Miscellaneous.*

(a) *Notices.* All notices and other communications hereunder must be in writing and will be deemed given if delivered personally, effective when delivered, or if delivered by express delivery service, effective when delivered, or if mailed by registered or certified mail (return receipt requested), effective three business days after mailing, or if delivered by telecopy, effective when telecopied with confirmation of receipt, to the parties at the following addresses (or at such other address for a party as may be specified by like notice):

If to the Series A-1 Holders to:

Thomas Weisel Capital Partners, L.P.
c/o Thomas Weisel Capital Partners, LLC
Lever House
390 Park Avenue, 17th Floor
New York, New York 10022
Telecopy: (212) 271-3646
Telephone: (212) 271-3809
Attention: James S. Hoch, Partner

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
Telecopy: (212) 450-3800
Telephone: (212) 450-4350
Attention: John A. Bick

If to the Buyer to:

Stellent, Inc.
7777 Golden Triangle Drive
Telecopy: (952) 829-5424
Telephone: (952) 903-2000
Attention: Chief Executive Officer

with a copy to:

Faegre & Benson LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, Minnesota 55402-3901
Telecopy: (612) 766-1600
Telephone: (612) 766-7000
Attention: Kris Sharpe
Gordon Weber

If to Company to:

Optika Inc.
7450 Campus Drive, Suite 200
Colorado Springs, Colorado 80920
Telecopy: (719) 531-7915
Telephone: (719) 548-9800
Attention: Chief Executive Officer

with a copy to:

E* Law Group
3555 West 110th Place
Westminster, Colorado 80031
Telecopy: (303)410-0468
Telephone: (303)766-8988
Attention: Jeremy W. Makarechian

(b) *Interpretation.* The headings contained in this Agreement are for reference purposes only and do not affect the interpretation of this Agreement.

(c) *Signatures and Counterparts.* This Agreement may be executed by facsimile signature and in one or more counterparts, all of which will be considered the same agreement.

(d) *Entire Agreement.* This Agreement (along with the documents and instruments referred to herein, including the Merger Agreement), constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral (including, without limitation, the TWCP LOI), among the parties with respect to the subject matter hereof.

(e) *No Post-Closing Obligations.* Notwithstanding anything contained herein that may be deemed to be to the contrary, nothing in this Agreement, the Merger Agreement or any other agreement shall impose, or shall be deemed to impose, any post-Effective Time obligations or liabilities on any of the Series A-1 Holders, except for those obligations imposed by Section 7 of this Agreement.

(f) *Amendment and Waiver.* Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective.

(g) *Severability.* The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law.

(h) *Governing Law.* This Agreement will be governed by Delaware law, without regard to the principles of conflicts of law.

(i) *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal court located in the State of Delaware or any Delaware state court, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 15(a) of this Agreement shall be deemed effective service of process on such party.

(j) *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING

ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(k) *Assignment.* Neither this Agreement nor any of the rights, interests, or obligations hereunder may be assigned by any party, whether by operation of law or otherwise, without the express written consent of the other parties hereto, except in accordance with Section 6 of this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors, heirs, legal representatives, and permitted assigns.

(l) *Remedies.* In addition to all other remedies available, the parties agree that, in the event of a breach by a party of any of its obligations hereunder, the non-breaching party will be entitled to specific performance or injunctive relief.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, each of the parties have signed this Agreement as of the date first written above.

STELLENT, INC.

By: /s/ GREGG A. WALDON

Name: Gregg A. Waldon
Its: Chief Financial Officer

OPTIKA INC.

By: /s/ MARK K. RUPORT

Name: Mark K. Ruport
Its: Chief Executive Officer

SERIES A-1 HOLDERS

THOMAS WEISEL CAPITAL PARTNERS, L.P.

By: Thomas Weisel Capital Partners LLC, its general partner

By: Thomas Weisel Partners Group LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

TWP CEO FOUNDERS CIRCLE (AI), L.P.

By: Thomas Weisel Capital Partners LLC, its general partner

By: Thomas Weisel Partners Group LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

TWP CEO FOUNDERS CIRCLE (QP), L.P.

By: Thomas Weisel Capital Partners LLC, its general partner

By: Thomas Weisel Partners Group LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

THOMAS WEISEL CAPITAL PARTNERS EMPLOYEE FUND, L.P.

By: Thomas Weisel Capital Partners LLC, its general partner

By: Thomas Weisel Partners Group LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

TWP 2000 CO-INVESTMENT FUND, L.P.

By: Thomas Weisel Capital Partners LLC, its general partner

By: Thomas Weisel Partners Group LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

THOMAS WEISEL CAPITAL PARTNERS (DUTCH), L.P.

By: Thomas Weisel Capital Partners (Dutch) LLC, its general partner

By: Thomas Weisel Capital Partners LLC, its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

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THOMAS WEISEL CAPITAL PARTNERS (DUTCH II), L.P.

By: Thomas Weisel Capital Partners (Dutch) LLC,
its general partner

By: Thomas Weisel Capital Partners LLC,
its managing member

By: /s/ JAMES S. HOCH

Name: James S. Hoch
Title: Managing Partner

[Series A-1 Agreement]

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EXHIBIT A
TO SERIES A-1 VOTING AGREEMENT

Name	Number of Shares of Company Capital Stock
Thomas Weisel Capital Partners, L.P.	589,808 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
TWP CEO Founders Circle (AI), L.P.	13,627 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
TWO CEO Founders Circle (QP), L.P.	49,786 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
Thomas Weisel Capital Partners Employee Fund, L.P.	5,550 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
TWP 2000 Co-Investment Fund, L.P.	8,889 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
Thomas Weisel Capital Partners (Dutch), L.P.	13,799 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock
Thomas Weisel Capital Partners (Dutch II), L.P.	13,799 shares of Series A-1 Convertible Preferred Stock 0 shares of Common Stock

EXHIBIT C

TO SERIES A-1 VOTING AGREEMENT

OPTIKA INC.

AMENDED AND RESTATED

CERTIFICATE OF DESIGNATION
OF
SERIES A-1 CONVERTIBLE PREFERRED STOCK

Optika Inc. (the Corporation), a corporation organized and existing under the General Corporation Law of the State of Delaware (DGCL), DOES HEREBY CERTIFY that:

A. Pursuant to the authority conferred upon the Board of Directors by Article IVB of the Second Amended and Restated Certificate of Incorporation of the Corporation (the Certificate of Incorporation), and in accordance with the provisions of Section 151(g) of the DGCL, the Board of Directors on April 24, 2001, adopted a resolution creating a series of preferred stock designated as Series A-1 Convertible Preferred Stock.

B. The Corporation s original Certificate of Designation of Series A-1 Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware on May 7, 2001.

C. Pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, the Board of Directors on [ ], 200[ ], in accordance with Section 141 of the DGCL, duly adopted resolutions amending and restating the Certificate of Designation of Series A-1 Convertible Preferred Stock as set forth below.

D. The Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock set forth below has been adopted pursuant to Section 242 of the DGCL.

The Certificate of Designation of Series A-1 Convertible Preferred Stock of the Corporation is hereby amended and restated to read in its entirety as follows, and such Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock will supersede the original Certificate of Designation of Series A-1 Convertible Preferred Stock. Capitalized terms used herein shall have the meanings set forth in Section 7 hereof or otherwise in this Amended and Restated Certificate of Designation:

SECTION 1. *Designation; Number; Rank.*

(a) *Designation; Number.* The shares of such series shall be designated Series A-1 Convertible Preferred Stock (the Series A-1 Preferred Stock). The number of shares constituting the Series A-1 Preferred Stock shall be 731,851.

(b) *Rank.* The Series A-1 Preferred Stock shall, with respect to rights on liquidation, dissolution or winding up, be *pari passu* to the Common Stock, par value $0.001 per share, of the Corporation (the Common Stock) and all other capital stock of the Corporation issued prior to or on or after the date hereof.

SECTION 2. *Dividends.*

No dividend or other distribution, whether in cash, securities or other property, shall be paid on or declared and set apart for any share of Series A-1 Preferred Stock.

SECTION 3. *Liquidation, Dissolution or Winding Up.*

The Series A-1 Preferred Stock will have no liquidation preference.

SECTION 4. *Voting Rights.*

Except for any voting rights provided by law, the Series A-1 Preferred Stock will have no right to vote on any matters before the stockholders of the Corporation.

SECTION 5. *Status of Converted Stock.*

Any shares of Series A-1 Preferred Stock converted, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares of Series A-1 Preferred Stock shall upon their cancellation, and upon the filing of any document required by the DGCL, become authorized but unissued shares of Preferred Stock, $0.001 par value, of the Corporation and may be reissued as part of another series of Preferred Stock, $0.001 par value, of the Corporation.

SECTION 6. *Conversion.*

(a) *Right to Convert.* The holders of Series A-1 Preferred Stock shall have the right following the Issue Date at any time in whole and from time to time in part, at such holder s option, to convert each outstanding share of Series A-1 Preferred Stock into one fully paid and nonassessable share of Common Stock as set forth hereinafter.

(b) *Mechanics of Conversion.* Conversion of the Series A-1 Preferred Stock may be effected by any such holder upon the surrender to the Corporation at the principal office of the Corporation or at the office of any agent or agents of the Corporation, as may be designated by the Board of Directors (the Transfer Agent), of the certificate(s) for such Series A-1 Preferred Stock to be converted, accompanied by a written notice (the date of such notice being referred to as the Conversion Date) stating that such holder elects to convert all or a specified number of such shares in accordance with the provisions of this Section 6 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. In case any holder s notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Common Stock in such name or names. Other than such taxes, the Corporation will pay any and all transfer, issue, stamp and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series A-1 Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five Business Days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes which are the responsibility of the holder as set forth above (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Common Stock, to which the holder of shares of Series A-1 Preferred Stock being converted shall be entitled and (ii) if less than the full number of shares of Series A-1 Preferred Stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares being converted. Such conversion shall be deemed to have been made at the close of business on the Conversion Date so that the rights of the holder thereof as to the shares being converted shall cease except for the rights pursuant to this Section 6 to receive shares of Common Stock, in accordance herewith, and the person entitled to receive the shares of Common Stock shall be treated for all purposes as having become the record holder of such shares of Common Stock at such time.

SECTION 7. *Definitions.*

For the purpose of this Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock, the following terms shall have the meanings indicated:

Board of Directors shall mean the board of directors of the Corporation.

Business Day shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in New York City, New York are authorized or obligated by law or executive order to close.

Issue Date shall mean May 7, 2001.

person shall mean any individual, firm, corporation, partnership or other entity, and shall include any successor (by merger or otherwise) of such entity.

IN WITNESS WHEREOF, the officers named below, acting for and on behalf of Optika Inc., have hereunto subscribed their names on this [ ]th day of [ ], 200[ ].

OPTIKA INC.	Attest:
By:	By:
[ ]	[ ]
President and Chief Executive Officer	[ ]

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EXHIBIT D

TO SERIES A-1 VOTING AGREEMENT

IRREVOCABLE PROXY

The undersigned, revoking any proxy heretofore given, hereby constitutes and appoints each of Robert F. Olson and Gregg A. Waldon the true and lawful attorney, with full power of substitution, for and in the name of the undersigned to vote, at any time before the Termination (defined below), all shares of capital stock of Optika Inc., a Delaware corporation (the Company), (1) registered in the name of the undersigned at the record date for such vote, or (2) over which the undersigned has voting power by power of attorney or other contractual arrangements with the owner of record (collectively, the Shares), at any meeting of the stockholders of the Company, and at all adjournments thereof, and pursuant to any consent of the stockholders in lieu of a meeting or otherwise, in favor of approval of the Merger Agreement (defined below), the Merger (defined below) and the Restatement (defined below).

This Proxy is given with respect to the approval of (i) the Agreement and Plan of Merger among Stellent, Inc., a Minnesota corporation (the Buyer), STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Buyer, and the Company, dated as of January [ ], 2004, as the same may be amended from time to time in accordance with the provisions thereof and the provisions of the Voting Agreement (as defined below) (the Merger Agreement), (ii) the merger contemplated by the Merger Agreement (the Merger), and (iii) the approval of an amended and restatement of the Company s Certificate of Designation of Series A-1 Convertible Preferred Stock (the Restatement) in connection therewith in the form set forth in Exhibit C to the Written Consent and Voting Agreement dated as of the date hereof among the Buyer and each of the persons and entities listed on Exhibit A thereto (the Voting Agreement). This Proxy is given to induce the Buyer to enter into the Merger Agreement, is coupled with an interest, and is irrevocable; provided, that this Proxy will terminate automatically and without further action on behalf of the undersigned upon the termination of the Voting Agreement pursuant to Section 13 thereof (the Termination).

The undersigned hereby ratifies and confirms all that the proxies named herein may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, an authorized officer of the undersigned or its managing member has hereunto set his or her hand as of this January [ ], 2004.

[ENTITY NAME AND SIGNATURE BLOCK]

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ANNEX E

January 11, 2004

CONFIDENTIAL

The Board of Directors
Stellent, Inc.
7777 Golden Triangle Drive
Eden Prairie, MN 55344

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to Stellent, Inc., a Minnesota corporation (the Company), of the Total Consideration (as defined below) to be paid pursuant to the terms of the proposed Agreement and Plan of Reorganization and Merger, anticipated to be dated as of January 11, 2004 (the Agreement), among the Company, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (Merger Sub), and Optika Inc., a Delaware corporation (the Target). Capitalized terms used herein shall have the meanings used in the Agreement, unless otherwise defined herein.

Pursuant to the Agreement, the Target will merge (the Merger) with and into Merger Sub. The consideration to be paid by the Company in the Merger consists of a combination of cash, Company common stock and options to purchase Company common stock (together the Total Consideration). The Total Consideration consists of: (i) $10 million in cash; (ii) Company common stock based on an exchange ratio of 0.44 of a share of Company common stock for each outstanding share of common stock of the Target; and (iii) Company options based on an exchange ratio computed using the average per-share closing price of Buyer common stock on the Nasdaq National Market System during the period of ten consecutive trading days ending on, and including, the third trading day before the Closing Date. Total Consideration shall be paid to the holders of Target common stock, Target preferred stock and Target options based on terms specified in the Agreement. The transaction is intended, and we have assumed it, to qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code. The terms and conditions of the Merger are set forth more fully in the Agreement.

RBC Dain Rauscher Inc. (RBC), a member company of RBC Capital Markets, as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. We are acting as financial advisor to the Company in connection with the Merger, and we will receive a fee for our services. This fee (the Transaction Fee) is contingent upon the consummation of the Merger or a similar transaction involving the Company and Target. We will also receive a fee for providing this opinion, a portion of which may be credited towards the Transaction Fee. The opinion fee is not contingent upon the consummation of the Merger. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. In the ordinary course of business, RBC acts as a market maker and broker in the publicly traded securities of the Company and receives customary compensation in connection therewith, and also actively trades securities of the Company for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. In its capacity as a broker of publicly traded securities, RBC may, for its own account or for the accounts of its customers, hold a long or short position in the securities of the Target. In both 1999 and 2000, we acted as the lead manager of the Company s two common stock public

offerings. In 1999, we acted as financial advisor to the Company in its acquisition InfoAccess, Inc. and in 2000, we acted as financial advisor to the Company in its acquisition of the Information Exchange Division (IED) of INSO Corporation. In 2002, we assisted the Company in its implementation of its shareholder rights plan. For each of the aforementioned engagements, we received a customary fee. RBC also provides research coverage on the Company common stock.

In connection with our review of the Merger, and in arriving at our opinion, we have undertaken such review and inquiries as we deemed necessary or appropriate under the circumstances, including the following: (i) reviewed and analyzed the financial terms of the draft Agreement dated January 11, 2004; (ii) reviewed and analyzed certain publicly available financial and other data with respect to the Company and the Target and certain other historical operating data relating to the Company and the Target made available to us from published sources and from the internal records of the Company and the Target; (iii) conducted discussions with members of the senior management of the Target with respect to the business prospects and financial outlook of the Target independently and as combined; (iv) conducted discussions with members of the senior management of the Company with respect to the business prospects and financial outlook of the Company independently and as combined; (v) received and reviewed financial forecasts prepared by the Target s management on the potential future performance of the Target as a stand-alone entity; (vi) reviewed publicly available materials and analysts reports with respect to the business and financial outlook of the Company; (vii) reviewed the reported prices and trading activity for the Company common stock and the Target common stock; (viii) compared the financial performance of the Company and the Target and the prices of the Company common stock and the Target common stock with that of certain other publicly traded companies and their securities that we have deemed comparable; (ix) reviewed the financial terms, to the extent publicly available, of certain merger transactions that we have deemed comparable; and (x) compared the relative contribution to certain income statement items of each company with their pro-forma ownership in the combined company. In addition, we have conducted such other analyses and examinations and considered such other financial, economic and market criteria as we have deemed necessary in arriving at our opinion.

With respect to the data and discussions relating to the business prospects and financial outlook of the Company and the Target, upon advice of the Company, we have assumed that such data have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company and the Target as to the future financial performance of the Company and the Target, and that the Company and the Target will perform substantially in accordance with such financial data and estimates. We express no opinion as to such financial data and estimates or the assumptions on which they were based. We were not provided sufficient long-term projections on the Target s business; thus, we could not prepare a discounted cash flow analysis on the Target.

In rendering our opinion, we have assumed and relied upon the accuracy and completeness of the financial, legal, tax, operating and other information provided to us by the Company and the Target (including, without limitation, the financial statements and related notes thereto of the Company and the Target, as well as other publicly available information with respect to the Company and Target), and have not assumed responsibility for independently verifying and have not independently verified such information. We have not assumed any responsibility to perform, and have not performed, an independent evaluation or appraisal of any of the respective assets or liabilities, contingent or other, of the Company or the Target, and we have not been furnished with any such valuations or appraisals. We express no opinion regarding the liquidation value of any entity. In addition, we have not assumed any obligation to conduct, and have not conducted, any physical inspection of the property or facilities of the Company or the Target. Additionally, we have not been asked and did not consider the possible effects of any litigation or other legal claims.

We have assumed that the executed Agreement will be in all material respects identical to the last draft reviewed by us. We have also assumed the Merger will be consummated pursuant to the terms of the Agreement, without amendments thereto and without waiver by any party of any material conditions or obligations thereunder.

Our opinion speaks only as of the date hereof, is based on the conditions as they exist and information which we have been supplied as of the date hereof, and is without regard to any market, economic, financial, legal or other circumstances or event of any kind or nature which may exist or occur after such date. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon events occurring after the date hereof and do not have any obligation to update, revise or reaffirm this opinion. We are not expressing any opinion herein as to the prices at which the Company common stock has traded or will trade following the announcement or consummation of the Merger.

This opinion is provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the Merger and is not intended to be and does not constitute a recommendation to any shareholder of the Company. This opinion shall not be otherwise relied upon, published or otherwise used, nor shall any public references to us be made without our prior written approval, except as set forth in our engagement letter with you dated October 17, 2003.

Our opinion relates solely to the Total Consideration to be paid. We have not reviewed, nor does our opinion in any way address, other Merger terms or arrangements, including without limitation the financial or other terms of any employment or non-competition agreement with Target management or any break-up or termination fee. Further, our opinion does not address, nor should it be construed to address, the relative merits of the underlying decision by the Company to engage in the Merger compared to any alternative business strategies or transaction in which the Company might engage. We were not authorized to, and did not (i) solicit any other potential participants relative to a business combination with the Company or (ii) provide any advisory services with respect to the Merger. We were not engaged as an agent or fiduciary of the Company s shareholders or any other third party.

Based on our experience as investment bankers and subject to the foregoing, including the various assumptions and limitations set forth herein, it is our opinion that, as of the date hereof, the Total Consideration to be paid is fair, from a financial point of view, to the Company.

Very truly yours,

RBC DAIN RAUSCHER INC.

ANNEX F

Revolution Partners, LLC

283 Dartmouth Street, 4th Floor
Boston, MA 02116

January 11, 2004

Board of Directors

Optika Inc.
7450 Campus Drive
Colorado Springs, CO 80920

Gentlemen:

We understand that Optika Inc. (Optika or the Company), Stellent, Inc. (Buyer) and STEL Sub, Inc., a wholly owned subsidiary of Buyer (Acquisition Sub), propose to enter into an Agreement and Plan of Merger, substantially in the form of the draft dated January 10, 2004 (the Merger Agreement), which provides, among other things, for the merger (the Merger) of Optika with and into Acquisition Sub. Pursuant to the Merger, Optika will become a wholly owned subsidiary of Buyer and each (1) outstanding share of common stock, par value $0.001 per share (the Optika Common Stock) of Optika, other than shares held in treasury or held by Buyer or any affiliate of Buyer or Optika and in each case not held on behalf of third parties, will be converted into the right to receive 0.44 shares (the Exchange Ratio) of common stock, par value $0.01 per share (the Buyer Common Stock), of Buyer, less any Adjustment Shares (defined below), and (2) each outstanding share of Series A-1 Preferred Stock, par value $0.001 per share (the Optika Preferred Stock) of Optika will be converted into the right to receive (a) $13.664 in cash, and (b) if the Base Per Share Value is greater than $4.00, a certain number of shares of Buyer Common Stock (Adjustment Shares) as calculated pursuant to the Merger Agreement. The terms and conditions of the Merger are more fully set forth in the Merger Agreement. Capitalized terms not defined herein shall have the meaning ascribed to them in the Merger Agreement.

You have asked for our opinion as to whether the consideration to be received by the Company s stockholders pursuant to the Merger Agreement is fair from a financial point of view to such stockholders.

For purposes of the opinion set forth herein, we have:

(i) reviewed certain publicly available business and financial information relating to the Company and Buyer;

(ii) reviewed certain internal financial statements and other financial and operating data concerning the Company and Buyer prepared by the management of the Company and Buyer, respectively, including in the case of the Company and Buyer, preliminary results for the quarter ended December 31, 2003;

(iii) reviewed certain financial projections prepared by the management of the Company and Buyer, respectively;

(iv) discussed the past and current operations and financial condition and the prospects of the Company and Buyer, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, with senior executives of the Company and Buyer, respectively;

(v) reviewed the pro forma impact of the Merger on Buyer s earnings per share;

(vi) reviewed the reported prices and trading activity for the Optika Common Stock and Buyer Common Stock;

(vii) compared the financial performance of the Company and the Buyer and the prices and trading activity of the Optika Common Stock and the Buyer Common Stock with that of certain other comparable publicly-traded companies and their securities;

(viii) reviewed the financial terms, to the extent publicly available, of certain comparable transactions;

(ix) participated in discussions and negotiations among representatives of the Company and Buyer and their financial and legal advisors;

(x) reviewed the Merger Agreement, and certain related documents;

(xi) discussed with the management of Optika the strategic rationale for the Merger, including the existing and anticipated future relationship between Optika and Buyer; and

(xii) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness in all material respects of the information reviewed by us for the purposes of this opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the Merger that we have discussed with you, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of the Company and Buyer. We have also relied without independent verification on the assessment by the management of Optika on the strategic rationale for the Merger, including their assessment of the existing and anticipated future relationship between Optika and Buyer. In addition, we have relied upon the assessment by the managements of Optika and Buyer of their ability to retain key employees of Optika and Buyer. We have also relied upon, without independent verification, the assessment by the managements of Optika and Buyer of the timing and risks associated with the integration of Optika and Buyer and the validity of, and risks associated with, Optika s and Buyer s existing and future technologies, services or business models.

In addition, we have assumed that the Merger will be consummated in accordance with the terms set forth in the Merger Agreement, including that the Merger will be treated as a tax-free reorganization, pursuant to the Internal Revenue Code of 1986, as amended. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

We have acted as financial advisor to Optika in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon consummation of the Merger. We will receive a portion of our fee upon delivery of this opinion.

It is understood that this letter is for the information of the Board of Directors of the Company and may not be used for any other purpose without our prior written consent, except that this opinion may be included in its entirety in any filing made by the Company in respect of this transaction with the Securities and Exchange Commission. In addition, this opinion does not in any manner address the prices at which the Buyer Common Stock will trade following consummation of the Merger, and Revolution Partners LLC expresses no opinion or recommendation as to how stockholders of the Company should vote at the stockholders meeting held in connection with the Merger.

Based on and subject to the foregoing, we are of the opinion on the date hereof that the consideration to be received by the Company s stockholders pursuant to the Merger Agreement is fair from a financial point of view to such stockholders.

Very truly yours,

REVOLUTION PARTNERS LLC

/s/ PETER M. FALVEY

Peter M. Falvey
Managing Director

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ANNEX G

SECTION 262 OF THE

DELAWARE GENERAL CORPORATION LAW

SECTION 262. *Appraisal rights.*

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder s shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word stockholder means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words stock and share mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words depository receipt mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of §251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder s shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder s shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder s shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder s shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given,

provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder s written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder s certificates of stock to the Register in Chancery, if such is required, may

participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court s decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney s fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder s demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2003

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 0-28672

Optika Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware	**95-4154552**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
7450 Campus Drive, 2nd Floor Colorado Springs, Colorado	**80920**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant s telephone number, including area code:

(719) 548-9800

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $0.001 per share

(Title of Class)

Series B Preferred Stock Purchase Rights

(Title of Class)

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes o No þ

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on June 30, 2003 as reported on the NASDAQ Small Cap Market, was approximately $13,389,327. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. As of January 30, 2004, the registrant had outstanding 9,341,561 shares of common stock and 731,851 shares of preferred stock.

DOCUMENTS INCORPORATED BY REFERENCE

None.

OPTIKA INC.

2003 ANNUAL REPORT ON FORM 10-K

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PART I

This Amendment No. 1 on Form 10-K/A amends Item 1 of Part 1, Item 7 of Part II and Item 15 of Part IV of our Annual Report on Form 10-K previously filed for the fiscal year ended December 31, 2003. This Form 10-K/A is filed in response to comments received from the Division of Corporation Finance of the Securities and Exchange Commission. Consent of our independent auditors is attached to this Form 10-K/A as Exhibit 23.1 and certifications from our Chief Executive Officer and Chief Financial Officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached to this Form 10-K/A as Exhibits 31.1, 31.2, 32.1 and 32.2. All other information contained in this Form 10-K/A is as of the date of the original filing.

This Amendment No. 1 to our Annual Report on Form 10-K/A contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under the caption Risk Factors in Item 1.

Item 1. *Business*
Introduction

Optika® Inc. is a leading provider of enterprise content management (ECM) technology, including document imaging, workflow, collaboration and records management software. Our Acorde family of ECM software solutions, including Acorde Context™, Acorde Process™, Acorde Resolve™, Acorde Application Link™ and Acorde Records Management™, allows companies to streamline their business processes, eliminate paper, increase operational efficiencies and effectively leverage their enterprise resource planning (ERP) and line-of-business (LOB) systems. Acorde provides the ability to manage compliance requirements, access and store multiple formats of business content, both digital and non-digital; automate processes across the organization and externally with partners and customers; and enable online collaboration around these paper-intensive or complex processes in real and near time. Acorde supports a wide spectrum of critical business operations, including accounts payable, accounts receivable, claims processing, expense reporting, records management and human resources.

Built on a three-tier, scalable and extensible platform, Acorde easily integrates and interfaces with third-party applications. Acorde is certified with PeopleSoft, J.D. Edwards and Microsoft Business Solutions, and has performed integrations with many other major ERP and LOB systems, including Oracle, SAP, JDA and Lawson. The Acorde product family makes extensive use of Web Services to ensure seamless movement of transaction data and documents between applications and across the enterprise. The Acorde product allows organizations to improve processing efficiency, reduce operating costs and increase customer, partner, and employee service and satisfaction, resulting in a significant return on investment.

Recent Developments

On January 12, 2004, we announced that we had entered into a definitive agreement to merge with Stellent, Inc. Under the terms of the merger agreement, each share of Optika common stock would be converted into .44 shares of Stellent common stock (subject to adjustment in certain circumstances as described below) and the holders of our preferred stock would receive $10 million in cash. If, based on the average closing price of Stellent s common stock over a ten day period immediately prior to the closing of the merger, the .44 to one exchange ratio would result in our common stockholders receiving in excess of $4.00 per share of Stellent common stock, the exchange ratio will be adjusted so that 20% of the aggregate merger consideration in excess of $4.00 per share would be allocated to the holders of our preferred stock and 80% of the aggregate merger consideration in excess of $4.00 per share would be allocated to the holders of the common stock. The merger will be accounted for as a purchase transaction by Stellent, and is expected to be completed late in the first calendar quarter or early in the second calendar quarter of 2004. The closing is subject to regulatory approval, Optika and Stellent stockholder approval and

customary closing conditions. In connection with the proposed merger, Stellent and Optika will file a joint proxy statement/ prospectus with the Securities and Exchange Commission. Investors and security holders of Stellent and Optika are urged to read the joint proxy statement/ prospectus and other relevant materials when they become available because they will contain important information about Stellent, Optika and the proposed merger. Investors and security holders may obtain without charge copies of the joint proxy statement/ prospectus and other relevant materials (when they become available), and any other documents filed by Stellent or Optika with the Securities and Exchange Commission at the SEC s web site at *http://www.sec.gov*. A free copy of the joint proxy statement/ prospectus and other relevant materials (when they become available), and any other documents filed by Stellent or Optika with the SEC, may also be obtained from Stellent and Optika. In addition, investors and security holders may access copies of the documents filed with the SEC by Stellent on Stellent s website at *www.Stellent.com*. Investors and security holders may obtain copies of the documents filed with the SEC by Optika on Optika s website at *www.Optika.com*.

Background

For some time, private and public sector organizations have felt increasing pressure to deliver process efficiency and service improvements. These organizations have attempted to optimize core transaction processes to respond to competition, enhance service to customers, vendors and employees, and improve their operating margins.

Over the past few years an additional major requirement has emerged the need to comply with government mandates for records retention and compliance monitoring. Our goal is to answer both marketplace needs and make organizations more efficient by decreasing the cost of business transactions and their associated cycle-times and increasing the productivity of their workforces, while at the same time, automating the capture, retention, management, and disposition of documents that are required to be maintained for compliance purposes.

We are able to achieve these important objectives by leveraging and integrating ERP and other critical LOB applications with our document imaging, workflow and records management software products, and extending them outside the organization with collaboration tools. By doing this, we help our customers leverage the strategic investments they have already made in business systems, reduce their cost of operations, satisfy compliance mandates, and provide security for their critical business documents. This not only has a large favorable impact on the financial aspects of our customers businesses, but it also helps them increase vendor, customer and employee satisfaction.

These benefits are available for organizations that have high volumes of transactions as well as those that have the need to manage and store data and documents in multiple formats in a variety of locations throughout their organizations. We are also able to manage the secure storage, retention and disposition of both electronic and physical documents.

Business drivers are those factors that compel a customer to look for a solution such as Optika s Acorde family of products to satisfy their business requirements. Business drivers are often described by chief financial officers, chief information officers, compliance officers, and business managers as follows:

Increase process and transaction efficiency. This need is defined in terms of lowered costs of doing business and generating higher levels of service. The need for transaction efficiency especially applies to processes that have high transaction volumes along with content and supporting documents beyond the transaction itself.

Reduce transaction cycle times. Time is money and the ability to process transactions in an expedited fashion is imperative. Due to the enormous costs involved, this is particularly important when dealing with transactions that are out of tolerance or those that need to be addressed in a unique fashion.

Decrease operating expenses. During the past few years of limited or stagnant growth, the need to hold the line on expenses became paramount. During those times when shareholder value can t be

enhanced by growing revenues, it becomes necessary to focus on improving business processes in order to drive down costs and improve profit margins.

Accomplish the same amount of work with fewer people or more work with the same number of people. Companies that are able to accelerate their growth without a corresponding increase in personnel have a distinct competitive advantage. Obviously, this goal cannot be achieved without an improvement in business process management.

Control the proliferation of paper. Some companies are virtually drowning in a sea of paper paper that can be lost or temporarily displaced. Such organizations need to evolve to electronic methods to speed processes and reduce storage requirements. This is not only a cost imperative, but a security imperative as well.

Manage multiple sources of business data. It is not unusual to find companies where the transaction data needs to be supported by documents and data from several systems. The task of managing this data and the multiple systems that contain it can be daunting.

Protect critical business assets corporate information. Organizations in every industry must protect corporate information through records management. Furthermore, they must properly dispose of records in a timely manner and produce the retained documents and data on request. Factors driving companies to deploy a compliance and records management strategy include:

- Litigation
- Risk Management
- Cost of Discovery
- Mergers & Acquisitions
- Globalization
- Security
- Privacy
- Public and Private Sector Access Policies

Another important business driver is the increasing focus on integrating an organization s key business partners, such as vendors and customers, into the organization s traditional business processes. Although e-business was initially thought of as a revolutionary way to market, sell and purchase goods and services, the industry is now realizing the even greater potential of e-business in changing the way businesses work with their supply chain partners as well as providing information and interaction for employees, customers and partners. These factors are helping Web Services and portals emerge as key components in most organizations strategic technology plans.

Because of the trend to e-business, organizations must find ways to not only manage their electronic and paper-intensive transactions more efficiently, but also to involve each constituency by extending enterprise applications to remote users via the Internet. We help to facilitate this need with our workflow and collaboration tools. By providing solutions that enable more efficient processes, seamless integration with existing infrastructures and interaction among all related participants, we are delivering operational savings throughout the back-office.

Optika Acorde

The Acorde product family is changing the way organizations process, fulfill and support business transactions through the following solutions:

Acorde Context

To efficiently conduct business transactions, both between internal departments and externally with vendors and customers, organizations need immediate access to all relevant transaction information,

regardless of how it is executed. Acorde Context enables companies to securely capture, store, retrieve and display transaction documents and information, regardless of source or type. Acorde Context can manage both paper and electronic documents, as well as electronic reports, and provide seamless integration to a company s critical LOB applications. Acorde Context is designed to help organizations increase user productivity and improve information sharing across the enterprise.

Acorde Process

Many companies have pared resources to the point where employee frustration is at a high level. Corporate executives and stockholders consistently want more: more revenues, more profitability and more with less from all departments. To help organizations achieve operational efficiency and cost savings, we provide Acorde Process, a sophisticated Business Process Management (BPM) workflow technology for automating processes and delivering business transaction information both within the enterprise and over the Internet to external users. Acorde Process helps organizations execute a greater number of transactions with fewer resources, resulting in more effective back-office operations and significantly enhanced transaction efficiency.

Acorde Records Management

Due to recent corporate financial scandals, Sarbanes-Oxley legislation and many new SEC and industry regulations, records management is a crucial issue for many private companies and public sector organizations. Our Acorde Records Management product responds to this critical need by enabling the identification, classification, tracking and management of all forms of information from inception through destruction or archival. With Acorde Records Management, companies can achieve legal compliance with the requirements for the maintenance and destruction of business records. Acorde Records Management is fully integrated with Acorde Context and Process, and manages all types of electronic and physical records.

Acorde Resolve

Analyst reports show that approximately 11% of organizations business transactions have problems or discrepancies. For example, in the accounts payable area this could mean short shipments, quantity mismatches or substitutions. The resolution of these failures typically requires time-intensive, manual processes involving research and approval on a number of levels within multiple organizations. In addition, the cost to process these problem transactions is nearly equal to the cost to process all transactions that complete successfully. Acorde Resolve allows businesses to build collaboration hubs, which deliver interactive tools in a virtual Web-based office environment, for resolving and collaborating around transactions and their inherent discrepancies internally and with trading partners. As a result, companies can more efficiently resolve transaction issues to cut costs and improve relationships with key customers and vendors.

Acorde Application Link

Leveraging industry standards and providing a variety of client desktops, Acorde also enables companies to integrate with ERP systems and other third-party LOB applications. With pre-built integrations for PeopleSoft, Oracle E-Business Suite, and Microsoft Business Solutions, we deliver a seamless way to extend the functionality of these enterprise business applications with minimal implementation time and effort. Acorde Application Link also allows organizations to seamlessly integrate with any existing infrastructure or system, enabling them to cost-effectively take advantage of and leverage the investments they have already made in their crucial business systems.

Sales and Marketing

Sales

We employ a blended sales model, consisting of a worldwide indirect sales network of Advantage Partners (APs), and a direct sales force that covers North American territories and territories in South

America and Europe. We also deploy a solution services team of system architects and program managers to support our account executives and APs in enterprise system design, planning, implementation, and rollout.

Indirect Sales

Our APs are value-added resellers responsible for identifying potential end-users, selling our products to the end-users as part of a complete hardware and software solution, customizing and integrating our products at the end-users sites, and providing support and maintenance to the end-users following the sale. Our APs currently include large organizations selling a wide variety of products, smaller organizations focused on imaging implementations, application-oriented organizations, and geographically focused organizations.

Our written agreements with our APs establish a price at which the AP is eligible to license our software for resale to end-users, the maintenance fee revenues that must be remitted back to us, and other material terms and conditions. These agreements generally do not grant exclusivity to APs, do not prevent APs from carrying competing product lines and do not require APs to sell any particular dollar amount of our software. However, the agreements may be terminated at our election if specified annual sales targets are not attained. Actual sales contracts are between the APs and the end-users, although we directly license our software to end-users through their acceptance of a standard shrink-wrapped license agreement.

We support our APs through dedicated personnel at our headquarters in Colorado Springs, Colorado, and a network of field offices. Services range from joint marketing efforts, to assistance with pricing and proposals, to technical product support. Our strategy is to target specific marketing activities toward our most productive APs, and to recruit additional APs in key geographical and vertical markets. Our AP program is a crucial element of our business strategy. License revenues from APs accounted for approximately 47% of our license revenues for the year ended December 31, 2003.

Direct Sales

Our North American direct sales team focuses on developing relationships with large corporate end-users. The direct sales team is divided into regional territories that cover the United States. The direct sales force typically sells to a different customer base than our indirect sales force. Included in our direct sales force is our solution services team that initiates contact directly with the end-users. The solution services teams sometimes assists our APs to provide installation and integration services at the end-user s site, not only facilitating particular implementations, but transferring valuable product and installation expertise to the APs.

International Sales

For the years ended December 31, 2003, 2002 and 2001, we generated approximately 10%, 9% and 12%, respectively, of our total revenues from international sales. We currently maintain an office in the United Kingdom to support our European APs, and an office in Brazil, to support our Latin American APs.

Marketing

Optika has a fully integrated marketing program to support our sales strategy. Marketing efforts are organized into marketing communications, product marketing, strategic alliances, lead generation, channel marketing, event marketing, and Internet marketing. We support these efforts by issuing frequent announcements to the press, communicating with key industry analysts, participating in tradeshows, telemarketing, email marketing and direct mailing to prospective customers, developing and maintaining Internet services, and co-marketing with strategic, reseller and technology partners. We also participate with our APs in joint marketing efforts. The targeted audience ranges from Fortune 1000 and Global 2000 companies in the manufacturing, retail, distribution, architecture/ engineering/ construction and financial services industries, higher education, and public sector organizations.

Customers

As of December 31, 2003, we have sold to an established base of over 2,000 customers through our blended sales model of APs and direct sales force. Our solutions are applicable and have been installed in a wide variety of industries to process, fulfill and support business transactions.

No AP or end-user accounted for more than 10% of our total revenues for the years ended December 31, 2003, 2002 or 2001.

Service and Support

We believe that a high level of customer service and support is critical to our performance. We provide technical support, maintenance, training and consulting to our APs, who are in turn primarily responsible for providing technical support services directly to end-users. We also provide such support directly to our end-users on an as-needed basis. These services are designed to increase end-user satisfaction, provide feedback to us as to end-users demands and requirements, and generate recurring revenue. We plan to continue expanding our services and support programs as the depth and breadth of our products increase.

AP Support

We maintain pre-sales technical support personnel who work directly with the APs to provide technical responses to sales inquiries. We offer educational and training programs, as well as customized consulting services, to our APs. Fees for training and consulting services are generally charged on a per diem basis. We also provide product information bulletins on an ongoing basis, including bulletins posted on our Internet site and through periodic informational updates about the products and installation methodologies. These bulletins generally answer frequently asked questions and provide information about new product features.

Technical Support and Software Maintenance

In conjunction with our APs, we offer end-users a software maintenance program. The maintenance program includes software updates provided by us to the end-user, and technical support provided by the AP. We provide telephone consultation services to the AP to respond to end-user technical questions that the AP is unable to answer. Internet support services are also available that provide access to important technical support information, streamline the process of interacting with the support organization and provide access to the technical support knowledge base. An AP typically charges the end-user a fee for maintenance and support of the entire system, including software and hardware. In turn we charge the AP a fee of between 10% and 17%, depending on the type of support coverage provided and the timing of the contract renewal, on an annual basis of the then-current list prices of the licensed software.

Warranty

We generally include a 90-day limited warranty with the software license. During the warranty period, the end-user is entitled to corrections for documented program errors.

Research and Development

We have committed, and expect to continue to commit, substantial resources to research and development. Our research and development organization is based on the product team concept. Each product team has an engineering team leader, a product manager, development engineers and quality assurance engineers. The team is entirely responsible for the design, implementation and quality of our products. Product development efforts are directed at increasing product functionality, improving product performance, and expanding the capabilities of the products to integrate with third-party software and hardware products. In particular, we devote substantial development resources to develop additional

functionality for our products, and the capability to support additional platforms, databases, graphical user interfaces, toolsets and emerging technologies.

As of January 20, 2004, our research and development organization consisted of 34 full-time employees in Colorado Springs, Colorado. During 2003, 2002 and 2001, research and development expenses were $4.7 million, $5.1 million and $5.6 million, respectively. As of December 31, 2003, we have expensed all of our internal software development costs as incurred.

Competition

The market for Optika s Acorde product is intensely competitive and can be significantly affected by new product introductions and other market activities of industry participants. We believe that the principal competitive factors affecting our market include product features such as adaptability, scalability, ability to integrate with third-party products, functionality, ease of use, product reputation, quality, performance, price, customer service and support, effectiveness of sales and marketing efforts, and company reputation. FileNet Corporation, IBM Corporation, EMC Corporation (which through recent acquisitions now includes Documentum, Legato Systems Inc. and OTG Software Inc.) are the largest companies that compete directly with Optika in the electronic content management market, and all have greater annual revenues than we do. We also compete with industry-specific application vendors. Numerous other software vendors also compete in each product area. Potential competitors include, without limitation, providers of document management software products, providers of document archiving products, providers of BPM and workflow products, and Relational Database Management System, or RDBMS, vendors. In addition, we may face competition from other established and emerging companies in new market segments, such as e-business.

Many of our current and potential competitors, including those identified above, have longer operating histories, greater resources and name recognition, and a larger installed base of customers than we do. As a result, these competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or may be able to devote greater resources to the development, promotion and sale of their products, than we can. We also face indirect competition from value added resellers, distributors and system integrators. We rely on a number of these resellers for implementation and other customer support services, as well as recommendations of our products during the evaluation stage of the purchase process. Although we seek to maintain close relationships with these resellers, many of these third parties have similar, and often more established, relationships with our principal competitors.

Proprietary Rights

We rely upon a combination of trade secret, copyright and trademark laws, software licenses and nondisclosure agreements, to establish and protect our proprietary rights in our products. We enter into confidentiality and/or license agreements with all of our employees and distributors, as well as with our customers and potential customers seeking proprietary information, and limit access to and distribution of, our software, documentation and other proprietary information. Despite these precautions, it may be possible for unauthorized third parties to copy aspects of our products or to obtain and use information that we regard as proprietary. We have certain registered and other trademarks. We believe that our products, trademarks and other proprietary rights do not infringe the proprietary rights of third parties. We cannot assure you, however, that third parties will not assert infringement claims in the future.

Employees

At January 20, 2004, we had 128 full-time employees in 19 cities. Of these employees, 34 were involved in research and development, 62 in sales and marketing, 20 in technical support and training, and 12 in administration and finance. No employees are covered by collective bargaining agreements. We believe that our relationship with our employees is good.

Executive Officers of the Company

Optika s executive officers and key employees, and their ages as of January 31, 2004 are:

Name	Age	Position
Mark K. Ruport	51	President, Chief Executive Officer and Chairman of the Board of Directors
Steven M. Johnson	41	Executive Vice President, Chief Financial Officer and Secretary
Randall S. Weakly	37	Vice President Research and Development
Christopher J. Ryan	49	Vice President Marketing
James A. Franklin	47	Vice President North American Direct Sales
Greg D. Cooke	40	Vice President North American Channel Sales

Mark K. Ruport has served as our President and Chief Executive Officer and a Director since February 1995. He has served as Chairman of the Board of Directors since May 1996. From June 1990 to July 1994, Mr. Ruport served as President and Chief Operating Officer, and later Chief Executive Officer, of Interleaf, Inc., a publicly held software and services company that develops and markets document management, distribution and related software. From 1989 to 1990, Mr. Ruport was Senior Vice President of Worldwide Sales of Informix Software, where he was responsible for direct and indirect sales and original equipment manufacturers. From 1985 to 1989, Mr. Ruport served as Vice President North American Operations for Cullinet Software.

Steven M. Johnson has served as our Executive Vice President, Chief Financial Officer since February 2001, and as our Secretary since May 1996. He also served as our Vice President Finance and Administration and Chief Financial Officer from September 1992 to February 2001, as our interim Chief Executive Officer from October 1994 to February 1995 and as our interim Vice President of North American Channel Sales from July 1998 through December 1998. Prior to joining us, from February 1988 to September 1992, Mr. Johnson was Vice President Finance and Chief Financial Officer, of Insurance Auto Auctions, Inc., a publicly held company.

Randall S. Weakly has served as our Vice President Research and Development since September 2003. Mr. Weakly joined us in August 1995 and also served as Vice President Development, Chief Research Engineer and Engineering Manager. Prior to joining us, Mr. Weakly worked as a technical contractor for MCI from August 1994 to August 1995. From August 1992 to August 1994, Mr. Weakly worked in internal Research and Development for GTE Government Systems. From June 1988 to August 1992, Mr. Weakly performed Guidance, Navigation and Control Research for Rockwell Space Operations Corporation.

Christopher J. Ryan has served as our Vice President Marketing since July 2001. Prior to joining us, Mr. Ryan was Vice President of Worldwide Product Marketing for FrontRange, Inc., an international supplier of CRM solutions from October 2000 to June 2001. From August 1998 to September 2000, he served as Co-founder and Chief Marketing Officer of deuxo, Inc. (formerly Saligent Software, Inc.), a supplier of lead management and marketing automation software. From October 1997 to August 1998, Mr. Ryan was Director of Industry and Integrated Marketing for PeopleSoft, Inc., a supplier of human resource management and enterprise resource planning solutions. From May 1993 to October 1997, he served as Director of Field Marketing and Director of Product Marketing for Sybase, Inc., a $1 billion supplier of database and middleware solutions. From February 1988 to October 1993, Mr. Ryan served as President of IdeaWorks Marketing, a direct marketing services firm he co-founded.

James A. Franklin has served as Vice President North American Direct Sales West since February 2001. He also served as our Western Regional Vice President of Sales from January 1999 to February of 2001. Prior to joining us, Mr. Franklin was the Western Region District Manager for GIGA Information Group, Inc., a publicly held information technology analyst firm from 1996 to 1998. From 1994 to 1996, Mr. Franklin was the Director of Business Development for Geo/ SQL Corporation, a leading vendor of

enterprise geographic information systems, in Denver, Colorado. Mr. Franklin was responsible for direct and OEM sales. From 1988 to 1994, Mr. Franklin held senior sales and executive management positions for multiple information technology consulting and software firms.

Greg D. Cooke has served as Vice President North American Channel Sales since March 2003. Mr. Cooke also worked at Optika from 1991 to 1999. While previously with us, Mr. Cooke has held a variety of sales and business development positions including Vice President of North American Sales. Prior to re-joining Optika in 2003. Mr. Cooke was a principal for Channel Magic LLC, a unique provider of channel development, management consulting and outsourcing service to high technology companies from October 2002 through March 2003. From April 2001 to July 2002, Mr. Cooke was the Vice President of Worldwide Sales and Partner Development for Teamshare (now a wholly-owned subsidiary of Serena Software, Inc.) From December 1999 to April 2001, Mr. Cooke was Vice President of Worldwide Field Operations for American Fundware (now a wholly-owned subsidiary of Intuit). From 1986 to 1991, Mr. Cooke was Vice President of Sales and Marketing for FSE Corporation, a leading financial services systems integration company and Optika business partner in Dallas, Texas. He also held a sales management position at The Synergistic Group, where he was responsible for the sales of business planning software packages to leading manufacturers, wholesale distributors and retailers.

Risk Factors

As described herein in the section entitled Recent Developments, we announced that we entered into a merger agreement with Stellent, Inc. on January 12, 2004. Completion of the merger is subject to approvals of the stockholders of each of Optika and Stellent, regulatory approvals and other customary closing conditions. The following risk factors relate to the business of Optika, and the merger between Optika and Stellent. For risks about Stellent s business, see its Registration Statement on Form S-4 filed on, or about, March 16, 2004, as may be amended from time to time, and its Annual Report on Form 10-K for the year ended March 31, 2003 and subsequently filed Quarterly Reports on Forms 10-Q and Current Reports on Forms 8-K.

Business Risks of Optika

In evaluating our business, you should carefully consider the business risks discussed in this section.

We have often recognized most of our revenues in the last month, or even in the last weeks or days, of a quarter because of the timing of large software sales to our enterprise customers. Accordingly, a delay in an anticipated sale near the end of a particular quarter may cause revenues in a particular quarter to fall significantly below expectations and materially adversely affect our operating results for such quarter and, therefore, the price of our common stock.

A significant portion of our revenues has been, and we believe will continue to be, derived from a limited number of orders, and the timing of such orders and their fulfillment have caused, and are expected to continue to cause, material fluctuations in our operating results. Revenues are also difficult to forecast because the markets for our products are rapidly evolving, and our sales cycle and the sales cycle of our value added resellers is lengthy and varies substantially from end-user to end-user. To achieve our quarterly revenue objectives, we depend upon obtaining orders in any given quarter for shipment in that quarter. Product orders are typically shipped shortly after receipt. Consequently, order backlog at the beginning of any quarter has in the past represented only a small portion of that quarter s revenues. Furthermore, we have often recognized most of our revenues in the last month, or even in the last weeks or days, of a quarter. Accordingly, a delay in shipment near the end of a particular quarter may cause revenues in a particular quarter to fall significantly below our expectations and may materially adversely affect our operating results for such quarter. Conversely, to the extent that significant revenues occur earlier than expected, operating results for subsequent quarters may fail to keep pace with results of previous quarters or even decline. We also have recorded generally lower sales in the first quarter than in the immediately preceding fourth quarter, as a result of, among other factors, end-users purchasing and budgeting practices and our sales commission practices. To the extent that future international operations

constitute a higher percentage of total revenues, we anticipate that we may also experience relatively weaker demand in the third quarter as a result of reduced sales in Europe during the summer months. Significant portions of our expenses are relatively fixed in the short term. Accordingly, if revenue levels fall below expectations, operating results are likely to be disproportionately and adversely affected. As a result of these and other factors, we believe that our quarterly operating results will vary in the future, and that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Furthermore, due to all of the foregoing factors, it is likely that in some future quarter our operating results will be below the expectations of public market analysts and investors. In such event, the price of our common stock would likely decline and such decline could be significant.

Substantially all of our current license revenue is derived from one product family and therefore our operating results and the price of our common stock would be materially adversely effected by any market or competitive factors adversely affecting demand for this product family.

The Optika Acorde family of products accounts for substantially all of our current license revenue. Our future financial performance will depend in general on the acceptance of our product offerings, and in particular on the successful development, introduction and customer acceptance of new and enhanced versions of our products.

Capital market conditions could materially and adversely affect our ability to raise additional needed capital and if for any reason we were unable to raise additional capital, if needed, our common stock price could be materially adversely affected to the extent that investors questioned our ability to continue as a going concern.

Current capital market conditions have materially and adversely affected the ability of many technology companies to raise additional capital in both private and public markets. Although we believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, capital expenditures and other obligations through at least the next twelve months, if market conditions do not improve and we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned expenditures and scale back the scope of our business plan.

Our ability to compete effectively and to manage any future growth will require that we continue to attract and assimilate new personnel and to train and manage our work force and the loss of key management, sales or technical personnel or the failure to attract and retain key personnel could harm our ability to compete, and therefore our operating results and common stock price.

Most of our senior management team has joined us within the last five years. These individuals may not be able to achieve and manage growth, if any, or build an infrastructure necessary for us to operate. Our ability to compete effectively and to manage any future growth will require that we continue to assimilate new personnel and to train and manage our work force. Our future performance depends to a significant degree upon the continuing contributions of our key management, sales, marketing, customer support, and product development personnel. We have at times experienced, and continue to experience, difficulty in recruiting qualified personnel, particularly in sales, software development and customer support. We believe that there may be only a limited number of persons with the requisite skills to serve in those positions, and that it may become increasingly difficult to hire such persons. Competitors and others have in the past, and may in the future, attempt to recruit our employees. We have from time to time experienced turnover of key management, sales and technical personnel. The loss of key management, sales or technical personnel, or the failure to attract and retain key personnel, could harm our business.

Our future results of operations will depend on the success of our marketing and distribution strategy, which relies, to a significant degree, upon our value-added resellers or Advantage Partners which are not exclusive relationships and which we have only a limited ability to control.

Our future results of operations will depend on the success of our marketing and distribution strategy, which relies, to a significant degree, upon value added resellers to sell and install our software, and provide post-sales support. These relationships are usually established through formal agreements that generally do not grant exclusivity, do not prevent the distributor from carrying competing product lines and do not require the distributor to purchase any minimum dollar amount of our software. Some value added resellers may not continue to represent us or sell our products. Other value added resellers, some of which have significantly greater financial, marketing and other resources than we have, may develop or market software products that compete with our products or may otherwise discontinue their relationship with, or support of, us. Some of our value added resellers are small companies that have limited financial and other resources that could impair their ability to pay us. Selling through indirect channels may hinder our ability to forecast sales accurately, evaluate customer satisfaction or recognize emerging customer requirements. Our future results of operations also depend on the success of our continuing efforts to build a direct sales force.

Because the markets for our products are characterized by rapid technological change and changes in customer requirements, our future performance will depend in significant part upon our ability to respond effectively and quickly to such changes.

The markets for our products are characterized by rapid technological change, changes in customer requirements, frequent new product introductions and enhancements, and emerging industry standards. Our future performance will depend in significant part upon our ability to respond effectively to these developments. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete, unmarketable or noncompetitive. We are unable to predict the future impact of such technology changes on our products. Moreover, the life cycles of our products are difficult to estimate. Our future performance will depend in significant part upon our ability to enhance current products, and to develop and introduce new products and enhancements that respond to evolving customer requirements. The inability, 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, or maintain compatibility with heterogeneous computing environments, would have a material adverse effect on our business and results of operations.

We rely on third-party software licenses, the loss of which could materially and adversely affect our business and financial condition.

We license software from third parties, which is incorporated into our products. These licenses expire from time to time. These third-party software licenses may not continue to be available to us on commercially reasonable terms. The loss of, or inability to maintain, any such software licenses could result in shipment delays or reductions until equivalent software could be developed, identified, licensed and integrated, which in turn could materially and adversely affect our business and financial condition. In addition, we generally do 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, we may be forced to expend significant time and development resources to replace the licensed software.

Licensing our software products requires a lengthy and complex sales cycle over which we have little or no control, which may result in substantial fluctuations in our financial performance from period-to-period.

The license of our software products is typically an executive-level decision by prospective end-users, and generally requires our value added resellers and us to engage in a lengthy and complex sales cycle

(typically between six and twelve months from the initial contact date). In addition, the implementation by customers of our products may involve a significant commitment of resources by such customers over an extended period of time. For these and other reasons, the sales and customer implementation cycles are subject to a number of significant delays over which we have little or no control. Our future performance also depends upon the capital expenditure budgets of our customers and the demand by such customers for our products. Certain industries to which we sell our products, such as the financial services industry, are highly cyclical. Our operations may in the future be subject to substantial period-to-period fluctuations as a consequence of such industry patterns, domestic and foreign economic and other conditions, and other factors affecting capital spending. Such factors may have a material adverse effect on our business and results of operations.

The market for our product offerings is intensely competitive, and many of our competitors have significantly greater financial, technical and marketing resources and have established more extensive channels of distribution.

The market for our product offerings is intensely competitive and can be significantly affected by new product introductions and other market activities of industry participants. Our competitors offer a variety of products and services to address the electronic content management market and the emerging market for e-business solutions. Because our products are designed to operate in non-proprietary computing environments and because of low barriers to entry in the marketplace, we expect additional competition from established and emerging companies, as the market for our products continues to evolve. 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 our prospective customers. In addition, several competitors have recently made, or attempted to make, acquisitions to enter the market or increase their market presence. Accordingly, new competitors or consolidation and alliances among competitors may emerge and rapidly acquire significant market share. Increased competition may result in price reductions, reduced gross margins and loss of market share.

Many of our current and potential competitors are substantially larger than we are, have significantly greater financial, technical and marketing resources and have established more extensive channels of distribution. As a result, such competitors may be able to respond more rapidly 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 we can. We expect our competitors to continue to improve the performance of their current products and to introduce new products or new technologies that provide added functionality and other features. Our failure to keep pace with our competitors through new product introductions or enhancements could cause a significant decline in our sales or loss of market acceptance of our products and services, result in continued intense price competition, or make our products and services or technologies obsolete or noncompetitive. To be competitive, we will be required to continue to invest significant resources in research and development, and in sales and marketing.

Our means of protecting our proprietary rights in the United States or abroad may not be adequate and/or competitors may independently develop similar technologies, either of which may adversely affect our business and results of operations.

Our performance depends in part on our ability to protect our proprietary rights to the technologies used in our principal products. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality provisions and other contractual provisions to protect our proprietary rights, which are measures that afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products, or to obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the United States. Our means of protecting our proprietary rights in the United States or abroad may not be adequate, and competitors may independently develop similar technologies. Third parties may claim infringement by our products of their intellectual property rights. We expect that software product developers will increasingly be subject to infringement claims if the number

of products and competitors in our industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, and regardless of the outcome of any litigation, will be time-consuming to defend, result in costly litigation, divert management s attention and resources, cause product shipment delays, or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all. A successful claim of infringement against our products and failure or inability to license the infringed or similar technology may adversely affect our business and results of operations.

Sales outside the United States represent an important area of potential growth, and our inability to successfully expand our international operations in a timely manner, or at all, could materially and adversely affect our business and results of operations.

Sales outside the United States accounted for approximately 10%, 9% and 12% of our revenues in 2003, 2002 and 2001, respectively. We have only limited experience in developing localized versions of our products and we may not be able to successfully localize, market, sell and deliver our products internationally. Our inability to expand successfully our international operations in a timely manner, or at all, could materially and adversely affect our business and results of operations. Our international revenues may be denominated in foreign currencies or the U.S. dollar. We do not currently engage in foreign currency hedging transactions; as a result, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies and could make our software less price-competitive.

A successful product liability claim against us could have a material adverse effect upon our business and results of operations.

Our license agreements typically contain provisions designed to limit our exposure to potential product liability claims. These limitations of liability provisions may not be effective under the laws of certain jurisdictions. The sale and support of our products may entail the risk of such claims, and we could be subject to such claims in the future. A successful product liability claim against us could have a material adverse effect upon our business and results of operations. Software products such as those we offer frequently contain errors or failures, especially when first introduced or when new versions are released. We have in the past released products that contained defects, and have discovered software errors in certain of our new products and enhancements after introduction. We could in the future lose or delay recognition of revenues as a result of software errors or defects, the failure of our products to meet customer specifications or otherwise. Our products are typically intended for use in applications that may be critical to a customer s business. As a result, we expect that our customers and potential customers have a greater sensitivity to product defects than the market for general software products. Despite our testing and testing by current and potential customers, errors or defects may be found in new products or releases after commencement of commercial shipments, and our products may not meet customer specifications, resulting in loss or deferral of revenues, diversion of resources, damage to our reputation, or increased service and warranty and other costs.

We have acquired, and may in the future acquire, businesses, products or technologies, and our financial performance may be adversely affected if we are unable to integrate successfully the people, products and business lines of our acquisitions.

We have acquired, and we may in the future acquire, businesses, products or technologies that we believe complement or expand our existing business. For example, in May 2003, we acquired Select Technologies, Inc., a records management software company based in Boise, Idaho. Our ability to achieve favorable results in 2004 and beyond will be dependent in part upon our ability to continue to successfully integrate the people, products and business lines of our acquisitions. In addition, we will need to work with our acquired companies customers and business partners, as well as our current customers and business partners, to expand relationships based upon the broader range of products and services available from us. In some instances, we may need to discontinue relationships with business partners whose interests are no

longer aligned with ours. We must achieve the synergies we identified during the acquisition process. Failure to execute on any of these elements and accomplish the favorable financial results from the integration process could adversely affect our business and results of operations.

The market price of our shares of common stock has been, and is likely to continue to be, highly volatile.

Effective February 4, 2003, our common stock began trading on the Nasdaq SmallCap Market under the symbol OPTK. Previously, our stock was traded on the Nasdaq National Market under the same symbol. The market price of our shares of common stock has been, and is likely to continue to be, highly volatile and may be significantly affected by factors such as:

- actual or anticipated fluctuations in our operating results;
- announcements of technological innovations;
- new products or new contracts by us or our competitors;
- sales of common stock by management, directors or other related parties;
- sales of significant amounts of common stock into the market;
- developments with respect to proprietary rights;
- conditions and trends in the software and other technology industries;
- adoption of new accounting standards affecting the software industry;
- changes in financial estimates by securities analysts and others;
- general market conditions; and
- other factors that may be unrelated to us or our performance.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices for the common stock of technology companies. These broad market fluctuations may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a particular company s securities, securities class-action litigation has often been brought against such company. Such litigation may be brought against us in the future. Such litigation, regardless of its outcome, would result in substantial costs and a diversion of management s attention and resources that could have a material adverse effect upon our business and results of operations.

Certain provisions of our certificate of incorporation, equity incentive plans, bylaws, and Delaware law may discourage certain transactions involving a change in control of Optika.

Certain provisions of our certificate of incorporation, equity incentive plans, bylaws, and Delaware law may discourage certain transactions involving a change in control of our company, even if such a transaction would be in the best interest of our stockholders. Our classified board of directors and the ability of the board of directors to issue blank check preferred stock without further stockholder approval, may have the effect of delaying, deferring or preventing a change in our control and may also affect the market price of our stock. We also have a stockholders rights plan under which all stockholders of record as of July 18, 2001 received one right for each share of common stock then owned by them to purchase, upon the occurrence of certain triggering events, one one-hundredth of a share of Series B preferred stock at a price of $30, subject to adjustment. The rights are exercisable only if a person or group acquires 15% or more of our common stock in a transaction not approved by our board of directors. These provisions, and certain other provisions of our amended and restated certificate of incorporation and certain provisions of our amended and restated bylaws and of Delaware law, could delay or make more difficult a merger, tender offer or proxy contest.

Risks Relating to the Merger

The merger involves risk for Optika shareholders. Optika stockholders will be choosing to invest in Stellent common stock by voting in favor of the merger. In addition to other information included in the joint proxy statement/ prospectus filed by Stellent with the Securities and Exchange Commission on or about March 18, 2004, including the matters addressed in the section of the joint proxy statement/ prospectus Cautionary Statement Concerning Forward-Looking Statement , you should carefully consider the following risks before deciding whether to vote in favor of the merger proposals, in the case of Optika stockholders. Please refer to the section of the joint proxy statement/ prospectus entitled Where You Can Find More Information . Additional risks and uncertainties not presently known to Stellent or Optika or that are not currently believed to be important to you also may adversely affect the merger and the combined company following the merger.

Stellent and Optika may be unable to obtain the shareholder approvals required to complete the merger.

The closing of the merger is subject to approvals by the shareholders of Optika and Stellent, which might not be obtained. The issuance of shares of Stellent common stock pursuant to the merger agreement requires the affirmative vote of a majority of the total votes cast at the Stellent special meeting, provided a quorum is present at the meeting. Approval of the Optika merger proposals requires the affirmative vote of a majority of the outstanding shares of Optika common stock and Optika preferred stock (voting together with the Optika common stock on an as-converted-to-common-stock basis). If the requisite shareholder approvals are not obtained, the conditions of closing of the merger will not be satisfied and the closing of the merger will not occur. If the merger is not completed, the business and operations of Optika may be harmed to the extent that customers, suppliers and others believe that the company cannot effectively compete in the marketplace without the merger and the market price of Optika s common stock may decline.

The number of shares that holders of Optika common stock will be entitled to receive is fixed; if the market price of Stellent s common stock declines, Optika stockholders will be entitled to receive less in value for their shares of Optika common stock.

Upon the closing of the merger, each holder of shares of Optika common stock will be entitled to receive a fixed portion of a share of Stellent common stock for each share of Optika common stock held by such stockholder at the closing of the merger. The market value of Stellent s shares fluctuates based upon general market and economic conditions, Stellent s business and prospects and other factors, as discussed in the joint proxy statement/ prospectus. Because of these fluctuations and because the total number of shares of Stellent common stock to be received as consideration by holders of Optika common stock in the merger may be decreased if shares of Stellent common stock are allocated to holders of the Optika preferred stock, as discussed in the joint proxy statement/ prospectus, but will not, in any case be increased, the exact value of the consideration that holders of Optika common stock will be entitled to receive in the merger cannot be determined until the closing of the merger.

There will be no increase to the exchange ratio (except for reclassifications to reflect the effect of any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification or other like change with respect to Stellent common stock or Optika common stock), and the parties do not have the right to terminate the merger agreement based upon changes in the market price of either Stellent common stock or Optika common stock. Accordingly, if Stellent s stock price decreases, Optika s stockholders will be entitled to receive less in value for their shares of Optika common stock.

Two of the directors and executive officers of Optika have conflicts of interest that could have affected their decisions to support or approve the transaction.

The directors and executive officers of Optika will receive continuing indemnification against liabilities and some of the directors and executive officers of Optika have Optika stock options that potentially provide them with interests in the merger, such as accelerated vesting upon completion of the merger in certain cases, that are different from, or are in addition to, your interests in the merger. An Optika director, Alan B. Menkes, will serve on the board of directors of the combined company. In addition, Mark K. Ruport has entered into an employment agreement with Stellent that will become effective upon the consummation of the merger. Under the agreement, Mr. Ruport is entitled to receive compensation and benefits as described under the section of the joint proxy statement/ prospectus The Merger Interests of Directors and Executive Officers of Optika in the Merger. Each of Mr. Menkes and Mr. Ruport voted in favor of the merger in their respective capacities as directors of Optika. In addition, under the Optika 1994 Stock Option/ Stock Issuance Plan, the Optika 2000 Non-Officer Stock Incentive Plan and the Optika 2003 Equity Incentive Plan, if any option holder is involuntarily terminated other than for misconduct (as such term is defined under the terms of the applicable plan) within an eighteen-month period following the closing of the merger, the awards granted to that individual under the plan are accelerated in full and become 100% vested. As a result of the operation of these provisions, as well as provisions in the 1994 plan governing the automatic vesting upon a change of control with respect to formula stock option grants to Optika s non-employee directors, all options issued to the non-employee directors of Optika are expected to vest in full at or within a short period of time following the effective time of the merger since, according to the terms of the merger agreement, none of such individuals will remain as continuing directors of Optika.

Because the stock price of Optika may reflect the anticipated benefits of the merger, including a broader platform of products and greater size and marketing opportunities, among others, for the combined companies, Optika s stock price may decline if the merger is not completed.

The merger and many of its anticipated benefits have been publicly disclosed. The market price of Stellent common stock may reflect these anticipated benefits and the market price of Optika common stock may be trading in tandem based on the conversion ratio under the merger agreement. If the merger is not completed investors may perceive that the companies will lose the opportunity to realize the anticipated benefits of the merger and the market price of the common stock of Optika may decline. Completion of the merger is subject to several closing conditions, including obtaining shareholder and any required regulatory approvals, and Stellent and Optika may be unable to obtain such approvals on a timely basis or at all.

Because the industry in which it competes is consolidating, the business of Optika and its results of operations may be adversely affected if the merger is not completed.

The industry in which Stellent and Optika operate is maturing and consolidating. The result is fewer larger and better-financed companies providing increasingly broad and deep product lines and increasing demand by customers for fewer suppliers of more comprehensive solutions. Optika s business and operations may be harmed to the extent that customers, suppliers and others believe that the company cannot effectively compete in the marketplace without the transaction, or there is customer or employee uncertainty surrounding the future direction of the product and service offerings and strategy of Stellent or Optika on a standalone basis.

Stellent and Optika have incurred significant transaction expenses and may make substantial additional payments if the transaction is not completed.

Stellent and Optika are incurring significant costs in connection with the transaction, including legal, accounting and financial advisory fees, and certain fees and expenses of TWCP and certain of its affiliates. They must pay such expenses whether or not the transaction is completed. Moreover, under specified circumstances described in the joint proxy statement/ prospectus,

Optika may be required to pay Stellent a termination fee of $1.6 million and Stellent s expenses incurred in connection with the merger agreement or the merger of up to $750,000 pursuant to the merger agreement, in connection with the termination of the merger agreement. Such payments may cause the market price of the company to decline.

Realizing the benefits from the merger requires the combined company to overcome integration and other challenges which may be difficult because Optika is accustomed to operating as an autonomous business.

Any failure of the combined company to meet the challenges involved in integrating the operations of Stellent and Optika successfully or to realize any of the anticipated benefits or synergies of the merger could seriously harm the results of the combined company. Realizing the benefits of the merger will depend in part on the ability of the combined company to overcome significant challenges, including:

combining Optika s Colorado-based operations with Stellent s Minnesota headquartered operations;

integrating and managing the combined company with a small management team;

retaining and assimilating the key personnel of Optika accustomed to working without the oversight of a parent company;

integrating the sales organization of Optika, which relies extensively on indirect sales channels and generates a high proportion of maintenance and other revenues, with the sales organization of Stellent, which relies extensively on direct sales and generates a high proportion of product license revenues;

retaining existing customers of each company in light of changes that may occur in each company s operations as a results of the merger and attracting new customers while overcoming integration challenges;

retaining strategic partners of each company in light of changes that may occur in each company s operations as a results of the merger and attracting new strategic partners while overcoming integration challenges; and

creating and maintaining uniform standards, controls, procedures, policies and information for two companies accustomed to operating under autonomous management.

The risks of failure to overcome these integration challenges include:

the potential disruption of the combined company s on-going business and distraction of its management;

lost sales or decreased revenues as a result of difficulties inherent in combining product offerings, coordinating sales and marketing efforts to communicate effectively the capabilities of the combined company;

the potential need to demonstrate to customers that the merger will not result in adverse changes in customer service standards or business; and

impairment of relationships with employees, suppliers and customers as a result of any integration of new management personnel.

Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market value of the combined company s common stock following the merger.

In accordance with accounting principles generally accepted in the United States of America, the combined company will account for the merger using the purchase method of accounting, which will result in charges to earnings that could have a material adverse effect on the market value of Stellent common stock following the closing of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to Optika s net tangible assets, amortizable

intangible assets, intangible assets with indefinite lives and in-process research and development, if any, based on their fair values as of the date of the closing of the merger, and record the excess of the purchase price over those fair values as goodwill. The portion of the estimated purchase price allocated to purchased in-process technology, if any, will be expensed by the combined company in the quarter in which the merger is completed. The combined company will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, the combined company may be required to incur material charges relating to the impairment of those assets. These depreciation, amortization and potential impairment charges could have a material impact on the combined company s results of operations.

In order to be successful, the combined company must retain and motivate key employees, which may be difficult in light of the geographic separation of Stellent and Optika, Optika s history of operating as an independent business and uncertainty regarding operational roles following the merger; and failure to do so could seriously harm the combined company s ability to execute its operating strategy.

In order to be successful, the combined company must retain and motivate executives and other key employees, including those in managerial, sales and technical positions. Failure to retain and motivate executives and other key employees could leave the combined company without the management capacity to execute its operating strategy, which could adversely affect its operating results. Retaining and motivating Optika employees may be difficult if management of the combined company cannot overcome the geographic separation of Optika s Colorado operations and Stellent s Minnesota headquarters to make employees feel like they are a part of a cohesive business operation. The combined company may experience difficulty retaining and motivating Optika employees if those employees feel as though they had greater operating freedom when Optika was an independent business. Employees of Stellent or Optika may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. In addition, a portion of Optika s employee options have exercise prices in excess of the current value of the merger consideration. These circumstances may adversely affect the combined company s ability to attract and retain key management, sales and technical personnel. The combined company also must continue to motivate employees and keep them focused on the strategies and goals of the combined company, which may be particularly difficult due to the potential distractions of the merger.

The market price of Stellent s common stock may decline as a result of the merger.

The market price of Stellent s common stock may decline as a result of the merger for a number of reasons, including if:

- the integration of Stellent and Optika is not completed in a timely and efficient manner;
- the combined company does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts;
- the effect of the merger on the combined company s financial results is not consistent with the expectations of financial or industry analysts; or
- significant shareholders of Stellent or Optika decide to dispose of their stock following completion of the merger.

Uncertainty regarding the merger and the effects of the merger could cause each company s customers or strategic partners to delay or defer decisions.

Stellent s and/or Optika s customers and strategic partners, in response to the announcement of the merger, may delay or defer decisions regarding the license of the combined company s products and services, which could have a material adverse effect on the business of the combined company or the relevant company if the merger is not completed.

Optika could lose an opportunity to enter into a merger or business combination with another party on more favorable terms as the merger agreement restricts Optika from soliciting such proposals.

While the merger agreement is in effect, subject to certain limited exceptions, Optika is restricted from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal or offer for a merger with any persons other than Stellent. As a result of the restriction, Optika may lose an opportunity to enter into a transaction with another potential partner on more favorable terms. If Optika terminates the merger agreement to enter into another transaction, Optika likely would be required to pay a termination fee to Stellent that may make an otherwise more favorable transaction less favorable. See The Merger Agreement Termination Fee and Expenses of the joint proxy statement/ prospectus. In addition, if the merger agreement is terminated and the Optika board of directors determines that it is in the best interests of the Optika stockholders to seek a merger or business combination with another strategic partner, Optika cannot assure you that it will be able to find a partner offering terms equivalent or more attractive than the price and terms offered by Stellent.

The merger may become subject to regulatory approval, which may delay or prevent the merger or require modification of the terms of the merger.

Under the HSR Act, if the amount of consideration to be paid by Stellent to the common and preferred stockholders of Optika were valued at $50 million or more for the entire 45-day period prior to the effective date of the merger, Stellent and Optika would not be allowed to complete the merger until they had furnished information required by the HSR Act to the Antitrust Division of the United States Department of Justice and the Federal Trade Commission and the applicable HSR Act waiting period had expired or been terminated. Based on the number of shares of common stock of Optika outstanding at January 30, 2004, and recent trading prices of Stellent s common stock, it appears that Stellent and Optika will not be required to furnish certain information under the HSR Act or wait for HSR Act waiting period to expire or be terminated. However, if the price of Stellent s common stock closes above approximately $9.73 on each trading day during the 45-day period prior to the effective date of the merger, the merger would become subject to the reporting requirements and waiting period of the HSR Act, which could delay or prevent the merger or require modification of the terms of the merger. The effective date of the merger may be delayed unexpectedly by factors beyond the control of Stellent and Optika, such as delays in obtaining a quorum for the shareholder meetings or delays in obtaining the required shareholder approvals. If the price of Stellent s common stock closes above approximately $9.73 for an extended period, but less than the full 45-day period, prior to the anticipated effective date of the merger and the effective date is unexpectedly delayed such that the price of Stellent s common stock closes above approximately $9.73 for a full 45-day period and continues to close above such price, the merger may become subject to the reporting requirements and waiting period of the HSR Act, further delaying the effective date of the merger.

The combined company is not profitable on a pro forma basis and may not be profitable in the future.

On a pro forma basis, the combined company had a net loss of approximately $12.4 million for the nine months ended December 31, 2003. We cannot assure you that the combined company s revenue will increase or continue at current levels or growth rates, or that the combined company will achieve profitability or generate cash from operations in future periods. In view of the rapidly evolving nature of the combined company s business and the limited histories of Stellent and Optika in marketing many of their current products, period-to-period comparisons of operating results are not necessarily meaningful and you should not rely on them as indicating what the combined company s future performance will be. We expect that the combined company will continue to incur significant sales, marketing, product development and administrative expenses. As a result, the combined company will need to generate significant revenue to achieve profitability and we cannot assure you that it will achieve profitability in the future.

The merger may be completed even though material adverse changes may result from the announcement of the merger, industry-wide changes and other causes.

In general, either party may refuse to complete the merger if there is a material adverse change affecting the other party before the closing. However, certain types of changes will not prevent the completion of the offer or the merger, even if they would have a material adverse effect on Stellent or Optika, including:

changes or conditions generally affecting the industries or segments in which Stellent and Optika operate unless the change or condition has a materially disproportionate effect on Stellent or Optika, as the case may be;

changes in general economic, market or political conditions unless the change has a materially disproportionate effect on Stellent or Optika, as the case may be;

actual or threatened litigation by shareholders of Stellent or Optika relating to the announcement or completion of the offer or the merger (unless the offer or the merger is enjoined);

any disruption of customer, business partner, supplier or employee relationships that resulted from the announcement of the merger agreement or the completion of the merger; and

changes in Stellent s or Optika s common stock market price or trading volume, in and of themselves.

If material adverse changes occur but we must still complete the merger, Stellent s stock price may suffer. This in turn may reduce the value of the merger to Optika s stockholders.

Our focus on integrating the combined companies may divert us from other potential transactions.

Our industry has experienced recent consolidation. Even after the merger, many competitors will have substantially more resources than the combined company has. Management s focus on realizing the benefits of the merger for the combined companies may divert it from pursuing other potential transactions that could further increase the resources and marketing opportunities of the combined companies.

There is a risk of potentially unfavorable United States federal income tax consequences to Optika stockholders.

Optika stockholders may be subject to potentially material adverse United States federal income tax consequences if the Internal Revenue Service were to successfully contend that the consideration transferred by Stellent to the Optika common and preferred stockholders should be treated not as it was actually received, but rather as it would have been received by such stockholders prior to the amendment of the certificate of designation of the Optika preferred stock, pursuant to which the stated liquidation preference of the Optika preferred stock will be terminated. To review the material United States federal income tax consequences to stockholders in greater detail, see The Merger Material United States Federal Income Tax Consequences of the Merger of the joint proxy statement/prospectus.

Item 2. ***Properties***

Our principal administrative, sales and marketing, research and development and support facilities consist of approximately 39,000 square feet of office space in Colorado Springs, Colorado. We occupy these premises under a lease expiring in March of 2007. In support of our field sales and support organization, we also lease several facilities in the United States, an office in the United Kingdom and an office in Brazil.

Item 3. ***Legal Proceedings***

We are currently not a party to any material litigation, and we are currently not aware of any pending or threatened litigation that we believe would or is reasonably likely to have a material adverse effect upon our business, operating results, or financial condition.

Item 4. ***Submission of Matters to a Vote of Security Holders***

We did not submit any matters to a vote of our security holders during the fourth quarter of the fiscal year ended December 31, 2003.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities***

Effective February 4, 2003, our common stock began trading on the NASDAQ Small Cap Market under the symbol OPTK. Previously, our common stock was traded on the NASDAQ National Market under the same symbol. The following table sets forth the high and low closing sale prices per share of the common stock for the periods indicated, as reported on the NASDAQ.

Quarter Ended	High	Low
December 31, 2003	$5.11	$2.08
September 30, 2003	$2.62	$1.42
June 30, 2003	$1.58	$1.09
March 31, 2003	$1.53	$ .98
December 31, 2002	$1.20	$ .64
September 30, 2002	$1.68	$ .85
June 30, 2002	$2.34	$1.47
March 31, 2002	$2.74	$1.00

As of January 30, 2004, we estimate there were approximately 158 holders of record of our common stock. This does not include the number of persons whose stock is in nominee or street name accounts through brokers.

We have never declared or paid any cash dividends on our capital stock since our inception, and we do not expect to pay cash dividends on our common stock in the foreseeable future. Our bank line of credit currently prohibits the payment of cash dividends without the consent of the bank.

The information required by Item 201(d) of Regulation S-K (Securities Authorized for Issuance Under Equity Compensation Plans) is included in Item 12 of this report.

Item 6. ***Selected Financial Data***

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations included in this Report. The consolidated statement of operations data for each of the three years in the period ended December 31, 2003 and the consolidated balance sheet data at December 31, 2003 and 2002, are derived from the audited consolidated financial statements included in this Report. The consolidated statement of operations data for the two years ended December 31, 2000 and 1999, and the consolidated balance sheet data at December 31, 2001, 2000 and 1999, are derived from audited consolidated financial statements not included in this Report.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(In thousands, except per share amounts)				
Consolidated Statement of Operations:					
Revenues:					
Licenses	$ 6,833	$ 5,655	$ 6,306	$ 5,241	$ 11,457
Maintenance and other	13,084	12,218	10,354	10,865	10,585
Total revenues	19,917	17,873	16,660	16,106	22,042
Cost of revenues:					
Licenses	790	575	873	562	821
Maintenance and other	3,627	3,674	3,669	4,961	4,224
Total cost of revenues	4,417	4,249	4,542	5,523	5,045
Gross profit	15,500	13,624	12,118	10,583	16,997
Operating expenses:					
Sales and marketing	9,272	7,533	8,198	13,672	10,963
Research and development	4,725	5,128	5,591	8,434	5,635
General and administrative	1,977	1,612	1,792	2,392	1,997
Restructuring and other charges			1,071		
Total operating expenses	15,974	14,273	16,652	24,498	18,595
Loss from operations	(474)	(649)	(4,534)	(13,915)	(1,598)
Other income	90	128	368	852	300
Loss before income tax expense (benefit)	(384)	(521)	(4,166)	(13,063)	(1,298)
Income tax expense (benefit)		(3)	8	2,978	(454)
Net loss	(384)	(518)	(4,174)	(16,041)	(844)
Preferred stock dividend			(447)	(1,037)	
Accretion of preferred stock and beneficial conversion feature			(250)	(5,027)	
Increase to income available to common stockholders from the conversion of preferred stock			6,196		
Net income (loss) applicable to common stockholders	$ (384)	$ (518)	$ 1,325	$ (22,105)	$ (844)

Basic net income (loss) per common share	$ (0.04)	$ (0.06)	$ 0.16	$ (2.78)	$ (0.12)
Basic weighted average number of common shares outstanding	8,741	8,292	8,184	7,948	7,192
Diluted net loss per common share	$ (0.04)	$ (0.06)	$ (0.46)	$ (2.78)	$ (0.12)
Diluted weighted average number of common shares outstanding	8,741	8,292	8,984	7,948	7,192

	December 31,				
	2003	2002	2001	2000	1999
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 9,082	$ 8,408	$ 7,696	$11,704	$ 7,182
Working capital	5,280	5,860	5,762	8,512	5,737
Total assets	17,055	13,889	13,901	18,524	18,097
Redeemable convertible preferred stock				10,849	
Total stockholders equity	7,934	6,988	7,395	769	11,356

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

This management s discussion and analysis of financial condition and results of operations includes a number of forward-looking statements which reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below and those under the caption Business Risks of Optika in Item 1, that could cause actual results to differ materially from historical results or those anticipated.

Overview

Optika® Inc. is a leading provider of enterprise content management (ECM) technology, including document imaging, workflow, collaboration and records management software. Our Acorde family of ECM software solutions, including Acorde Context™, Acorde Process™, Acorde Resolve™, Acorde Application Link™ and Acorde Records Management™, allows companies to streamline their business processes, eliminate paper, increase operational efficiencies and effectively leverage their enterprise resource planning (ERP) and line-of-business (LOB) systems. Acorde provides the ability to manage compliance requirements, access and store multiple formats of business content, both digital and non-digital; automate processes across the organization and externally with partners and customers; and enable online collaboration around these paper-intensive or complex processes in real and near time. Acorde supports a wide spectrum of critical business operations, including accounts payable, accounts receivable, claims processing, expense reporting, records management and human resources.

Built on a three-tier, scalable and extensible platform, Acorde easily integrates and interfaces with third-party applications. Acorde is certified with PeopleSoft, J.D. Edwards and Microsoft Business Solutions, and has performed integrations with many other major ERP and LOB systems, including Oracle, SAP, JDA and Lawson. The Acorde product family makes extensive use of Web Services to ensure seamless movement of transaction data and documents between application and across the enterprise. The Acorde product allows organizations to improve processing efficiency, reduce operating costs and increase customer, partner, and employee service and satisfaction, resulting in a significant return on investment.

The license of our software products is typically an executive-level decision by prospective end-users and generally requires our sales staff and/or our Advantage Partners (APs) to engage in a lengthy and complex sales cycle (typically between six and twelve months from the initial contact date). We distribute our products through a direct sales force and a network of APs. For 2003, approximately 47% of our license revenues were derived from our APs and the remaining license fees were derived from direct sales. However, no individual customer or AP accounted for more than 10% of our total revenues. For the years ended December 31, 2003, 2002 and 2001, we generated approximately 10%, 9% and 12%, respectively, of our total revenues from international sales. Our revenues consist primarily of license revenues, which are comprised of one-time fees for the license of our products, service revenues, and maintenance revenues, which are comprised of fees for upgrades and technical support. Our APs, which are responsible for the installation and integration of the software for their customers, enter into sales agreements with the end-user, and license software directly from us. We license software directly to the end-user through software license agreements. Annual maintenance agreements are also entered into between the APs and the end-

user, and the APs then purchase maintenance services directly from us. For 2003, 2002 and 2001, approximately 34%, 32% and 38%, respectively, of our total revenues were derived from software licenses and approximately 47%, 43% and 43%, respectively, of our total revenues were derived from maintenance agreements. For 2003, 2002 and 2001, other revenues, which are comprised of training, consulting and implementation services, and third-party hardware and software products, accounted for 19%, 25% and 19%, respectively, of our total revenues.

Critical Accounting Policies

This section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, income taxes, bad debts, restructuring charges, contingencies and litigation. We base our estimates and judgments on historical experience, forecasts and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We earn our revenue primarily from software licenses and related services. Our revenue is recognized in accordance with Statement of Position 97-2 (SOP 97-2), as amended by Statement of Position 98-9. For sales made either through our APs or by us, we generally recognize license revenue upon shipment when a non-cancelable license agreement has been signed or a purchase order has been received, delivery has occurred, the fee is fixed or determinable and collectibility is probable. The license fees are not assumed to be fixed or determinable if the fees are due more than 12 months after delivery or are based on achievement of a milestone. In the event of payment terms that extend beyond 12 months after delivery or terms that are based on achievement of a milestone, the license revenue is deferred and recognized when the license fees are due and payable. Where applicable, fees from multiple element arrangements are unbundled and recorded as revenue as the elements are delivered to the extent that vendor specific objective evidence, or VSOE, of fair value exists for the various elements. We establish VSOE of fair value on maintenance and professional services elements based on prices charged when the same elements are sold in separate transactions. We have not established VSOE on license elements. Revenue on undelivered and delivered elements is recorded using the residual method in accordance with SOP 97-2, as amended.

Software maintenance revenues are deferred and recognized ratably over the maintenance period, which is generally one year. The unrecognized portion of software maintenance revenues is recorded in the accompanying balance sheets as deferred revenue. Other revenues are recognized as services are performed.

As of December 31, 2003, the unrecognized portion of deferred maintenance revenues accounted for 95% of the total deferred revenue balance. The remainder was unrecognized service or software elements that have been billed or collected but not recognized as the services have not been performed or the software has not been delivered. The revenue will be recognized when the service is performed or the software is delivered, which is anticipated to be within twelve months of the balance sheet date.

We generally do not grant rights to return products, except for defects in the performance of the products relative to specifications and pursuant to standard industry shrink-wrapped license agreements which provide for a 30-day right of return if an end-user does not accept the terms of the shrink-wrapped

license agreements. The 30-day right of return begins upon product shipment. Our software license agreements generally do not provide price adjustments or rotation rights. We generally include a 90-day limited warranty with the software license, which entitles the end-user to corrections for documented program errors.

Accounting for Income Taxes

We have recorded a valuation allowance against our carryforward tax benefits to the extent that we believe that it is more likely than not all of such benefits will not be realized in the near term. We perform our assessment of benefit realization and the associated valuation allowance on a quarterly basis. Our assessment of this valuation allowance was made using all available evidence, both positive and negative. In particular we considered both our historical results and our projections of profitability for only reasonably foreseeable future periods. Our recent net losses provide objective evidence that is difficult to overcome in the assessment of recoverability of deferred taxes. While management expects net income in the imminent future, until we generate net income for a meaningful number of consecutive quarters, management expects the deferred tax assets to be fully reserved. Our realization of the recorded net deferred tax assets is dependent on future taxable income and therefore, we cannot be assured that such benefits will be realized. Based on management s current projections, we will continue to evaluate releasing a portion of the valuation allowance over the next year if planned operating results are achieved.

Accounting for Preferred Stock

In 2000 we completed the sale of 731,851 shares of Series A Convertible Preferred Stock, and warrants to purchase an aggregate of 307,298 shares of our common stock to an investor group consisting principally of Thomas Weisel Capital Partners and affiliated entities for an aggregate purchase price of $15 million. The preferred stock was subject to mandatory redemption provisions on the eighth anniversary of the issuance for cash equal to the stated liquidation preference plus accumulated unpaid dividends. The preferred stock was convertible to common stock at the holder s option based upon the conversion formula as defined in the preferred stock Certificate of Designation. The $15 million in gross proceeds received was allocated as follows: approximately $5.5 million for the preferred stock, approximately $4.4 million for the beneficial conversion feature, and approximately $5.1 million for the warrants. The initial carrying amount of the preferred stock was increased by periodic accretions so that the carrying amount would have been equal to the redemption amount ($15 million) at the redemption date in 2008. The periodic increases in the carrying amount were effected by charges against additional paid in capital. As the preferred stock was convertible into common stock at any time, the beneficial conversion amount was accreted in its entirety at the date of issuance of the preferred stock. The warrants were to expire in 2008 and as of May 7, 2001 no warrants were exercised. The fair value of the warrants was separately recorded as warrants for the purchase of our common stock and as a reduction to the Series A Convertible Preferred Stock.

On May 7, 2001, we entered into an Exchange Agreement with Thomas Weisel Capital Partners L.P., a Delaware limited partnership, certain of its affiliates and RKB Capital, L.P. (the Purchasers) pursuant to which we have issued Series A-1 Convertible Preferred Stock, having the terms and provisions set forth in the Certificate of Designation designating the Series A-1 Convertible Preferred Stock, on a one-for-one basis, in return for the exchange, surrender and cancellation of the Series A Redeemable Convertible Preferred Stock. The Series A-1 Preferred issued in exchange for the Series A Preferred is substantially identical to the Series A Preferred. The Series A-1 Preferred contains certain changes from the Series A which include eliminating the dividend and redemption requirements and modifying the protective and liquidation provisions thereof. In connection with this transaction, we also purchased the warrants associated with the Series A Preferred for an aggregate of $0.01. The Series A-1 Preferred is convertible to common stock at the holders option based upon the conversion formula as defined in the Certificate of Designation. Upon the occurrence of a change of control event, such as a sale of assets or merger in which the consideration to be received consists solely of stock, the holders of the Series A-1 Preferred Stock are entitled to receive the greater of (i) a liquidation preference of approximately $22.5 million in stock or (ii) the amount of stock they would have otherwise received upon conversion to common stock, prior to

any distribution to the holders of our common stock. Upon the occurrence of any change of control event which includes a cash component, the holders of the Series A-1 Preferred Stock are entitled to convert their shares into enough common shares to enable them to receive at least $22.5 million in cash following such conversion. The holders of the Series A-1 Preferred must approve any stock or cash based change of control event in which they would not receive at least $22.5 million in the form of a liquid security, provided that in the event that the holders of the Series A-1 Preferred stock elect not to approve a change of control event, we have the option of repurchasing the Series A-1 Preferred Stock for $22.5 million and proceeding with the transaction. After February 23, 2003 the conversion formula was set at 1.5 shares of common for every share of preferred so the preferred is presently convertible into an aggregate of 1,097,777 shares of our common stock.

The Series A-1 Preferred was recorded in stockholders equity at its fair value. The difference between the carrying value of the Series A Preferred at the time of the exchange and the fair value of the Series A-1 Preferred of $5.35 million was recorded as an increase in additional paid-in capital and as a one-time adjustment to net income (loss) applicable to common stockholders. As a result of the Exchange Agreement, future periods will not have adjustments to income for accumulating dividends or allocations of the discounts associated with the Series A Preferred Stock.

Accounting for Restructuring Activities

During February 2001, we reduced our workforce by approximately 25%. This reduction in force resulted in approximately $1.1 million of restructuring charges to earnings in the first quarter of 2001; primarily to cover severance and severance related costs. We realized both expense savings and reduced cash outflows during fiscal year 2001 from the reduction in salary costs, office space and related overhead expenses as a result of the restructuring plan.

Results of Operations

Comparison of Years Ended December 31, 2003 to December 31, 2002

Revenues

Total revenues increased 11% to $19.9 million for the year ended December 31, 2003, from $17.9 million for the year ended December 31, 2002.

Licenses. License revenues increased 21% to $6.8 million for the year ended December 31, 2003, from $5.7 million for the year ended December 31, 2002, representing approximately 34% and 32% respectively, of total revenues for the applicable period. Approximately $1.0 million of the increase in license revenues during the year ended December 31, 2003 from December 31, 2002 is the result of additional sales volume generated by our direct sales staff and APs in North America as we continue to increase our sales and marketing spending and to increase our presence in the North American market. The remaining increase was attributable to additional international sales activity primarily in Asia. License revenues generated outside of the United States increased to approximately 12% of license revenues for the year ended December 31, 2003 from approximately 10% of license revenues for the year ended December 31, 2002.

Maintenance and Other. Maintenance revenues, exclusive of other revenues, increased to $9.4 million for the year ended December 31, 2003 from approximately $7.8 million during the year ended December 31, 2002, representing approximately 47% and 43% of total revenues for the years ending December 31, 2003 and 2002, respectively. Approximately $200,000 of this increase is a result of maintenance contracts acquired in May 2003 from Select Technologies, Inc. The remaining increase was a result of the maintenance billings to new customers. Other revenue, consisting of consulting services and training, decreased to $3.7 million during the year ended December 31, 2003 from approximately $4.4 million during the year ended December 31, 2002, representing 19% and 25% of total revenue for the years ended December 31, 2003 and 2002, respectively. The decrease in other revenue as a percentage of

total revenue was due to downward price pressure in our billing rates from our direct customers in our consulting, project management and implementation services market in 2003.

Cost of Revenues

Licenses. Cost of licenses consists of royalty payments to third-party software vendors and costs of product media, duplication, packaging and fulfillment. Cost of licenses increased to $790,000, or 12% of license revenues, for the year ended December 31, 2003 from $575,000, or 10% of license revenues, for the year ended December 31, 2002, as a result of increased software sales that included third party products, primarily our Acorde Capture product.

Maintenance and Other. Cost of maintenance and other consists of the direct and indirect costs of providing software maintenance and support, training and consulting services, to our APs and end-users. Cost of maintenance and other decreased to $3.6 million, or 28% of maintenance and other revenues for the year ended December 31, 2003 from $3.7 million, or 30% of maintenance and other revenues, for the year ended December 31, 2002. Cost of maintenance and other decreased as a result of a greater portion of service work being performed by internal personnel as opposed to outsourcing.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist of salaries, commissions and other related expenses for sales and marketing personnel, marketing, advertising, and promotional expenses. Sales and marketing expenses increased to $9.3 million, or 47% of total revenues, for the year ended December 31, 2003 from $7.5 million, or 42% of total revenues, for the year ended December 31, 2002. The increase in sales and marketing expenses is due to continued investment in sales and support staff in our North American sales channels and the addition of Select Technologies, Inc. staff in May 2003. We currently anticipate that sales and marketing expenses are likely to increase in absolute dollars in the foreseeable future as we invest in our infrastructure.

Research and Development. Research and development expenses consist of salaries and other related expenses for research and development personnel, and the cost of facilities and equipment. Research and development expenses decreased to $4.7 million, or 24% of total revenues, for the year ended December 31, 2003, from $5.1 million, or 29% of total revenues, for the year ended December 31, 2002. The decrease in research and development is a result of decreased headcount in our development organization as a result of planned efficiencies. We anticipate that research and development expenses in absolute dollars will be flat in future periods.

General and Administrative. General and administrative expenses consist of salaries and other related expenses of administrative, executive and financial personnel, and outside professional fees. General and administrative expenses increased to $2.0 million, or 10% of total revenues, for the year ended December 31, 2003, from $1.6 million, or 9% of total revenues, for the year ended December 31, 2002. The increase in general and administrative expenses is due to administrative costs due to the incorporation of Select Technologies, Inc., legal, accounting and other transaction costs associated with the announced definitive agreement with Stellent, Inc. and overall increased costs for insurance and administrative activities. During the year ended December 31, 2003, we expensed approximately $200,000 for merger related activities. We anticipate that general and administrative expenses will continue to increase in future periods as we will continue to have expenses related to the proposed transaction with Stellent, Inc.

Other income. Other income consists primarily of interest due to our investing activities. We recognized other income of $90,000 during the year ended December 31, 2003, compared to other income of $128,000 during the year ended December 31, 2002. The decrease is due to generally lower interest rate returns on our invested balances.

Income Tax Expense. We have recorded a valuation allowance against our carryforward tax benefits to the extent that we believe that it is more likely than not all of such benefits will not be realized in the near term. We perform our assessment of benefit realization and the associated valuation allowance on a

quarterly basis. Our assessment of this valuation allowance was made using all available evidence, both positive and negative. In particular we considered both our historical results and our projections of profitability for only reasonably foreseeable future periods. Our recent net losses provide objective evidence that is difficult to overcome in the assessment of recoverability of deferred taxes. While management expects net income in the imminent future, until we generate net income for a meaningful number of consecutive quarters, management expects the deferred tax assets to be fully reserved. Our realization of the recorded net deferred tax assets is dependent on future taxable income and therefore, we cannot be assured that such benefits will be realized. Based on management s current projections, we will continue to evaluate releasing a portion of the valuation allowance over the next year if planned operating results are achieved.

Comparison of Years Ended December 31, 2002 to December 31, 2001

Revenues

Total revenues increased 7% to $17.9 million for the year ended December 31, 2002 from $16.7 million for the year ended December 31, 2001.

Licenses. License revenues decreased 10% to $5.7 million for the year ended December 31, 2002 from $6.3 million for the year ended December 31, 2001, representing approximately 32% and 38% respectively, of total revenues for the applicable period. The decrease in license revenues during the year ended December 31, 2002 from December 31, 2001 is primarily due to a $1.3 million decrease in sales made by APs in North America as a result of the sluggish economy. License revenues generated by our direct sales force increased by $900,000 during the same period as a result of increased sales volume. License revenues generated outside of the United States decreased to approximately 10% of license revenues for the year ended December 31, 2002 from approximately 13% of license revenues for the year ended December 31, 2001. This decrease is attributable to decreased European license revenue in 2002.

Maintenance and Other. Maintenance revenues, exclusive of other revenues, increased to $7.8 million for the year ended December 31, 2002 from approximately $7.2 million during the year ended December 31, 2001, representing approximately 43% of total revenues for each of the years ending December 31, 2002 and 2001. This absolute dollar annual increase was a result of the maintenance revenues received from new customers and the impact of an overall pricing increase implemented at the beginning of 2002. Other revenue, consisting of consulting services and training, increased to $4.4 million for the year ended December 31, 2002 from approximately $3.2 million for the year ended December 31, 2001, representing 25% and 19% of total revenue for the years ended December 31, 2002 and 2001, respectively. The increase in other revenue as a percentage of total revenue was due to increased consulting, project management and implementation service volume resulting from our strong direct license revenue in 2002.

Cost of Revenues

Licenses. Cost of licenses consists of royalty payments to third-party software vendors and costs of product media, duplication, packaging and fulfillment. Cost of licenses decreased to $575,000, or 10% of license revenues, for the year ended December 31, 2002 from $873,000, or 14% of license revenues, for the year ended December 31, 2001, as a result of the decreased license revenue for the year ended December 31, 2001 and the elimination of certain fixed third party royalty payments associated with our Acorde Resolve product during the year ended December 31, 2001.

Maintenance and Other. Cost of maintenance and other consists of the direct and indirect costs of providing software maintenance and support, training and consulting services, to our APs and end-users. Cost of maintenance and other remained flat at $3.7 million, or 30% of maintenance and other revenues, for the year ended December 31, 2002 from $3.7 million, or 35% of maintenance and other revenues, for the year ended December 31, 2001. Cost of maintenance and other decreased as a percentage of maintenance and other revenue as a result of flat internal costs to fulfill increased maintenance and other revenue in 2002.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist of salaries, commissions and other related expenses for sales and marketing personnel, marketing, advertising, and promotional expenses. Sales and marketing expenses decreased to $7.5 million, or 42% of total revenues, for the year ended December 31, 2002 from $8.2 million, or 49% of total revenues, for the year ended December 31, 2001. This decrease in sales and marketing expenses is due to our restructuring activities in February 2001.

Research and Development. Research and development expenses consist of salaries and other related expenses for research and development personnel, and the cost of facilities and equipment. Research and development expenses decreased in absolute dollars to $5.1 million, or 29% of total revenues, for the year ended December 31, 2002 from $5.6 million, or 34% of total revenues, for the year ended December 31, 2001. The decrease in research and development is the result of restructuring activities in February 2001.

General and Administrative. General and administrative expenses consist of salaries and other related expenses of administrative, executive and financial personnel, and outside professional fees. General and administrative expenses decreased to $1.6 million, or 9% of total revenues, for the year ended December 31, 2002 from $1.8 million, or 11% of total revenues, for the year ended December 31, 2001. The decrease in general and administrative costs is the result of the restructuring activities in February 2001.

Other income. Other income consists primarily of interest due to our investing activities. We recognized other income of $128,000 during the year ended December 31, 2002 compared to other income of $368,000 during the year ended December 31, 2001. The decrease is due to generally lower interest rate returns on our invested balances.

Liquidity and Capital Resources

Cash and cash equivalents, including short-term investments, at December 31, 2003 were $9.1 million, increasing by approximately $674,000 from December 31, 2002. For the year ended December 31, 2003, net cash provided by operating activities was $1.3 million, compared to net cash provided by operating activities of $797,000 for the year ended December 31, 2002. Cash provided by operating activities for the year ended December 31, 2003 is primarily due to the increase in deferred revenue associated with our prepaid maintenance contracts, the non-cash effect of depreciation and amortization offset by our net loss. The increase in deferred revenue is primarily the result of growth in our base of annual support contracts resulting from new customer sales, sales of additional products to the existing base and the addition of accounts from Select Technologies, Inc.

Cash used in investing activities was $135,000 for the year ended December 31, 2003, compared to cash used in investing activities of $196,000 for the year ended December 31, 2002. Cash flows used in investing activities for the year ended December 31, 2002 included net cash paid for Select Technologies, Inc. of $759,000. Other cash provided by investing activities includes the sale of marketable securities offset by capital expenditures. Capital expenditures were $176,000 for the year ended December 31, 2003 as compared to $205,000 for the year ended December 31, 2002.

Cash provided by financing activities was $317,000 for the year ended December 31, 2003. Cash provided by financing activities was $111,000 for the year ended December 31, 2002. Cash provided by financing activities in 2003 resulted primarily from the proceeds of sales of common stock through our employee stock purchase and option plans, offset by the payment of debt assumed in connection with the acquisition of Select Technologies, Inc.

At December 31, 2003, our principal sources of liquidity included cash and short-term investments of $9.1 million. In addition, we have a secured credit facility with Silicon Valley Bank for up to $3.0 million, bearing interest at the bank s prime rate. As of December 31, 2003, we had approximately $2.5 million available for borrowing, no debt outstanding and we were in compliance with all covenants of our credit facility.

As of December 31, 2003, the only significant contractual obligations or commercial commitments consisted of our facility lease commitments totaling $2.3 million (See Note 5 to the Notes to the Consolidated Financial Statements for further details.)

We believe that our current cash and short-term investments, together with anticipated cash flows from our operations and the availability of our bank credit facility, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material.

Contractual Obligations

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
			(000 s)		
Long Term Debt Obligations	$	$	$	$	$
Capital Lease Obligations	$	$	$	$	$
Operating Lease Obligations	$2,330	$786	$1,544	$	$
Purchase Obligations	$	$	$	$	$
Other Long-Term Liabilities Reflected on the Registrant s Balance Sheet Under GAAP	$	$	$	$	$

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and is effective for financial instruments entered into or modified after May 31, 2003. We do not expect the adoption of this standard to have a material impact on our results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, or FIN 46, Consolidation of Variable Interest Entities which requires the consolidation of variable interest entities. Variable interest entities created prior to February 1, 2003 must be consolidated effective December 31, 2003. We do not expect the adoption of this standard to have an impact on our results of operations or financial position.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

As of December 31, 2003, we had $5.2 million in short-term investments that are sensitive to market risks. Our investment portfolio is used to preserve our capital until it is required to fund operations, including our research and development activities. We do not own any derivative financial instruments. Due to the nature of our investment portfolio we are primarily subject to interest rate risk.

Our investment portfolio includes fixed rate debt instruments that are primarily municipal bonds with maturity periods within one-year. The market value of these bonds is subject to interest rate risk, and could decline in value if interest rates increase. A hypothetical increase or decrease in market interest rates by 10% from December 31, 2003, would cause the fair value of these short-term investments to change by an insignificant amount. Although the fair value of these short-term investments would change due to the interest rate fluctuation, we have the ability to hold the investments to maturity, which reduces overall market risk.

Item 8. ***Financial Statements and Supplementary Data***

See Item 15(a) for an index to the financial statements and supplementary financial information that is filed with this report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

As of December 31, 2003, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s (SEC) rules and forms. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings. There has been no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our internal control over financial reporting is designed with the objective of providing reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART III

Item 10. ***Directors and Executive Officers of Registrant***

Directors

Set forth below is information regarding our directors, including information furnished by them as to principal occupations, certain other directorships held by them, any arrangements pursuant to which they are selected as directors and their ages as of January 30, 2004:

	Age	Position(s) with the Company	Director Since
Mark K. Ruport	51	President, Chief Executive Officer and Chairman of the Board of Directors	1995
Alan B. Menkes	44	Director	2000
James T. Rothe, Ph.D.	60	Director	1999
Edwin C. Winder	56	Director	2002

Business Experience of Directors

Mark K. Ruport has served as our President and Chief Executive Officer and a director since February 1995. He has served as Chairman of the Board of Directors since May 1996. From June 1990 to July 1994, Mr. Ruport served as President and Chief Operating Officer, and later Chief Executive Officer, of Interleaf, Inc., a publicly held software and services company that develops and markets document management, distribution and related software. From 1989 to 1990, Mr. Ruport was Senior Vice President of Worldwide Sales of Informix Software, where he was responsible for direct and indirect sales and

original equipment manufacturers. From 1985 to 1989, Mr. Ruport served as Vice President North American Operations for Cullinet Software.

Alan B. Menkes has served as a director since March 2000. Since March 2002, Mr. Menkes has been the Managing Partner of Empeiria Capital, a private equity investing firm. From 1998 through March 2002, he was a Partner of Thomas Weisel Partners, Co-Director of Private Equity and a member of Thomas Weisel s Executive Committee. Previously, Mr. Menkes was a Partner with Hicks, Muse, Tate & Furst, where he was employed from 1992 to 1998. Mr. Menkes also serves on the Board of Directors of CS Technologies.

James T. Rothe, Ph.D., has served as a director since May 1999. He is a Professor of Business at the University of Colorado at Colorado Springs where he also served as Dean of the College of Business from 1986-1994. Until March 2002, Mr. Rothe served as a member of the Board of Directors for Analytical Surveys, Inc., (ANLT), and as a member of the Board of Directors of NeoCore LLC through July 2003, and he is a Trustee of the Janus Funds. Mr. Rothe was a Principal of the Phillips-Smith Group, a venture capital partnership from 1988 through 1999.

Edwin C. Winder has served as a director since August 2002. He is currently a private equity investor and has functioned solely in this capacity since July 2003. Immediately prior, he was the President and Chief Executive Officer of TRADEC since joining them in October 2000. Prior to joining TRADEC, Mr. Winder was Senior Vice President of Worldwide Sales and Business Development at Active Software. From 1990 to 1997, Mr. Winder worked for Informix Software in several executive roles including SVP Americas Sales from 1991 to 1994, SVP Intercontinental from 1994 to 1995, and SVP Japan Operations from 1996 to 1997. Prior to Informix, Mr. Winder was a Vice President at Cullinet Software from 1983 to 1989, where he managed operations in Canada, Japan and the United States.

There are no family relationships among the members of our Board of Directors or our officers.

Executive Officers

Information with respect to executive officers is included at the end of Part I, Item 1 of this Report under the caption Executive Officers of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder require our officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish us with copies.

Based on our review of the copies of the Section 16(a) forms we have received, or written representations from certain reporting persons, we believe that, during the last fiscal year, our officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements, with the exception of one late report for James A. Franklin. James A. Franklin inadvertently did not report the receipt of a stock options grant on January 23, 2003 until a Form 4 filing made on February 14, 2003.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and controller, and persons performing similar functions. We undertake to provide to any person without charge, upon request, a copy of our code of ethics. Requests may be directed to Optika Inc., 7450 Campus Drive, 2nd Floor, Colorado Springs, Colorado 80920; attention Steven M. Johnson, or by calling (719) 548-9800.

Item 11. ***Executive Compensation***

The following table provides certain information summarizing the compensation earned by our Chief Executive Officer and each of our other four most highly compensated executive officers whose salary and bonus was in excess of $100,000 for the fiscal year ended December 31, 2003 (the Named Executive Officers), for services rendered to us and our subsidiaries in all capacities for each of the last three fiscal years.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)(1)**	**Other Annual Compensation($)**	**Securities Underlying Option (#)**
Mark K. Ruport	2003	$240,000	$ 65,891	$16,104(4)	
Chairman, Chief Executive Officer	2002	240,000	42,020	14,704(4)	70,000
and President	2001	240,000	84,000	12,925(4)	140,000
Steven M. Johnson	2003	$160,000	$ 63,927(2)	$14,890(4)	
Chief Financial Officer, Executive	2002	160,000	28,013	13,206(4)	45,000
Vice President, Secretary and Chief	2001	160,000	104,924(3)	11,976(4)	90,000
Accounting Officer					
Randall S. Weakly	2003	$150,000	$ 23,490	$15,107(4)	25,000
Vice President Research and	2002	150,000	15,000	13,752(4)	
Development	2001	143,288	28,125	11,889(4)	42,500
Christopher J. Ryan	2003	$150,000	$ 41,182	$11,324(4)	
Vice President Marketing(5)	2002	150,000	26,262	12,340(4)	25,000
	2001	66,538	14,375	2,858(4)	120,000
James A. Franklin	2003	$135,000	$ 90,217	$ 3,235(4)	25,000
Vice President North America	2002	130,000	99,074	2,996(4)	10,000
Direct Sales	2001	130,000	51,258	2,261(4)	35,000

(1) Bonuses earned in 2001, 2002 and 2003 were paid in 2002, 2003 and 2004, respectively.

(2) Mr. Johnson s bonus for 2003 includes a commission of $20,000 earned in his role overseeing the company s indirect sales organization.

(3) Mr. Johnson s bonus for 2001 includes a commission of $67,964 earned in his role overseeing the company s indirect sales organization. Mr. Johnson has occupied this role since February 6, 2001.

(4) Represents matching contributions received under our 401(k) plan and insurance costs paid by the company.

(5) Mr. Ryan joined us as Vice President of Marketing on July 23, 2001.

Option Grants in Last Fiscal Year

The following table contains information concerning the stock option grants made to each of the Named Executive Officers for the fiscal year ended December 31, 2003. No stock appreciation rights were granted to these individuals during 2003.

Name	Individual Grants(3)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)($)	
	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share(2)	Expiration Date	5%	10%
Mark K. Ruport						
Steven M. Johnson						
Randall S. Weakly	25,000	5.8%	$2.37	9/5/13	$37,262	$94,429
Christopher J. Ryan						
James A. Franklin	25,000	5.8%	$1.00	1/23/13	$15,722	$39,844

(1) There can be no assurance provided to any executive officer or any other holder of our securities that the actual stock price appreciation over the ten-year option term will be at the assumed 5% and 10% levels or at any other defined level. Unless the market price of the common stock appreciates over the option term, no value will be realized from the option grants made to the executive officers.

(2) The exercise price may be paid in cash, in shares of the common stock valued at fair market value on the exercise date or through a cashless exercise procedure involving a same day sale of the purchased shares. The Plan Administrator may also assist an optionee in the exercise of an option by (i) authorizing a loan from us in a principal amount not to exceed the aggregate exercise price plus any tax liability incurred in connection with the exercise or (ii) permitting the optionee to pay the option price in installments over a period of years upon terms established by the Compensation Committee. The Plan Administrator has the discretionary authority to reprice outstanding options under the Plan through the cancellation of those options and the grant of replacement options with an exercise price based on the lower fair market value of the option shares on the re-grant date. No options were repriced in 2003.

(3) The options were granted pursuant to the 1994 Stock Option Plan for Mr. Franklin and the 2003 Equity Incentive Plan for Mr. Weakly. Each option has a maximum term of ten years measured from the grant date, subject to earlier termination upon optionee s cessation of service with us. The options vest equally over a four year annual period. The option shares will fully vest in the event we are acquired by merger or asset sale, unless the option is assumed by the acquiring company. In addition, if the option is assumed by the acquiring company, the option shares will vest in full upon the termination of the optionee s service, whether involuntarily or through a resignation for good reason, within eighteen months following the acquisition.

Aggregated Option Exercises in 2003 and Fiscal Year-End Option Values

The table below sets forth certain information with respect to the Named Executive Officers concerning the unexercised options they held as of the end of the fiscal year ended December 31, 2003.

Name	Shares Acquired on Exercise (#)	Value Realized ($)(2)	Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised in-the-Money Options at FY-End($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Mark K. Ruport			499,171	47,600	$1,186,124	$183,260
Steven M. Johnson			240,036	30,600	$ 468,096	$117,810
Randall S. Weakly	7,000	$ 22,680	48,000	40,000	$ 96,630	$ 58,843
Christopher J. Ryan	37,500	$113,625	38,000	69,500	$ 135,800	$249,200
James A. Franklin	17,500	$ 41,194	33,500	37,500	$ 59,885	$114,625

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(1) Based on the fair market value of the option shares at fiscal year-end ($4.55 per share on the basis of the closing selling price on the Nasdaq Small Cap Market at fiscal year-end) less the exercise price.

(2) The value realized for the exercise of shares is based upon the average of the high and low fair market values on the date of exercise less the exercise price. This does not necessarily reflect actual stock sales by the named individuals or the cash proceeds realized therefrom.

Employment Contracts, Termination of Employment Arrangements and Change of Control Agreements

Mark K. Ruport, our Chairman of the Board and our Chief Executive Officer, entered into an employment agreement with us on October 15, 2003, that provides for his employment as our President and Chief Executive Officer at the discretion of the Board of Directors. Mr. Ruport s base salary is $240,000, subject to annual review by the Compensation Committee, and he is eligible to receive performance bonuses which may be awarded by the Compensation Committee. Mr. Ruport is eligible to receive severance equal to one year s base salary in the event he is terminated by us without cause in the absence of a change of control, and if he is involuntarily terminated without cause within an eighteen month period following a change of our control, he would be entitled to receive severance payments equal to the greater of (i) $672,000 or (ii) thirty three months of his then current base salary, 70% of which would be payable on the date his employment terminated with the balance payable on the twelve month anniversary of his termination date. In addition, Mr. Ruport would be entitled to continuing health benefits paid by us during the twelve month period following the termination date and he would be treated as in service to us during such period so any and all stock options held by him would continue to vest and would not have to be exercised. Mr. Ruport would be subject to a noncompetition and nonsolicitation agreement for a twelve month period following the termination of his employment under circumstances where he would be entitled to receive the compensation payable upon his involuntary termination following a change of control. A change in control under Mr. Ruport s employment agreement includes the consummation of a merger or consolidation with another company, and would include the proposed merger between Stellent and us.

Steven M. Johnson, our Executive Vice President, Chief Financial Officer, Secretary and Chief Accounting Officer, entered into an employment agreement with us on October 15, 2003, that provides for his employment as our Chief Financial Officer, at the discretion of the Board of Directors. Mr. Johnson s base salary is $160,000, and he is eligible to receive performance bonuses which may be awarded by the Compensation Committee. Mr. Johnson is also eligible to receive commissions in his role overseeing our indirect sales efforts. Mr. Johnson is eligible to receive severance equal to twelve months salary in the event he is terminated by us without cause in the absence of a change of control, and if he is involuntarily terminated without cause within an eighteen month period following a change of our control, he would be entitled to receive severance payments equal to the greater of (i) $448,000 or (ii) thirty three months of his then current base salary, 70% of which would be payable on the date his employment terminated with the balance payable on the twelve month anniversary of his termination date. In addition, Mr. Johnson would be entitled to continuing health benefits paid by us during the twelve month period following the termination date and he would be treated as in service to us during such period so any and all stock options held by him would continue to vest and would not have to be exercised. Mr. Johnson would be subject to a noncompetition and nonsolicitation agreement for a twelve month period following the termination of his employment under circumstances where he would be entitled to receive the compensation payable upon his involuntary termination following a change in control. A change in control under Mr. Johnson s employment agreement includes the consummation of a merger or consolidation with another company, and would include the proposed merger between Stellent and us.

We also have severance agreements with each of Christopher J. Ryan, our Vice President Marketing, James A. Franklin, our Vice President North America Direct Sales, Randall S. Weakly, our Vice President Research and Development, Patrick M. Donovan, our Director of Finance and Administration, Derrick S. Crow, our Vice President, Solution Services, and Greg D. Cooke, our Vice

President Channel Sales, that each of such individuals will receive six months severance in the event that they are involuntarily terminated by us without cause.

In connection with an acquisition of us by merger or asset sale, each outstanding option held by the Chief Executive Officer and the other executive officers under our stock plans will automatically accelerate in full and all unvested shares of common stock issued to such individuals pursuant to the exercise of options granted or direct stock issuances made under such plan will immediately vest in full, except to the extent such options are to be assumed by, and our repurchase rights with respect to those shares are to be assigned to, the successor corporation. Any options that are assumed in an acquisition will automatically accelerate, and any repurchase rights which are assigned will terminate, in the event the executive s service is terminated, whether involuntarily or through a resignation for good reason, within eighteen months following the acquisition. In addition, the Compensation Committee as Plan Administrator of the stock plans has the authority to provide for the accelerated vesting of the shares of common stock subject to outstanding options held by the Chief Executive Officer or any other executive officer or the shares of common stock purchased pursuant to the exercise of options or subject to direct issuances held by such individual, in connection with the termination of the officer s employment following certain hostile changes in control of the company. It is currently contemplated that Stellent would assume all of our outstanding options in connection with the proposed merger.

Director Compensation

Our directors receive compensation for services rendered as a director. Mr. Rothe and Winder each receive a fee of $10,000 for each year of service as a director. All directors receive certain grants of stock options and reimbursement of expenses. We do not pay compensation for committee participation or special assignments of the Board of Directors.

Under the Automatic Option Grant Program of our stock plans, each individual who first joins the Board as a non-employee Board member after July 25, 1996 will receive an option grant for 10,000 shares of common stock at the time of his or her commencement of Board service, provided such individual has not otherwise been in the prior employ of the company. In addition, at each annual stockholder s meeting, beginning with the 1997 annual meeting, each individual who is to continue to serve as a non-employee Board member will receive an option grant to purchase 2,500 shares of our common stock, whether or not such individual has been in the prior employ of the company.

Each automatic grant will have an exercise price equal to the fair market value per share of our common stock on the grant date and will have a maximum term of ten years, subject to earlier termination following the optionee s cessation of Board service. Each automatic option will be immediately exercisable; however, any shares purchased upon exercise of the option will be subject to repurchase, at the option exercise price paid per share, should the optionee s service as a non-employee Board member cease prior to vesting in the shares. The grant will vest in four equal and successive annual installments over the optionee s period of Board service measured from the grant date. Each additional 2,500-share grant will vest upon the optionee s completion of one year of Board service measured from the grant date. However, each outstanding option will immediately vest upon (i) an acquisition of us by merger, asset sale or a hostile takeover of us or (ii) the death or disability of the optionee while serving as a Board member.

At our 2003 Annual Meeting of Stockholders, Mr. Rothe, Menkes and Winder each received an option grant to purchase 2,500 shares of common stock at an exercise price of $1.23 per share, the fair market value per share of our common stock on that date. In addition to the options granted at our 2003 Annual Meeting of Stockholders, Mr. Rothe and Menkes each received discretionary option grants during 2003. Mr Rothe received a discretionary option grant to purchase 30,000 shares of common stock at an exercise price of $1.00 per share, the fair market value per share of our common stock on that date. Mr. Menkes received a discretionary option grant to purchase 40,000 shares of common stock at an exercise price of $1.92 per share, the fair market value per share of our common stock on that date. Both discretionary option grants have a maximum term of ten years and vest in four equal and successive annual installments over the optionee s period of Board service measured from the grant date.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board is currently comprised of Messrs. Rothe and Menkes. None of the present or former members of the Compensation Committee were at any time during the fiscal year ended December 31, 2003 or at any other time one of our officers or employees.

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The following table sets forth certain information known to us with respect to the beneficial ownership of our stock as of January 30, 2004 by (i) all persons known to us who beneficially own five percent (5%) or more of our stock, (ii) each director and nominee for director, (iii) the executive officers named in the Summary Compensation Table in Item 11., and (iv) all current directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares Beneficially Owned(1)(2)	Percentage of Shares Beneficially Owned(1)(2)
Mark K. Ruport(3)	560,636	5.7%
7450 Campus Drive, Suite 200		
Colorado Springs, CO 80920		
Steven M. Johnson(4)	272,285	2.8%
Randall S. Weakly(5)	52,500	*
Christopher J. Ryan(6)	51,916	*
James A. Franklin(7)	42,250	*
Edwin C. Winder(8)	101,000	1.1%
James T. Rothe Ph.D.(9)	77,000	*
Alan B. Menkes(10)	17,500	*
Thomas Weisel Capital Partners, L.P.(11)	1,042,887	10.0%
One Montgomery Street, Suite 3700		
San Francisco, CA 94104		
Stellent, Inc.(12)	2,316,324	20.2%
7777 Golden Triangle Drive		
Eden Prairie, MN 55344		
Baldwin Brothers, Inc.(13)	500,758	5.4%
3 Barnabas Road		
Marian, MA 02738		
All directors and executive officers as a group (10 persons)(14)	1,253,187	12.0%

* Represents beneficial ownership of less than 1%.

(1) Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

(2) Based on shares of common stock outstanding as of January 30, 2004. Beneficial ownership is determined in accordance with the rules and regulations of the SEC and generally includes voting or investment power with respect to securities. Shares issuable pursuant to options which are exercisable within 60 days of January 30, 2004, or upon conversion of our preferred stock, which is convertible into 1,042,887 shares of common stock within 60 days after January 30, 2004, are deemed outstanding for computing the percentage of the person holding such options or shares, but are not deemed outstanding for computing the percentage of any other person.

(3) Includes 503,136 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of January 30, 2004.

(4) Includes 242,585 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of January 30, 2004.

(5) Includes 48,000 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of January 30, 2004.

(6) Includes 46,916 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of January 30, 2004.

(7) Includes 42,250 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of January 30, 2004.

(8) Includes 20,000 shares of common stock issuable upon exercise of options granted by Optika that are currently exercisable or will become exercisable within 60 days of January 30, 2004, 10,000 of which shares are unvested and subject to a repurchase right of Optika, if exercised.

(9) Includes 70,000 shares of common stock issuable upon exercise of options granted by Optika that are currently exercisable or will become exercisable within 60 days of January 30, 2004, 25,000 of which shares are unvested and subject to a repurchase right of Optika, if exercised.

(10) Includes 17,500 shares of common stock issuable upon exercise of options granted by Optika that are currently exercisable or will become exercisable within 60 days of January 30, 2004, 2,500 of which shares are unvested and subject to a repurchase right of Optika, if exercised.

(11) Assuming conversion of all shares of Optika preferred stock owned by the Thomas Weisel Capital Partners L.P. and certain of its affiliates (referred to herein as TWCP) which in the aggregate are immediately convertible into 1,042,887 shares of common stock as reported on a Schedule 13D filed with the Securities and Exchange Commission on January 13, 2004. Voting and investment power with respect to the securities reported are shared among certain entities affiliated with TWCP. The business address for TWCP is One Montgomery Street, Suite 3700, San Francisco, California 94104.

(12) Stellent, Inc. may be deemed to have beneficial ownership of such shares as a result of a voting agreement entered into on January 11, 2004 between Stellent and certain of our officers, directors and stockholders in connection with the proposed merger.

(13) As reported on a Schedule 13F filed with the Securities and Exchange Commission on November 7, 2003.

(14) Includes 1,068,387 shares of common stock issuable upon exercise of options granted by Optika that are currently exercisable or will become exercisable within 60 days of January 30, 2004, 37,500 of which shares are unvested and subject to a repurchase right of Optika, if exercised.

Equity Compensation Plan Information

The following table provides information about shares of our common stock that we may issue upon the exercise of options, warrants and rights under all of our existing compensation plans as of December 31, 2003.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by the security holders(1)	2,599,407	$2.64	1,733,000
Equity compensation plans not approved by the security holders(2)	327,015	$3.90	77,298
Total	2,926,422	$2.78	1,810,298

(1) Represents shares authorized for issuance under the 2003 Equity Incentive Plan and the 1994 Stock Option/ Stock Issuance Plan. No further issuances are to be made from the 1994 Stock Option/ Stock Issuance Plan.

(2) Represents shares authorized for issuance under the 2000 Non-Officer Stock Incentive Plan.

Item 13. ***Certain Relationships and Related Transactions***

Our Second Amended and Restated Certificate of Incorporation and Bylaws provide for indemnification of our directors, our officers and certain agents. Each of our current directors and executive officers have entered into separate indemnification agreements with us.

Item 14. ***Principal Accountant Fees and Services***

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of Optika Inc. s consolidated annual financial statements for the years ended December 31, 2003 and 2002, and fees billed for other services rendered by KPMG LLP.

	2003	2002
Audit Fees(1)	$76,000	$74,037
Audit-Related Fees(2)	28,000	750
Tax Fees(3)	22,000	23,125

(1) Audit fees consist of fees for professional services rendered for the audit of Optika Inc. s consolidated financial statements and review of financial statements included in Optika Inc. s quarterly reports and services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees are fees principally for professional services rendered in the due diligence and technical accounting consulting and research for the acquisition of Select Technologies, Inc. in May 2003 and the proposed merger with Sellent, Inc.

(3) Tax services fees consist of compliance fees for the preparation of original and amended tax returns, claims for refunds and tax payment-planning services for tax compliance, tax planning and tax advice. Tax service fees also include fees relating to other tax advices, tax consulting and planning other than for tax compliance and preparation.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

		Page
1.	Financial Statements:	
	Report of Independent Auditors	43
	Consolidated Balance Sheets as of December 31, 2003 and 2002	44
	Consolidated Statements of Operations for each of the three years in the period ended December 31, 2003	45
	Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2003	46
	Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2003	47
	Notes to Consolidated Financial Statements	48
	Schedules have been omitted because they are not required, not applicable, or the required information is shown in the financial statements and related notes thereto.	
2.	Exhibits See Exhibit Index on page 46	

(b) *Reports on Form 8-K*

We furnished the following Current Report on Form 8-K during the quarter ended December 31, 2003. The information furnished under Item 12. Results of Operations and Financial Condition is not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934:

Current Report on Form 8-K dated October 15, 2003, furnished to the Securities and Exchange Commission on October 15, 2003, under Item 12. Results of Operations and Financial Condition.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders

Optika Inc.:

We have audited the accompanying consolidated balance sheets of Optika Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Optika Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Denver, Colorado
January 19, 2004

INDEPENDENT AUDITORS CONSENT

The Board of Directors and Stockholders

Optika Inc.:

We consent to the use of our report dated January 19, 2004, which appears in the 2003 annual report on Form 10-K of Optika Inc., with respect to the consolidated balance sheets of Optika Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2003, incorporated herein by reference and to the reference to our firm under the heading Experts in the prospectus.

KPMG LLP

Denver, Colorado
April 19, 2004

OPTIKA INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,929	$ 2,458
Restricted cash and cash equivalents	100	
Short-term investments	5,153	5,950
Accounts receivable, net of allowance for doubtful accounts of $143 and $107 at December 31, 2003 and 2002, respectively	4,696	3,796
Other current assets	523	557
Total current assets	14,401	12,761
Property and equipment, net	683	895
Intangible assets, net	584	
Goodwill	1,166	
Other assets	221	233
	$ 17,055	$ 13,889
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 510	$ 379
Accrued expenses	1,145	683
Accrued compensation expense	1,108	853
Deferred revenue	6,358	4,986
Total current liabilities	9,121	6,901
Commitments and contingencies (Notes 5, 7, 8 and 11)		
Stockholders equity:		
Common stock; $.001 par value; 25,000,000 shares authorized; 9,327,061 and 8,326,486 shares issued and outstanding at December 31, 2003 and 2002, respectively	9	8
Series A-1 preferred stock; $.001 par value; 731,851 shares authorized, issued and outstanding at December 31, 2003 and 2002	5,199	5,199
Additional paid-in capital	30,491	29,162
Accumulated deficit	(27,765)	(27,381)
Total stockholders equity	7,934	6,988
	$ 17,055	$ 13,889

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

OPTIKA INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2003	**2002**	**2001**
	(In thousands, except per share amounts)		
Revenues:			
Licenses	$ 6,833	$ 5,655	$ 6,306
Maintenance and other	13,084	12,218	10,354
Total revenues	19,917	17,873	16,660
Cost of revenues:			
Licenses	790	575	873
Maintenance and other	3,627	3,674	3,669
Total cost of revenues	4,417	4,249	4,542
Gross profit	15,500	13,624	12,118
Operating expenses:			
Sales and marketing	9,272	7,533	8,198
Research and development	4,725	5,128	5,591
General and administrative	1,977	1,612	1,792
Restructuring and other charges			1,071
Total operating expenses	15,974	14,273	16,652
Loss from operations	(474)	(649)	(4,534)
Other income	90	128	368
Loss before income taxes	(384)	(521)	(4,166)
Income tax expense (benefit)		(3)	8
Net loss	(384)	(518)	(4,174)
Preferred stock dividend			(447)
Accretion of preferred stock and beneficial conversion feature			(250)
Increase to income applicable to common stockholders from the conversion of preferred stock			6,196
Net income (loss) applicable to common stockholders	$ (384)	$ (518)	$ 1,325
Basic net income (loss) per common share	$ (0.04)	$ (0.06)	$ 0.16
Basic weighted average number of common shares outstanding	8,741	8,292	8,184
Diluted net loss per common share	$ (0.04)	$ (0.06)	$ (0.46)
Diluted weighted average number of common shares outstanding	8,741	8,292	8,984

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

OPTIKA INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND

COMPREHENSIVE INCOME (LOSS)

	Common Stock		Series A-1 Preferred Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Equity
	(In thousands, except share amounts)							
Balances at December 31, 2000	8,107,149	8			23,425	(22,689)	25	769
Common stock issued pursuant to employee stock purchase plan	107,564				127			127
Accretion of preferred stock					(250)			(250)
Preferred stock dividends					(447)			(447)
Conversion of Series A to Series A-1 preferred stock, net of exchange costs			731,851	5,199	6,196			11,395
Comprehensive loss:								
Unrealized loss on investments							(25)	
Net loss						(4,174)		
Total comprehensive loss								(4,199)
Balances at December 31, 2001	8,214,713	8	731,851	5,199	29,051	(26,863)		7,395
Common stock issued upon exercise of stock options	36,625				46			46
Common stock issued pursuant to employee stock purchase plan	75,148				65			65
Comprehensive loss:								
Net loss						(518)		(518)
Balances at December 31, 2002	8,326,486	8	731,851	5,199	29,162	(27,381)		6,988
Common stock issued upon exercise of stock options	428,312				575			575
	72,263				65			65

Common stock issued pursuant to employee stock purchase plan								
Common stock issued in acquisition of Select Technologies, Inc.	500,000	1			689			690
Comprehensive loss:								
Net loss						(384)		(384)
Balances at December 31, 2003	9,327,061	$ 9	731,851	$5,199	$30,491	$(27,765)	$	$ 7,934

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

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OPTIKA INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2003	**2002**	**2001**
		(In thousands)	
Cash Flows from Operating Activities:			
Net loss	$ (384)	$ (518)	$(4,174)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	462	667	987
(Gain) loss on disposal of property and equipment	2	(2)	294
Changes in assets and liabilities, net of acquisition:			
Accounts receivable, net	(623)	239	(1,122)
Other assets	61	16	476
Accounts payable	(6)	(107)	(566)
Accrued expenses and accrued compensation expense	704	(695)	119
Deferred revenue	1,073	1,197	47
Net cash provided (used) by operating activities	1,289	797	(3,939)
Cash Flows from Investing Activities:			
Capital expenditures	(176)	(205)	(30)
Proceeds from sale of equipment		9	10
Cash paid in acquisition, including transaction costs, net of cash acquired	(759)		
Sale and maturities of short-term investments	800		9,637
Purchase of short-term investments			(6,100)
Net cash provided (used) by investing activities	(135)	(196)	3,517
Cash Flows from Financing Activities:			
Expenditures for preferred stock exchange			(151)
Payment of debt assumed in acquisition	(323)		
Proceeds from issuance of common stock	640	111	127
Net cash provided (used) by financing activities	317	111	(24)
Net increase (decrease) in cash and cash equivalents	1,471	712	(446)
Cash and cash equivalents at beginning of year	2,458	1,746	2,192
Cash and cash equivalents at end of year	$3,929	$2,458	$ 1,746
Supplemental Disclosure of Cash Flow Information:			
Income taxes paid	$	$	$ 8
Common stock issued in acquisition	$ 690	$	$

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

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Summary of Significant Accounting Policies

Optika Inc., a Delaware corporation, and its subsidiaries (Optika or the Company) were formed in 1988 and are a provider of enterprise content management technology, including document imaging, workflow, collaboration and records management software which allows companies to streamline their business processes, eliminate paper, increase operational efficiencies and effectively leverage their enterprise resource planning and line-of-business systems. Acorde, the name of the primary licensed product suite sold by Optika, provides the ability to access and store multiple formats of business content, both digital and non-digital; automate processes across the organization and externally with partners and customers; and enable online collaboration around these paper-intensive or complex processes in real and near time.

Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Optika Inc. and its wholly owned subsidiaries Optika Technologies, Inc., Optika Imaging Systems Europe, Ltd., Optika Information Systems, LTDA, Optika Imaging Systems, GmbH and Optika Asia, Inc. All significant intercompany accounts and transactions have been eliminated. Certain amounts in the prior years consolidated financial statements have been reclassified to conform to the current year presentation.

Revenue Recognition

The Company earns revenue primarily from software licenses and related services. Revenue is recognized in accordance with Statement of Position 97-2 (SOP 97-2), as amended by Statement of Position 98-9. For sales made either through Advantage Partners (APs) or by the Company license revenue is recognized upon shipment when a non-cancelable license agreement has been signed or a purchase order has been received, delivery has occurred, the fee is fixed or determinable and collectibility is probable. The license fees are not assumed to be fixed or determinable if the fees are due more than 12 months after delivery or are based on achievement of a milestone. In the event of payment terms that extend beyond 12 months after delivery or terms that are based on achievement of milestones, the license revenue is deferred and recognized when the license fees are due and payable. Where applicable, fees from multiple element arrangements are unbundled and recorded as revenues as the elements are delivered to the extent that vendor specific objective evidence, or VSOE, of fair value exists for the various elements. The Company establishes VSOE of fair value on maintenance and professional services elements based on prices charged when the same elements are sold in separate transactions. The Company has not established VSOE on license elements. Revenue on undelivered and delivered elements is recorded using the residual method in accordance with SOP 97-2, as amended.

Software maintenance revenues are deferred and recognized ratably over the maintenance period, which is generally one year. The unrecognized portion of software maintenance revenues is recorded in the accompanying balance sheets as deferred revenue. Other revenues are recognized as services are performed.

As of December 31, 2003, the unrecognized portion of deferred maintenance revenues accounted for 95% of the total deferred revenue balance. The remainder was unrecognized service or software elements that have been billed or collected but not recognized.

The Company does not grant rights to return products, except for defects in the performance of the products relative to specifications and pursuant to standard industry shrink-wrapped license agreements which provide for a 30-day right of return if an end-user does not accept the terms of the shrink-wrapped license agreements. The 30-day right of return begins upon product shipment. The Company s software license agreements generally do not provide price adjustments or rotation rights. The Company includes a

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

90-day limited warranty with the software license, which entitles the end-user to corrections for documented program errors.

Cash Equivalents and Short-term Investments

The Company classifies highly liquid short-term investments with original maturities of three months or less as cash equivalents. As of December 31, 2003 and 2002, short-term investments consisted of municipal bonds with maturities periods within one-year. Such short-term investments are classified as available-for-sale as defined by Statement of Financial Accounting Standards (SFAS) No. 115 *Accounting for Certain Investments in Debt and Equity Securities* and, accordingly, are recorded at fair value. Increases and decreases in the fair value of investments classified as available-for-sale are recorded in comprehensive income (loss), net of the related income tax effect. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. There were no unrealized gains or losses on short-term investments as of December 31, 2003 and 2002.

Restricted Cash

In connection with the acquisition of Select Technologies, Inc. discussed in Note 3, the Company placed $100,000 of the cash consideration into an escrow account held by a third party. The escrow account balance will be released to the principal shareholders of Select Technologies, Inc. one year after the purchase date if no material contingencies arise during that designated amount of time.

Depreciation and Amortization

Computer equipment, office equipment and furniture are recorded at cost and depreciated using the straight-line method over estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease terms.

Software Development Costs

Research and development costs are expensed as incurred. SFAS No. 86 *Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed* requires the capitalization of certain software development costs once technological feasibility is established. To date, the period between achieving technological feasibility and the general availability of such software has been short. Consequently, software development costs qualifying for capitalization have been insignificant and therefore, the Company has not capitalized internal software development costs.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes* . Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recognized to the extent deferred tax assets are not more likely than not to be realizable in the reasonably foreseeable future.

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Currency Translation

The U.S. dollar is the functional currency of the consolidated corporation. For the Company s foreign subsidiaries, monetary assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date and non-monetary assets are translated at historical rates. Results of operations are translated using the average exchange rates during the period. Foreign currency translation and transaction gains or losses were not significant in any period presented.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as well as the reported amounts of revenues and expenses. Significant estimates have been made by management in several areas, including the collectibility of accounts receivable and the ability to realize deferred income tax benefits. Actual results could differ from these estimates, making it reasonably possible that a change in these estimates could occur in the near term.

Fair Value of Financial Instruments

The carrying amounts of the Company s financial instruments including cash and trade receivables and payables, approximate their fair values.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Stock Compensation Plans

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25* issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation,* establishes accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans, as amended by SFAS No. 148, *Accounting for Stock Based Compensation Transition and Disclosure an Amendment to SFAS No. 123.* As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123. Had compensation cost for the Company s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

method of SFAS No. 123, the Company s pro-forma results of operations and pro-forma net income (loss) per share would have been as follows:

	Year Ended December 31,		
	2003	2002	2001
	(In thousands, except per share amounts)		
Net income (loss) applicable to common stockholders:			
As reported	$ (384)	$ (518)	$ 1,325
SFAS No. 123 Pro-forma	(1,515)	(2,011)	(400)
Basic net income (loss) per share:			
As reported	$ (0.04)	$ (0.06)	$ 0.16
SFAS No. 123 Pro-forma	(0.17)	(0.24)	(0.05)
Diluted net loss per share:			
As reported	$ (0.04)	$ (0.06)	$ (0.46)
SFAS No. 123 Pro-forma	(0.17)	(0.24)	(0.66)

Net Income (Loss) Per Common Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income (loss) applicable to common stockholders adjusted for dilutive effect of securities by the weighted average number of common shares outstanding and the dilutive effect of potential common shares outstanding. Diluted EPS excludes 2,927,000, 3,062,000 and 2,513,000 options and warrants to purchase common stock in 2003, 2002 and 2001, respectively, and 731,851 shares of redeemable convertible preferred stock in 2003 and 2002 because of their antidilutive effect.

The following is the reconciliation of the numerators and denominators of the basic and diluted EPS computations (in thousands, except per share amounts):

	Year Ended December 31,		
	2003	2002	2001
Basic earnings (loss) per share:			
Net income (loss) applicable to common stockholders	$ (384)	$ (518)	$ 1,325
Weighted average common shares outstanding	8,741	8,292	8,184
Net income (loss) per common share	$ (0.04)	$ (0.06)	$ 0.16
Diluted loss per share:			
Net income (loss) applicable to common stockholders	$ (384)	$ (518)	$ 1,325
Preferred stock dividend, accretion and effect of exchange			(5,499)
	$ (384)	$ (518)	$ (4,174)
Weighted average common shares outstanding	8,741	8,292	8,184
Assumed conversion of preferred stock			800
	8,741	8,292	8,984
Diluted net loss per common share	$ (0.04)	$ (0.06)	$ (0.46)

Concentration

The Company has historically relied on a limited number of products to generate revenues and has concentrated risk related to the continued and future market acceptance of such products. The Company

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OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

currently has no major customers accounting for more than 10% of its consolidated revenues for the three years presented. The Company did not have any customer accounts receivable balance greater than 10% of its accounts receivable balance at December 31, 2003; however, one customer receivable balance accounted for 20% of the December 31, 2002 accounts receivable balance. Receivables from end users are not concentrated in any particular industry.

2. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31,	
	2003	**2002**
Computer and office equipment	$ 3,509	$ 4,052
Leasehold improvements	1,083	1,059
Furniture, fixtures and other	688	646
	5,280	5,757
Less accumulated depreciation and amortization	(4,597)	(4,862)
	$ 683	$ 895

3. Acquisition

In May 2003, the Company acquired Select Technologies, Inc., a developer of records management solutions headquartered in Boise, Idaho. This acquisition strengthens the Company s ability to provide solutions that allow customers to be in compliance with the record retention, control and disposition requirements imposed by recent regulatory initiatives, which contributed to the purchase price that resulted in the recognition of goodwill and other intangible assets. The Company determined the purchase price based on Select Technologies, Inc. s historical operating performance and on comparable transactions in the marketplace at the time of the acquisition. Management allocated the purchase price based on the estimated fair values of the tangible and intangible net assets acquired. Operations of the acquired Select Technologies, Inc. business, as well as assets and liabilities of the acquired business, are included in the consolidated financial statements from the date of acquisition. The impact on operations was insignificant from the acquisition date to December 31, 2003. Under the terms of the acquisition agreement, the Company paid approximately $1.415 million for the privately held company, consisting of 500,000 shares of common stock valued at $1.38 per share, which was the average closing price from the three days prior to the closing date, and $725,000 cash. Additionally, the sellers have the ability to earn up to an additional $600,000 over the next three years based on attainment of certain revenue targets from the Acorde Records Manager product. In accordance with SFAS No. 141, *Business Combinations,* the acquisition was accounted for using the purchase method of accounting. Based on the purchase price of approximately $1.415 million, plus direct acquisition costs of approximately $95,000 and the assumption of approximately $299,000 in net liabilities, the purchase price was allocated as follows (in thousands):

Goodwill	$1,166
Customer relationships	283
Intellectual property	300
Non-compete agreements	60
Net liabilities assumed	(299)
	$1,510

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OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amount assigned to intellectual property and non-compete agreements is being amortized on a straight-line basis over five years. The amount assigned to customer relationships is being amortized on a straight-line basis over ten years. Goodwill will be evaluated annually for impairment in accordance with SFAS No. 142, *Goodwill and Intangible Assets.* Amortization expense for intangible assets was $58,000 for the year ended December 31, 2003. Estimated amortization expense for the next five succeeding fiscal years is as follows (in thousands):

	Estimated Amortization Expense
2004	$100
2005	100
2006	100
2007	100
2008	58

The unaudited pro forma results of operations as though the Select Technologies, Inc. acquisition had been completed as of January 1, 2002 are as follows (in thousands except per share amounts):

	Year Ended December 31,	
	2003	2002
Revenue	$20,082	$18,756
Net loss	(622)	(522)
Net loss per share	(0.07)	(0.06)

The pro forma results above do not include any anticipated cost savings or other effects of the integration of Select Technologies, Inc. into the Company and are not necessarily indicative of the results which would have occurred if the acquisition had been in effect on the date indicated, or which may result in the future.

4. Line of Credit

The Company has a line of credit with Silicon Valley Bank expiring in November 2004, whereby it is able to draw up to $3.0 million bearing interest at the bank s prime rate. At December 31, 2003, $2.5 million was available for borrowing thereunder and the Company was in compliance with all covenants under the credit facility. Pursuant to the terms of the credit facility, any loans under the facility are secured by all of the Company s assets, with the exception of intellectual property and would be subject to certain covenants, including prohibition of the payment of dividends on common stock. The Company has no debt outstanding at December 31, 2003.

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Lease Obligations

The Company has non-cancelable operating lease arrangements for office space and certain office equipment. Future minimum annual operating lease payments for the years ending December 31 are as follows (in thousands):

Year Ending December 31:	Operating Lease Obligations
2004	$ 786
2005	711
2006	668
2007	165
	$2,330

Rent expense related to these and other operating leases approximated $1,110,000, $1,107,000 and $1,400,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

6. Income Taxes

The Company s income tax expense (benefit) is comprised of the following (in thousands):

	Year Ended December 31,		
	2003	2002	2001
Current:			
Federal	$	$	$
State			3
Foreign		(3)	5
Deferred:			
Federal			
State			
Total expense (benefit) from income taxes	$	$(3)	$ 8

The Company s net deferred tax assets are comprised of the tax effects of the following (in thousands):

	December 31, 2003	December 31, 2002

Deferred Tax Assets		
Net operating loss carryforwards	$ 13,481	$ 13,108
Depreciation and amortization	89	127
Tax credit carryforwards	1,730	1,720
Accrued expenses and allowance for doubtful accounts	474	393
Deferred tax asset before valuation allowance	15,774	15,348
Valuation allowance	(15,774)	(15,348)
Net deferred tax asset	$	$

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The benefit from income taxes differs from the amount computed by applying the effective U.S. statutory rates to the loss before income taxes as follows (in thousands):

	Year Ended December 31,		
	2003	**2002**	**2001**
U.S. federal income tax benefit at statutory rate	$(134)	$(182)	$(1,458)
Increases (decreases) resulting from:			
State taxes, net of federal benefit	(15)	(21)	(349)
Stock option exercises	(280)		
Non-deductible items	24		21
Increase in valuation allowance	426	380	1,855
Foreign tax rate differentials		15	15
Tax credits	(55)	(150)	(200)
Other, net	34	(45)	124
Expense (benefit) from income taxes	$	$ (3)	$ 8

At December 31, 2003, the Company has net operating loss carryforwards of approximately $34,549,000 that expire beginning in 2009 through 2023. The net operating loss carryforward includes $3,353,000 in deductions relating to stock option exercises which will be credited to additional paid-in capital when the carryforwards are realized, if ever. Additionally, the Company has various tax credit carryforwards aggregating approximately $1,730,000 that expire beginning in 2005 through 2023.

The Company has recorded a full valuation allowance against its carryforward tax benefits to the extent that it believes that it is more likely than not all of such benefits will not be realized in the near term. The Company s assessment of this valuation allowance was made using all available evidence, both positive and negative. In particular the Company considered both its historical results and its projections of profitability for only reasonably foreseeable future periods. The Company s recent net losses provide objective evidence that is difficult to overcome in the assessment of recoverability of deferred taxes. While management expects net income in the imminent future, until the Company has generated net income for a meaningful number of consecutive quarters, management expects the deferred tax assets to be fully reserved. The Company s realization of its recorded net deferred tax assets is dependent on future taxable income and therefore, the Company is not assured that such benefits will be realized.

7. Capital Stock and Benefit Plans

Stock Compensation Plans

At December 31, 2003, the Company has two stock-based compensation plans, a fixed stock option plan and an employee stock purchase plan. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. The Company grants stock options with exercise prices equal to the fair value of its common stock on the date of grant. Accordingly, no compensation cost has been recognized for its fixed stock option plan and its employee stock purchase plan.

Fixed Stock Option Plans

Under the Company s stock option plans, the Company may grant incentive and non-qualified stock options to its employees and directors for up to 7,114,033 shares of common stock. Under the plans, options are granted at an exercise price not less than the fair value of the stock on the date of grant. The options generally vest ratably over two to four years and expire ten years after the date of grant. Certain options are subject to accelerated vesting provisions.

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OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2003, 2002 and 2001, respectively; no estimated dividends; expected volatility of 120% for 2003, 122% for 2002 and 112% for 2001; risk-free interest rates between 2.27% and 3.37% in 2003, 2.94% and 4.74% in 2002, 3.91% and 4.93% in 2001; and expected option terms of 5 years for all years.

A summary of the status of the Company s stock option plan, excluding the warrants issued in connection with the Redeemable Convertible Preferred Stock discussed in note 8, as of December 31, 2003, 2002, and 2001 and changes during the years then ended are presented in the following table. No warrants were outstanding at December 31, 2003.

	2003		2002		2001	
	Shares (000 s)	Weighted-Average Exercise Price	Shares (000 s)	Weighted-Average Exercise Price	Shares (000 s)	Weighted-Average Exercise Price
Outstanding at beginning of year	3,062	$2.78	2,816	$3.07	2,220	$5.16
Granted	506	1.68	446	1.07	1,579	1.25
Exercised	(428)	1.36	(37)	1.25		
Forfeited	(213)	2.99	(163)	3.58	(983)	4.87
Outstanding at end of year	2,927	$2.78	3,062	$2.78	2,816	$3.07
Options and warrants exercisable at year end	2,000	$3.28	2,023	$2.97	1,270	$3.10
Weighted average fair value of options granted during the year		$1.40		$1.11		$1.01

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000 s)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable (000 s)	Weighted Average Exercise Price
$.75 - 1.29	739	8.4	$ .98	144	$ .94
$1.31	712	7.1	1.31	712	1.31
$1.39 - 3.81	1,021	5.3	2.72	724	2.97
$4.00 - 36.00	455	6.0	8.13	420	7.95
	2,927	6.6	$2.78	2,000	$3.28

In connection with the Redeemable Convertible Preferred Stock discussed in note 8, the Company issued options to purchase 25,000 shares of common stock for offering costs to a non-employee. The fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions; no estimated dividends; expected volatility of 97%; risk-free interest rate of 5.25%; and an option life of 3 years. The fair value of $376,000 related to this grant was included in the stock offering costs.

Employee Stock Purchase Plan

The Company s 2000 Employee Stock Purchase Plan (the Purchase Plan) was adopted by the Board of Directors in March 2000 and approved by the Company s stockholders in May 2000 and amended to add an additional 300,000 shares in May 2003. Under the 2000 Purchase Plan, the Company is authorized to issue up to 600,000 shares of common stock to eligible employees effective August 1,

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2000. Under the terms of the Purchase Plans, employees may elect to have up to 10% of their total cash earnings withheld by payroll deduction to purchase the Company s common stock. The purchase price of the stock is 85% of the lower of the market price on the participant s entry date into the Purchase Plan or the semi-annual purchase date.

The Company sold 72,263, 75,148 and 107,564 shares to employees in 2003, 2002 and 2001, respectively, under the Company s 2000 Purchase Plan. The fair value of each stock purchase plan grant is estimated on the date of grant using the Black-Scholes model with the following assumptions for 2003, 2002 and 2001, respectively; no estimated dividends for all years; expected volatility of 120%, 122% and 112%; risk free interest rates of 2.87% and 3.05% for 2003, 3.81% and 4.24% for 2002 and 4.76% and 4.86% for 2001; and an expected life of 0.5 years for all years. The weighted-average fair values of those purchase rights granted in 2003, 2002 and 2001 was $0.63, $0.84 and $0.58, respectively. As the Purchase Plan is a qualified plan under Internal Revenue Code Section 423, no related compensation cost is recognized in the financial statements.

401(k) Retirement Savings Plan

Effective January 1, 1994, the Company adopted a qualified 401(k) retirement savings plan for all employees. Participants may contribute up to 100% of their gross pay. The Company contributions are discretionary and vest at 20% per year over five years. The Company contributed and expensed $242,000 in 2003, $228,000 in 2002 and $204,000 in 2001.

8. Redeemable Convertible Preferred Stock

In 2000, the Company completed the sale of 731,851 shares of Series A Convertible Preferred Stock, and warrants to purchase an aggregate of 307,298 shares of our common stock to an investor group consisting principally of Thomas Weisel Capital Partners and affiliated entities for an aggregate purchase price of $15 million. The preferred stock was subject to mandatory redemption provisions on the eighth anniversary of the issuance for cash equal to the stated liquidation preference plus accumulated unpaid dividends. The preferred stock was convertible to common stock at the holder s option based upon the conversion formula as defined in the preferred stock Certificate of Designation. The $15 million in gross proceeds received was allocated as follows: approximately $5.5 million for the preferred stock, approximately $4.4 million for the beneficial conversion feature, and approximately $5.1 million for the warrants. The initial carrying amount of the preferred stock was increased by periodic accretions so that the carrying amount would have been equal to the redemption amount ($15 million) at the redemption date in 2008. The periodic increases in the carrying amount were effected by charges against additional paid in capital. As the preferred stock was convertible into common stock at any time, the beneficial conversion amount was accreted in its entirety at the date of issuance of the preferred stock. The warrants were to expire in 2008 and as of May 7, 2001 no warrants were exercised. The fair value of the warrants was separately recorded as warrants for the purchase of our common stock and as a reduction to the Series A Convertible Preferred Stock.

On May 7, 2001, the Company entered into an Exchange Agreement with Thomas Weisel Capital Partners L.P., a Delaware limited partnership, certain of its affiliates and RKB Capital, L.P. (the Purchasers) pursuant to which we have issued Series A-1 Convertible Preferred Stock, having the terms and provisions set forth in the Certificate of Designation designating the Series A-1 Convertible Preferred Stock, on a one-for-one basis, in return for the exchange, surrender and cancellation of the Series A Redeemable Convertible Preferred Stock. The Series A-1 Preferred issued in exchange for the Series A Preferred is substantially identical to the Series A Preferred. The Series A-1 Preferred contains certain changes from the Series A which include eliminating the dividend and redemption requirements and modifying the protective and liquidation provisions thereof. In connection with this transaction, we also

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

purchased the warrants associated with the Series A Preferred for an aggregate of $0.01. The Series A-1 Preferred is convertible to common stock at the holders option based upon the conversion formula as defined in the Certificate of Designation. Upon the occurrence of a change of control event, such as a sale of assets or merger in which the consideration to be received consists solely of stock, the holders of the Series A-1 Preferred Stock are entitled to receive the greater of (i) a liquidation preference of approximately $22.5 million in stock or (ii) the amount of stock they would have otherwise received upon conversion to common stock, prior to any distribution to the holders of our common stock. Upon the occurrence of any change of control event which includes a cash component, the holders of the Series A-1 Preferred Stock are entitled to convert their shares into enough common shares to enable them to receive at least $22.5 million in cash following such conversion. The holders of the Series A-1 Preferred must approve any stock or cash based change of control event in which they would not receive at least $22.5 million in the form of a liquid security, provided that in the event that the holders of the Series A-1 Preferred stock elect not to approve a change of control event, we have the option of repurchasing the Series A-1 Preferred Stock for $22.5 million and proceeding with the transaction. After February 23, 2003 the conversion formula was set at 1.5 shares of common for every share of preferred so the preferred is presently convertible into an aggregate of 1,097,777 shares of common stock. A summary of recent developments in connection with the proposed Stellent, Inc. merger with regards to the change in control preference of the Series A-1 Preferred Stock is described further in note 12.

The Series A-1 Preferred was recorded in stockholders equity at its fair value. The difference between the carrying value of the Series A Preferred at the time of the exchange and the fair value of the Series A-1 Preferred of $5.35 million was recorded as an increase in additional paid-in capital and as a one-time adjustment to net income (loss) applicable to common stockholders. As a result of the Exchange Agreement, future periods will not have adjustments to income for accumulating dividends or allocations of the discounts associated with the Series A Preferred Stock.

9. Segment Information

The Company has only one segment under the criteria of SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information.* The following table presents information by geographic area as of and for the respective fiscal periods (in thousands):

	Year Ended December 31,		
	2003	**2002**	**2001**
Total revenues attributable to:			
United States	$17,994	$16,292	$14,726
International	1,923	1,581	1,934
Total	$19,917	$17,873	$16,660

Revenue is classified based on the country in which the Company s Advantage Partner or customer is located. Revenue from International locations is attributable to our presence in the United Kingdom, Latin America and Asia. No International location was responsible for more than 6% of our total revenue for the years ended December 31, 2003, 2002 and 2001. International assets and liabilities are insignificant to the overall presentation of segment information.

10. Restructuring and Other Non-Recurring Charges

On February 6, 2001, the Company reduced its workforce by 42 employees to align expenses more closely with revenues. This reduction in force resulted in approximately $1.1 million of restructuring

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

charges in the first quarter of 2001. This restructuring charge consisted of $652,000 of severance costs, $240,000 of lease termination and $179,000 of asset write-offs. All costs were paid before the end of 2002.

11. Contingencies

The Company is, from time to time, subject to certain claims, assertions or litigation by outside parties as part of its ongoing business operations. The outcomes of any such contingencies are not expected to have a material adverse effect on the financial condition or operations of the Company. In addition, in the ordinary course of business, the Company has issued a letter of credit as security for performance on the operating lease for its headquarters and as a result, is contingently liable in the amount of approximately $220,000 at December 31, 2003 and the Company has set up a cash management reserve in the amount of $240,000 to cover the bank s potential exposure for the direct deposit of payroll and other services.

12. Recent Developments (Numbers Unaudited)

On January 12, 2004, the Company announced that the Company had entered into a definitive agreement to merge with Stellent, Inc. Under the terms of the merger agreement, each share of Optika common stock would be converted into .44 shares of Stellent common stock (subject to adjustment in certain circumstances as described below) and the holders of Optika s Series A-1 Preferred Stock would receive $10 million in cash. If, based on the average closing price of Stellent s common stock over a ten day period immediately prior to the closing of the merger, the .44 to one exchange ratio would result in Optika s common stockholders receiving in excess of $4.00 per share of Stellent common stock, the exchange ratio will be adjusted so that 20% of the aggregate merger consideration in excess of $4.00 per share would be allocated to the holders of the Series A-1 Preferred Stock and 80% of the aggregate merger consideration in excess of $4.00 per share would be allocated to the holders of the common stock. The merger will be accounted for as a purchase transaction by Stellent, and is expected to be completed late in the first calendar quarter or early in the second calendar quarter of 2004. The closing is subject to regulatory approval, Optika and Stellent stockholder approval and customary closing conditions. In connection with the proposed merger, Stellent and Optika expects to file a joint proxy statement/ prospectus with the Securities and Exchange Commission.

13. Valuation and Qualifying Accounts

	Beginning Balance	Allowance Increase	Recoveries/ (Write-offs)	Ending Balance
	(In thousands)			
Deducted from asset account				
Allowance for doubtful accounts				
Year ended December 31, 2003	$107	$ 56	$(20)	$143
Year ended December 31, 2002	$110	$ 37	$(40)	$107
Year ended December 31, 2001	$ 86	$ 10	$ 14	$110

The Company also has a full valuation allowance against its net deferred tax asset described further in note 6.

OPTIKA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Quarterly Information (Unaudited)

The following table presents unaudited quarterly operating results for each of the Company s eight quarters in the two-year period ended December 31, 2003:

	Quarter Ending			
	Mar. 31	**June 30**	**Sept. 30**	**Dec. 31**
	(In thousands, except per share amounts)			
Fiscal Year 2003				
Total revenues	$4,346	$4,653	$5,351	$5,567
Gross profit	3,241	3,591	4,247	4,421
Income (loss) from operations	(576)	(320)	183	239
Net income (loss)	(558)	(288)	183	279
Basic income (loss) per share	(0.07)	(0.03)	0.02	0.03
Diluted income (loss) per share	(0.07)	(0.03)	0.02	0.02
Fiscal Year 2002				
Total revenues	$3,874	$4,475	$4,650	$4,874
Gross profit	2,923	3,389	3,525	3,787
Income (loss) from operations	(560)	(117)	14	14
Net income (loss)	(526)	(71)	45	34
Basic income (loss) per share	(0.06)	(0.01)	0.01	0.00
Diluted income (loss) per share	(0.06)	(0.01)	0.00	0.00

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this amended Report to be signed on its behalf by the undersigned, thereunto duly authorized on March 18, 2004.

OPTIKA INC.

By: /s/ MARK K. RUPORT

Mark K. Ruport
President, Chief Executive Officer
and Chairman of the Board

Each of the undersigned hereby appoints Mark K. Ruport and Steven M. Johnson, and each of them (with full power to act alone), as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission any and all amendments to this Form 10-K/A and any and all exhibits and other documents to be filed with the Securities and Exchange Commission in connection therewith, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable.

Pursuant to the requirements of the Securities Exchange Act of 1934, this amended Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 18, 2004:

	Signature	Title
By:	/s/ MARK K. RUPORT Mark K. Ruport	Chief Executive Officer and Chairman of the Board (principal executive officer)
By:	/s/ STEVEN M. JOHNSON Steven M. Johnson	Chief Financial Officer, Executive Vice President, Secretary and Chief Accounting Officer (principal financial and accounting officer)
By:	/s/ ALAN B. MENKES Alan B. Menkes	Director
By:	/s/ JAMES T. ROTHE PH.D James T. Rothe Ph.D	Director
By:	/s/ EDWIN C. WINDER Edwin C. Winder	Director

EXHIBIT INDEX

Exhibit No.	Description
2.1(5)	Agreement and Plan of Merger dated as of January 11, 2004 by and among the Registrant and Stellent, Inc., a Minnesota corporation, and STEL Sub, Inc., a Delaware corporation.
3.1(2)	Certificate of Ownership and Merger.
3.2(1)	Second Amended and Restated Certificate of Incorporation of the Registrant.
3.3(10)	Amended and Restated Bylaws of the Registrant.
3.5(13)	Certificate of Designation, designating the Series A-1 Convertible Preferred Stock.
3.6(11)	Certificate of Designation, designating the Series B Preferred Stock.
4.1(1)	Specimen Common Stock certificate.
4.4(1)	Form of Warrant to purchase Common Stock dated November 1, 1995.
4.5(12)	Amended and Restated Rights Agreement dated as of July 29, 2002, between the Registrant and Computershare Trust Company, Inc., as Rights Agent.
10.1(1)	Form of Indemnification Agreement between the Registrant and each of its directors and officers.*
10.2(8)	The Registrant s 1994 Stock Option/ Stock Issuance Plan, as restated and amended through May 2000.
10.3(8)	The Registrant s 2000 Employee Stock Purchase Plan, as amended through May 2003
10.4	Employment Agreement by and between the Registrant and Mr. Mark K. Ruport effective October 15, 2003.*
10.5	Employment Agreement by and between the Registrant and Mr. Steven M. Johnson, effective October 15, 2003.*
10.7(8)	The Registrant s 2000 Non-Officer Stock Incentive Plan.
10.8(6)	The Registrant s 2003 Equity Incentive Plan
10.12(1)	Technology Transfer Agreement dated February 20, 1992, by and between the Registrant, Mr. Paul Carter and Mr. Malcolm Thomson.
10.16(4)	Lease Agreement dated October 11, 1996, by and between the Registrant and Woodmen Office Campus II JV LLC for office space at 7450 Campus Drive, Suite 200, Colorado Springs, Colorado.
10.17(7)	Amended and Restated Loan and Security Agreement dated as of November 6, 2002, by and between the Registrant and Silicon Valley Bank.
10.18	Loan Modification Agreement dated December 4, 2003, by and between the Registrant and Silicon Valley Bank.
10.19(3)	Securities Purchase Agreement dated as of February 9, 2000, by among the Registrant, Thomas Weisel Capital Partners L.P. and certain of its affiliates and RKB Capital, L.P.
10.20(3)	Registration Rights Agreement dated February 23, 2000 by and between the Registrant, the Purchasers and the other parties signatory thereto.
10.21(13)	Exchange Agreement dated as of May 7, 2001, by and between the Registrant, Thomas Weisel Capital Partners L.P. and certain of its affiliates and RKB Capital L.P.
10.22(13)	First Amendment to Registration Rights Agreement dated May 7, 2001 by and between the Registrant, Thomas Weisel Capital Partners L.P. and certain of its affiliates and RKB Capital, L.P.
10.23(13)	Mutual Agreement regarding future treatment of Series A-1 Preferred Stock dated May 7, 2001 by and between the Registrant, Thomas Weisel Capital Partners L.P. and certain of its affiliates and RKB Capital, L.P.
10.24(9)	Agreement and Plan of Merger, dated as of May 29, 2003, by and among the Registrant, Optika Technologies, Inc., Select Technologies, Inc and Del Zane and Shadra Zane
21.1(1)	Subsidiaries of the Registrant.
23.1	Consent of Independent Accountants.

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

* Represents a management compensation arrangement.

(1) Incorporated by reference to identically numbered exhibits included in the Company s Registration Statement on Form S-1 (File No. 333-04309), as amended.

(2) Incorporated by reference to an exhibit to the Company s Annual Report on Form 10-K (File No. 0-28672) for the year ended December 31, 1998.

(3) Incorporated by reference to an exhibit to the Company s Current Report on Form 8-K (File No. 0-28672) dated February 23, 2000.

(4) Incorporated by reference to an exhibit to the Company s Annual Report on Form 10-K (File No. 0-28672) for the year ended December 31, 1996.

(5) Incorporated by reference to an exhibit to the Company s Current Report on Form 8-K (File No. 0-28672) dated January 12, 2004

(6) Incorporated by reference to an exhibit to the Company s Definitive Proxy Statement on Schedule 14(a) dated April 3, 2004.

(7) Incorporated by reference to an exhibit to the Company s Quarterly Report on Form 10-K (File No. 0-28672) for the year ended December 31, 2002.

(8) Incorporated by reference to an exhibit to the Company s Annual Report on Form 10-K (File No. 0-28672) for the year ended December 31, 2000.

(9) Incorporated by reference to an exhibit to the Company s Quarterly Report on Form 10-Q (File No. 0-28672) for the quarter ended June 30, 2003.

(10) Incorporated by reference to an exhibit to the Company s Annual Report on Form 10-K (File No. 0-28672) for the year ended December 31, 1999.

(11) Incorporated by reference to an exhibit to the Company s Registration Statement on Form 8-A filed with the Securities and Exchange Commission on July 18, 2001.

(12) Incorporated by reference to an exhibit to the Company s Current Report on Form 8-K (File No. 0-28672) dated July 29, 2002.

(13) Incorporated by reference to an exhibit to the Company s Quarterly Report on Form 10-Q (File No. 0-28672) for the quarter ended March 31, 2001.

ANNEX I

OPTIKA INC.

AMENDED AND RESTATED

CERTIFICATE OF DESIGNATION
OF
SERIES A-1 CONVERTIBLE PREFERRED STOCK

Optika Inc. (the Corporation), a corporation organized and existing under the General Corporation Law of the State of Delaware (DGCL), DOES HEREBY CERTIFY that:

A. Pursuant to the authority conferred upon the Board of Directors by Article IVB of the Second Amended and Restated Certificate of Incorporation of the Corporation (the Certificate of Incorporation), and in accordance with the provisions of Section 151(g) of the DGCL, the Board of Directors on April 24, 2001, adopted a resolution creating a series of preferred stock designated as Series A-1 Convertible Preferred Stock.

B. The Corporation s original Certificate of Designation of Series A-1 Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware on May 7, 2001.

C. Pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, the Board of Directors on [ ], 200[ ], in accordance with Section 141 of the DGCL, duly adopted resolutions amending and restating the Certificate of Designation of Series A-1 Convertible Preferred Stock as set forth below.

D. The Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock set forth below has been adopted pursuant to Section 242 of the DGCL. The Certificate of Designation of Series A-1 Convertible Preferred Stock of the Corporation is hereby amended and restated to read in its entirety as follows, and such Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock will supersede the original Certificate of Designation of Series A-1 Convertible Preferred Stock. Capitalized terms used herein shall have the meanings set forth in Section 7 hereof or otherwise in this Amended and Restated Certificate of Designation:

SECTION 1. *Designation; Number; Rank.*

(a) *Designation; Number.* The shares of such series shall be designated Series A-1 Convertible Preferred Stock (the Series A-1 Preferred Stock). The number of shares constituting the Series A-1 Preferred Stock shall be 731,851.

(b) *Rank.* The Series A-1 Preferred Stock shall, with respect to rights on liquidation, dissolution or winding up, be *pari passu* to the Common Stock, par value $0.001 per share, of the Corporation (the Common Stock) and all other capital stock of the Corporation issued prior to or on or after the date hereof.

SECTION 2. *Dividends.*

No dividend or other distribution, whether in cash, securities or other property, shall be paid on or declared and set apart for any share of Series A-1 Preferred Stock.

SECTION 3. *Liquidation, Dissolution or Winding Up.*

The Series A-1 Preferred Stock will have no liquidation preference.

SECTION 4. *Voting Rights.*

Except for any voting rights provided by law, the Series A-1 Preferred Stock will have no right to vote on any matters before the stockholders of the Corporation.

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Section 5. *Status of Converted Stock.*

Any shares of Series A-1 Preferred Stock converted, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares of Series A-1 Preferred Stock shall upon their cancellation, and upon the filing of any document required by the DGCL, become authorized but unissued shares of Preferred Stock, $0.001 par value, of the Corporation and may be reissued as part of another series of Preferred Stock, $0.001 par value, of the Corporation.

SECTION 6. *Conversion.*

(a) *Right to Convert.* The holders of Series A-1 Preferred Stock shall have the right following the Issue Date at any time in whole and from time to time in part, at such holder s option, to convert each outstanding share of Series A-1 Preferred Stock into one fully paid and nonassessable share of Common Stock as set forth hereinafter.

(b) *Mechanics of Conversion.* Conversion of the Series A-1 Preferred Stock may be effected by any such holder upon the surrender to the Corporation at the principal office of the Corporation or at the office of any agent or agents of the Corporation, as may be designated by the Board of Directors (the Transfer Agent), of the certificate(s) for such Series A-1 Preferred Stock to be converted, accompanied by a written notice (the date of such notice being referred to as the Conversion Date) stating that such holder elects to convert all or a specified number of such shares in accordance with the provisions of this Section 6 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. In case any holder s notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Common Stock in such name or names. Other than such taxes, the Corporation will pay any and all transfer, issue, stamp and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series A-1 Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five Business Days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes which are the responsibility of the holder as set forth above (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Common Stock, to which the holder of shares of Series A-1 Preferred Stock being converted shall be entitled and (ii) if less than the full number of shares of Series A-1 Preferred Stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares being converted. Such conversion shall be deemed to have been made at the close of business on the Conversion Date so that the rights of the holder thereof as to the shares being converted shall cease except for the rights pursuant to this Section 6 to receive shares of Common Stock, in accordance herewith, and the person entitled to receive the shares of Common Stock shall be treated for all purposes as having become the record holder of such shares of Common Stock at such time.

SECTION 7. *Definitions.*

For the purpose of this Amended and Restated Certificate of Designation of Series A-1 Convertible Preferred Stock, the following terms shall have the meanings indicated:

Board of Directors shall mean the board of directors of the Corporation.

Business Day shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in New York City, New York are authorized or obligated by law or executive order to close.

Issue Date shall mean May 7, 2001.

person shall mean any individual, firm, corporation, partnership or other entity, and shall include any successor (by merger or otherwise) of such entity.

IN WITNESS WHEREOF, the officers named below, acting for and on behalf of Optika Inc., have hereunto subscribed their names on this th day of , 200 .

OPTIKA INC.		Attest:	
By:	______________________	By:	______________________
	______________________		______________________
	President and Chief Executive Officer		______________________

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ANNEX I

ANNEX J

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this Agreement) is entered into as of January 11, 2004, by and among Stellent, Inc., a Minnesota corporation (the Company); Mark K. Ruport, a resident of Colorado (Executive); and Optika Inc., a Delaware Corporation (Optika).

RECITALS

A. The Company is a global provider of web-based content management solutions for businesses.

B. Executive is an experienced business manager.

C. Executive is currently employed by the Optika as its President, Chairman, and Chief Executive Officer. Executive and Optika entered into an Employment Agreement as of October 15, 2003 (Optika Employment Agreement).

D. The Company, STEL Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (Merger Sub), and Optika are entering into an Agreement and Plan of Merger (the Merger Agreement), dated as of January 11, 2004, pursuant to which Optika will merge with and into Merger Sub and thereby become a wholly-owned subsidiary of the Company (the Merger).

E. Upon the closing of the Transaction, the Company desires to employ Executive and Executive desires to become employed by the Company on the terms set forth in this Agreement. The Company, Optika and Executive intend for this Agreement to replace the obligations of Optika to Executive under the Optika Employment Agreement.

F. It is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to become employed by the Company, (B) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company, and (C) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive s employment with the Company.

G. It is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company.

H. The execution of this Agreement is a condition of the closing of the Merger and a condition of the employment of Executive by the Company.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements set forth below, the Company, Executive, and Optika, intending to be legally bound, agree as follows:

1. *Effective Date.* This Agreement shall take effect only as of the closing of the Merger (the Effective Date). Upon the termination of the Merger Agreement in accordance with its terms, this Agreement shall be void.

2. *Optika Employment Agreement.* Upon the Effective Date, the Optika Employment Agreement, all obligations thereunder, and Executive s employment by Optika, shall be terminated. In particular, upon the Effective Date, neither Optika nor the Company, nor any of their successors, shall have any obligation to make any payment under Section 6(c)(ii) of the Optika Employment Agreement, or any other provision of the Optika Employment Agreement.

3. *Term.* Subject to all terms and conditions hereof, the Company shall employ Executive, and Executive shall serve the Company and perform services for the Company, pursuant to this Agreement for a period of eighteen months following the Effective Date or until such time as Executive s employment is earlier terminated in accordance with *Section 14* hereof (the Initial Term).

4. *Position and Duties.*

(a) *Position with the Company.* During the term of Executive s employment with the Company, Executive shall serve as Executive Vice President of Operations and shall perform such duties and responsibilities as the Board of Directors (the Board) or the Chief Executive Officer of the Company shall assign to him from time to time.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention and efforts to the business of the Company during his employment; provided, however, that Executive may engage in civic and not-for-profit activities as long as such activities do not materially interfere with the performance of his duties hereunder. Executive shall report to the Chief Executive Officer of the Company. During his employment hereunder, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement.

5. *Compensation and Benefits.*

(a) *Base Salary.* While Executive is employed by the Company hereunder, the Company shall pay to Executive an annual base salary of $240,000, less deductions and withholdings, which base salary shall be paid in accordance with the Company s normal payroll policies and procedures. During each year after the first year of Executive s employment hereunder, the Company shall review and may adjust Executive s base salary in its sole discretion; provided, however, that Executive s base salary shall not at anytime be decreased during the Initial Term.

(b) *Bonus.* Executive shall be eligible for annual and/or quarterly bonuses of up to an aggregate amount of $160,000 for fiscal year 2005, based upon and subject to achievement of specified objectives and criteria to be established by the Company from time to time. Any bonus will be paid by the Company within 45 days after the period for which the bonus is applicable. After fiscal year 2005, the Board shall review and may revise the bonus program in its sole discretion.

(c) *Stock Options.* From time to time and subject to the approval of the Board, the Company, in its sole discretion, may grant Executive an option to purchase shares of common stock of the Company, in accordance with the terms and conditions of the Company s stock option plan as may be amended from time to time. On the Effective Date, the Company will grant to the Executive an option, subject to an option agreement in the standard form of the Company s option agreements, for ten years, vesting ratably over three years, to purchase 200,000 shares of common stock of the Company at an exercise price equal to the fair market value of a share of common stock of the Company based on the closing price on the Effective Date. In addition, on the Effective Date, the Company will grant to the Executive a bonus option (the Bonus Option), subject to an option agreement in the standard form of the Company s option agreements, to purchase 50,000 shares of common stock of the Company at an exercise price equal to the fair market value of a share of common stock of the Company based on the closing price on the Effective Date. If certain conditions to be mutually agreed upon by the parties on or before the Effective Date (the Bonus Conditions) have been achieved within the first year after the Effective Date, the Bonus Option will vest on the first anniversary of the Effective Date. If the Bonus Conditions have not been achieved within the first year after the Effective Date, the Bonus Option will vest on the ninth anniversary of the Effective Date. The Bonus Option will expire on the tenth anniversary of the Effective Date.

(d) *Employee Benefits.* While Executive is employed by the Company hereunder, Executive shall be entitled to participate in all employee benefit plans and programs of the Company to the

extent that Executive meets the eligibility requirements for each individual plan or program to the same extent and in the same manner as all of the senior executives of the Company. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive s participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company hereunder, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Executive in the performance of the duties and responsibilities hereunder, subject to the Company s normal policies and procedures for expense verification and documentation.

(f) *Vacation.* While Executive is employed by the Company hereunder, Executive shall be entitled to paid vacation consistent with the Company s vacation policy, which may be amended from time to time in the Company s discretion, but which during the Initial Term shall not be less than currently enjoyed by Executive at Optika prior to the Effective Date. The duration of Executive s employment with Optika will be treated as though it were employment with the Company for purposes of determining the amount of vacation for which Executive is eligible. Vacation days shall be taken at such times so as not to unreasonably disrupt the operations of the Company.

(g) *Indemnification; Director and Officer Insurance.* To the maximum extent permitted by law and the Company s Articles of Incorporation and Bylaws and subject to any limitations set forth therein, the Company shall (i) indemnify and hold harmless Executive and his heirs, executors, personal representatives and estate from and against any all claims that may be asserted against any of them as a result or on in connection with Executive serving or having served as a director, officer, employee, plan administrator, trustee or in any other capacity with the Company or any of their subsidiaries or any employee benefit plan or trust of the Company, including any and all judgments, settlements, costs and expenses (including attorneys fees and other defense costs) in connection with any such claims, and (ii) if so requested by Executive or any of his heirs, executors, personal representatives and estate, advance their attorneys fees and other defense costs in connection with any such claims, provided that the person or persons receiving such advancement agree to repay the same if and to the extent it is ultimately determined that such person or persons are not entitled to be indemnified by the Company. The foregoing indemnification obligation shall survive the termination of this Agreement in accordance with the Company s Articles of Incorporation and Bylaws. During the Employment Term, the Company shall maintain a directors and officers liability insurance policy covering Executive in an amount reasonably determined by the Board.

6. *Affiliated Entities.* As used in this Agreement, Affiliates shall include the Company and each corporation, partnership, or other entity, which controls the Company, is controlled by the Company, or is under common control with the Company (in each case control meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

7. *Confidential Information.* Except as permitted by the Company, Executive shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its Affiliates, any confidential, proprietary or secret knowledge or information of the Company or its Affiliates that Executive has acquired or shall acquire about the Company or its Affiliates, whether developed by himself or by others, concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company or of its Affiliates, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial or personnel data or plans, or (viii) any other confidential or proprietary information or secret aspects of the business of the Company or of its Affiliates. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its Affiliates would

be wrongful and would cause irreparable harm to the Company. Executive shall refrain from intentionally committing any acts that would materially reduce the value of such knowledge or information to the Company or its Affiliates. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with the Company or its Affiliates, (iii) was in the possession of or was known to Executive on a non-confidential basis prior to the disclosure thereof by the Company or its Affiliates or (iv) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of the Company s confidential information are in addition to any obligations of Executive under applicable statutory or common law.

8. *Ventures.* If, during Executive s employment with the Company, Executive is engaged in or provides input into the planning or implementing of any project, program or venture involving the Company, all rights in such project, program or venture shall belong to the Company. Except as approved in writing by the Board of Directors of the Company, Executive shall not be entitled to any interest in any such project, program or venture or to any commission, finder s fee or other compensation in connection therewith. Executive shall have no interest, direct or indirect, in any customer or supplier that conducts business with the Company unless such interest is approved as provided in Section 9.

9. *Conflicts of Interest.* During Executive s employment with the Company hereunder, Executive shall not, directly or indirectly, transact business with the Company personally, or as agent, owner, partner, or shareholder of any other entity unless any such transaction has been knowingly approved by a majority of the disinterested members of the Company s Board of Directors.

10. *Noncompetition and Nonsolicitation Covenants.*

(a) *Agreement Not to Compete.* During (i) the Initial Term and (ii) for a period of twelve (12) consecutive months from and after the termination of Executive s employment, if

(I) Executive s employment is terminated pursuant to Section 16(a), 16(c) or 16 (e); or

(II) (A) Executive s employment is terminated for any other reason, including expiration of this Agreement, whether such termination is with or without cause, or whether such termination is at the instance of Executive or the Company, and (B) the Company pays to Executive a lump-sum payment of $50,000 in cash, less any applicable withholding, as a noncompetition fee,

Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), engage in any business, in the United States or in any other location in which the Company or any Affiliate is then doing business or actively planning to do business:

(x) that designs, develops, markets, distributes, or sells web content management services or products,

(y) that designs, develops, markets, distributes, or sells imaging, workflow, collaboration and records management services or products, or

(z) that designs, develops, markets, distributes, or sells services or products similar to any service or product then being developed, marketed, or distributed by the Company or any Affiliate.

Ownership by Executive, as a passive investment, of less than 3% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this *Section 10.*

(b) *Agreement Not to Hire.* During the Initial Term and for a period of twelve (12) consecutive months from and after the termination of Executive s employment, whether such termination is

with or without cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), hire, engage or solicit any person who is then an employee or contractor of the Company or who was an employee of the Company at any time during the three (3) month period immediately preceding Executive s termination of employment, in any manner or capacity.

(c) *Agreement Not to Solicit.* During the Initial Term and for a period of twelve (12) consecutive months from and after the termination of executive s employment, whether such termination is with or without cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), solicit, request, advise or induce any current or potential customer, supplier or other business contact of the Company to cancel, curtail or otherwise adversely change its relationship with the Company, in any manner or capacity.

(d) *Acknowledgment.* Executive hereby acknowledges that the provisions of this *Section 10* are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this *Section 10* by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor.

(e) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this *Section 10* is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this *Section 10* shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

11. *Patents, Copyrights and Related Matters.*

(a) *Disclosure and Assignment.* Executive shall promptly disclose to the Company any and all improvements and inventions that Executive may conceive and/or reduce to practice individually or jointly or commonly with others while he is employed with the Company or any of its Affiliates with respect to (i) any methods, processes or apparatus concerned with the development, use or production of any type of products, goods or services sold or used by the Company or its Affiliates, and (ii) any type of products, goods or services sold or used by the Company or its Affiliates. Any such improvements and inventions shall be the sole and exclusive property of the Company and Executive shall promptly assign, transfer and set over to the Company his entire right, title and interest in and to any and all of such improvement and inventions as are specified in this *Section 11(a)*, and in and to any and all applications for letters patent that may be filed on such inventions, and in and to any and all letters patent that may issue, or be issued, upon such applications. In connection therewith and for no additional compensation therefor, but at no expense to Executive, Executive shall sign any and all instruments deemed necessary by the Company for:

(i) the filing and prosecution of any applications for letters patent of the United States or of any foreign country that the Company may desire to file upon such inventions as are specified in this *Section 11(a)*;

(ii) the filing and prosecution of any divisional, continuation, continuation-in-part or reissue applications that the Company may desire to file upon such applications for letters patent; and

(iii) the reviving, re-examining or renewing of any of such applications for letters patent.

This *Section 11(a)* shall not apply to any invention for which no equipment, supplies, facilities, confidential, proprietary or secret knowledge or information, or other trade secret information of the Company was used and that was developed entirely on Executive s own time, and (i) that does not

relate (A) directly to the business of the Company, or (B) to the Company s actual or demonstrably anticipated research or development, or (ii) that does not result from any work performed by Executive for the Company.

(b) *Copyrightable Material.* All right, title and interest in all copyrightable material that Executive shall conceive or originate individually or jointly or commonly with others, and that arise in connection with Executive s services hereunder or knowledge of confidential and proprietary information of the Company, shall be the property of the Company and are hereby assigned by Executive to the Company or its Affiliates, along with ownership of any and all copyrights in the copyrightable material. Where applicable, works of authorship created by Executive relating to the Company or its Affiliates and arising out of Executive s knowledge of confidential and proprietary information of the Company shall be considered works made for hire, as defined in the U.S. Copyright Act, as amended.

12. *Return of Records and Property.* Upon termination of Executive s employment or at any time upon the Company s request, Executive shall promptly deliver to the Company any and all Company and Affiliate records and any and all Company and Affiliate property in his possession or under his control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company or its Affiliates and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or its Affiliates.

13. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

14. *Termination of Employment.* The Initial Term shall terminate on the occurrence of any of the following:

(a) *For Cause.* At the election of the Company, for Cause (as defined in Section 17(b) immediately upon written notice by the Company to Executive.

(b) *Death or Disability.* Immediately upon Executive s death or Disability (as defined in Section 17(d).

(c) *Good Reason.* At Executive s election, upon not less than two (2) weeks prior written notice, for Good Reason (as defined in Section 17(c).

(d) *Other Reasons.* At Executive s election, upon not less than thirty (30) days prior written notice, or at the election of the Company, upon not less than thirty (30) days prior written notice of termination.

(e) *Expiration of the Agreement.* Upon the expiration of this Agreement as provided in Section 3 of this Agreement.

The date upon which Executive s termination of employment with the Company actually occurs shall be the Termination Date.

15. *Termination of Agreement.*

(a) This Agreement and all obligations hereunder shall terminate on the Termination Date; *provided*, *however*, that the provisions of *Sections 7, 10, 11, 12, 13, 16 and 18* of this Agreement shall survive the termination of this Agreement and continue into effect according to their terms.

(b) At least 15 calendar days before the date on which this Agreement terminates pursuant to (a) above, the Company shall offer to enter into a new employment agreement in substantially the form of Exhibit A attached hereto (New Agreement). The initial base salary provided for in the New Agreement shall not be less than Executive s base salary as of the date on which this Agreement expires, (ii) the New Agreement shall provide for not less than one year s severance upon termination without cause (as defined therein) and (iii) the New Agreement shall contain change of control provisions similar in all material respects to those contained in then existing agreements with the Company s senior executive officers.

16. *Payments Upon Termination of Employment.*

(a) If during the term of this Agreement, Executive s employment with the Company is terminated by the Company for Cause (as defined below) the Company shall, subject to *Section 17(e), (f) and (h)* below, pay to Executive his base salary, less applicable withholdings, and any accrued bonus or other incentive payments earned through the Termination Date and provide benefits pursuant to *Section 5(d)* above through the Termination Date.

(b) If on or before the date that is 12 months after the Effective Date, Executive s employment with the Company is terminated because of Executive s resignation without Good Reason, the Company shall, subject to *Section 17(e), (f) and (h)* below, pay to Executive his base salary and any accrued bonus or other incentive payments earned through the Termination Date, less applicable withholdings, and provide benefits pursuant to *Section 5(d)* above through the Termination Date.

(c) If the Company fails to make a good faith offer to enter into a New Agreement pursuant to *Section 15(b)* above or if during the period that begins the day after the date that is 12 months after the Effective Date and ends on the date that is 18 months after the Effective Date (provided, that such period shall commence immediately upon any Change of Control of the Company, as defined in Section 17), Executive s employment with the Company is terminated because of Executive s resignation without Good Reason, the Company shall, subject to *Section 17(e) (f) and (h)* below:

(i) pay to Executive in a lump sum an amount equal to Executive s monthly base salary as of the Termination Date multiplied by the difference between 33 and the number of months (or fraction thereof) that have passed since the Effective Date, less applicable withholdings;

(ii) if Executive elects to continue his group health or dental insurance coverage with the Company following the termination of employment with the Company, reimburse him for the portion of the premiums that the Company would have paid had Executive remained with Company, at the same level of coverage that was in effect as of the Termination Date, for a period of one year following the Termination Date; and

(iii) provide for a post-termination exercise period of not less than twelve months on any vested stock options issued to Executive, during which period any unvested stock options would continue to vest.

(d) If Executive s employment with the Company terminates due to the expiration of the Initial Term, the Company had offered in good faith to enter into a New Agreement in accordance with Section 15(b), and Executive did not enter into the offered New Agreement, the Company shall, subject to *Section 17(e) (f) and (h)* below, pay to Executive his base salary, less applicable withholdings, and any accrued bonus or other incentive payments earned through the Termination Date and provide benefits pursuant to *Section 5(d)* above through the Termination Date.

(e) If during the Initial Term, Executive s employment with the Company terminates due to Executive s resignation with Good Reason (as defined in Section 17(c)) or the Company terminates Executive s employment without Cause (as defined in Section 17(b)), the Company shall, subject to *Section 17(e) (f) and (h)* below:

(i) pay to Executive in a lump sum an amount equal to Executive s monthly base salary as of the Termination Date multiplied by 33, less applicable withholdings;

(ii) if Executive elects to continue his group health or dental insurance coverage with the Company following the termination of employment with the Company, reimburse him for the portion of the premiums that the Company would have paid had Executive remained with Company, at the same level of coverage that was in effect as of the Termination Date, for a period of one year following the Termination Date; and

(iii) provide for a post-termination exercise period of not less than twelve months on any vested stock options issued to Executive, during which period any unvested stock options would continue to vest.

(f) If during the term of this Agreement, Executive s employment with the Company terminates due to death or Disability (as defined below), the Company shall, subject to *Section 17(e) (f) and (h)* below:

(i) pay to Executive, his beneficiary, or his estate, as the case may be, his base salary, less applicable withholdings, and any accrued bonus or other incentive payments earned through the Termination Date; and

(ii) if Executive (or Executive s estate, as the case may be) elects to continue his group health or dental insurance coverage with the Company following the termination of employment with the Company, reimburse him for the portion of the premiums that the Company would have paid had Executive remained with Company, at the same level of coverage that was in effect as of the Termination Date, for a period of one year following the Termination Date.

17. *Definitions and Conditions for Termination Payments.*

(a) The provisions of this *Section 17* apply to payments to be made pursuant to *Section 16* above.

(b) Cause shall mean: (i) Executive s conviction of, or plea of *nolo contendere* to, any felony, (ii) any act of dishonesty in any material respect or fraud made by Executive in connection with Executive s responsibilities as an employee, (iii) after written notice to Executive, Executive s willful refusal to perform Executive s material obligations under this Agreement or (iv) after written notice to Executive, Executive s material breach of any of Executive s covenants provided for in this Agreement; *provided*, *however*, that for purposes of determining whether any such Cause is present, no act or failure to act by Executive shall be considered willful if done or omitted to be done by Executive in good faith and in the reasonable belief that such act or omission was in the best interest of the Company and/or required by applicable law.

(c) Termination by Executive for Good Reason shall mean termination by Executive of his employment with the Company because any one or more of the following have occurred: (i) any material diminution in Executive s duties, responsibilities, or authority subsequent to the Effective Date; (ii) any material reduction in his level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs), or (iii) any request or requirement that Executive relocate outside of Colorado Springs.

(d) Disability shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 90 days or more during any 180-day period. A period of inability shall be uninterrupted unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(e) Any amount payable to Executive as reimbursement for the cost of the continuation of his group health or dental insurance coverage under *Section 16* above, shall be subject to deductions and withholdings and shall be paid to Executive by the Company in approximately equal monthly installments commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law and continuing monthly thereafter. The Company

shall be entitled to cease making reimbursement payments to Executive for the cost of the continuation of his group health or dental insurance coverage with the Company after the Termination Date if Executive becomes eligible for comparable group health or dental insurance coverage from any other employer. For purposes of mitigation and reduction of the Company s financial obligations to Executive under *Section 16*, Executive shall promptly and fully disclose to the Company in writing the fact that he has become eligible for comparable group health or dental insurance coverage from any other employer. Executive shall be liable to repay any amounts to the Company that should have been so mitigated or reduced but for Executive s failure or unwillingness to make such disclosures.

(f) Notwithstanding the foregoing provisions, the Company shall not be obligated to make any payments to Executive under *Sections 16(c) or 16(e)* hereof unless Executive shall have signed a release of claims in favor of the Company and its Affiliates in a form mutually agreeable to Executive and the Board, all applicable consideration and rescission periods provided by law shall have expired, and Executive is not in breach with the terms of this Agreement as of the dates of such payments.

(g) Change of Control shall mean of the Company shall mean the occurrence during the Initial Term of any of the following events: (i) an acquisition by any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 Act, as amended (the 1934 Act), directly or indirectly, of beneficial ownership (as defined in Rule 13d-3 under the 1934 Act) of securities of the Company representing 50% or more of the total voting power represented by the Company s then outstanding voting securities; or (ii) the consummation of a merger or consolidation of the Company with any other corporation that has been approved by the stockholders of the Company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iii) a change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. Incumbent Directors means directors who either (A) are Directors as of the date of this Agreement, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or (iv) the consummation of the sale or disposition by the Company of all or substantially all its assets.

(h) In the event of termination of Executive s employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by *Section 16* of this Agreement, as the case may be, and the Company and Optika shall have no other obligation to Executive, to his beneficiary, or to his estate, except as otherwise provided by law, under the terms of any other applicable agreement between Executive and the Company, or under the terms of any employee benefit plans or programs then maintained by the Company in which Executive participates. Executive acknowledges that the payments described in *Section 16* of this Agreement are in lieu of any and all payments under the Optika Employment Agreement, and Executive waives any and all rights to payment under the Optika Employment Agreement with respect to the termination of his Optika or Company employment.

18. *Miscellaneous.*

(a) *Governing Law.* All matters relating to the interpretation, construction, application, validity and enforcement of this Agreement shall be governed by the laws of the State of Colorado without giving effect to any choice or conflict of law provision or rule, whether of the State of Colorado or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Colorado.

(b) *Jurisdiction and Venue.* Executive and the Company consent to jurisdiction of the courts of the State of Colorado and/or the federal district courts, District of Colorado, for the purpose of

resolving all issues of law, equity, or fact arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Colorado and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, shall be in Colorado Springs, Colorado.

(c) *Entire Agreement.* This Agreement and any stock option agreements entered into by the Company and Executive contain the entire agreement of the parties relating to Executive s employment with the Company and supersede all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein.

(d) *No Violation of Other Agreements.* Executive hereby represents and agrees that neither (i) Executive s entering into this Agreement nor (ii) Executive s carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (1) to an Affiliate or (2) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets provided that such assignee expressly assumes all obligations and liabilities of the Company hereunder. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for purposes of all terms and conditions of this Agreement, including this *Section 18.*

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(i) *Severability.* Subject to *Section 10(e)* hereof, to the extent that any portion of any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(j) *Captions and Headings.* The captions and paragraph headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, Executive, the Company, and Optika have executed this Agreement as of the date set forth in the first paragraph.

STELLENT, INC.

By: /s/ ROBERT F. OLSON

Robert F. Olson
Chief Executive Officer

/s/ MARK K. RUPORT

Mark K. Ruport

OPTIKA INC.

By: /s/ MARK K. RUPORT

Mark K. Ruport
Chief Executive Officer

J-11

EXHIBIT A TO MARK RUPORT EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this Agreement) is entered into effective l, 200l by and between Stellent, Inc., a Minnesota corporation (the Company), and l, a resident of l (Executive).

RECITALS

A. The Company is a global provider of web-based content management solutions for businesses.

B. Executive is an experienced business manager.

C. Executive is currently employed by the Company as its l.

D. The Company and Executive wish to continue the employment relationship and to provide for certain additional benefits for Executive, subject to the terms and conditions set forth in this Agreement.

E. Executive is a key member of the management of the Company and it is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive s services and attention to the affairs of the Company.

F. It is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive s employment with the Company.

G. It is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. *Employment.* Subject to all terms and conditions hereof, the Company shall employ Executive, and Executive shall serve the Company and perform services for the Company, until such time as Executive s employment is terminated in accordance with *Section 12* hereof.

2. *Position and Duties.*

(a) *Position with the Company.* During the term of Executive s employment with the Company, Executive shall serve as its l, and shall perform such duties and responsibilities as the Company shall assign to him from time to time.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention and efforts to the business of the Company during his employment. Executive shall report to the President and Chief Executive Officer, or to such other party that may be designated by the President and Chief Executive Officer. During his employment hereunder, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board of Directors of the Company (the Board). Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement.

3. *Compensation and Benefits.*

(a) *Base Salary.* While Executive is employed by the Company hereunder, the Company shall pay to Executive an annual base salary of $l, less deductions and withholdings, which base salary shall be paid in accordance with the Company s normal payroll policies and procedures. During each year after the first year of Executive s employment hereunder, the Company shall review and may adjust Executive s base salary in its sole discretion. Executive s base salary shall not at anytime be decreased, except that Executive s base salary may be reduced as part of a general reduction in the base salaries for all executives of the Company.

(b) *Bonus.* Executive shall be eligible for a bonus of up to an aggregate amount of $l for fiscal year 200l, based upon and subject to achievement of specified objectives and criteria to be established by the Company from time to time. Any bonus will be paid by the Company within 45 days after the period for which the bonus is applicable, and Executive must be employed by the Company on the date of payment in order to be eligible to receive any bonus. After fiscal year 200l, the Company shall review and may revise the bonus program in its sole discretion.

(c) *Stock Options.* From time to time and subject to the approval of the Board, the Company, in its sole discretion, may grant Executive an option to purchase shares of common stock of the Company, in accordance with the terms and conditions of the Company s stock option plan as may be amended from time to time.

(d) *Employee Benefits.* While Executive is employed by the Company hereunder, Executive shall be entitled to participate in all employee benefit plans and programs of the Company to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive s participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company hereunder, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Executive in the performance of the duties and responsibilities hereunder, subject to the Company s normal policies and procedures for expense verification and documentation.

(f) *Vacation.* While Executive is employed by the Company hereunder, Executive shall be entitled to paid vacation consistent with the Company s vacation policy, which may be amended from time to time in the Company s discretion. Vacation days shall be taken at such times so as not to disrupt the operations of the Company.

4. *Affiliated Entities.* As used in this Agreement, Affiliates shall include the Company and each corporation, partnership, or other entity, which controls the Company, is controlled by the Company, or is under common control with the Company (in each case control meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

5. *Confidential Information.* Except as permitted by the Company, Executive shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its Affiliates, any confidential, proprietary or secret knowledge or information of the Company or its Affiliates that Executive has acquired or shall acquire about the Company or its Affiliates, whether developed by himself or by others, concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, programs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company or of its Affiliates, (iii) any customer or supplier lists, (iv) any confidential, proprietary or secret development or research work, (v) any strategic or other business, marketing or sales plans, (vi) any financial or personnel data or plans, or (viii) any other confidential or proprietary information or secret aspects of the business of the Company or of its Affiliates. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other

use of such knowledge or information other than for the sole benefit of the Company or its Affiliates would be wrongful and would cause irreparable harm to the Company. Executive shall refrain from intentionally committing any acts that would materially reduce the value of such knowledge or information to the Company or its Affiliates. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with the Company or its Affiliates, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that his obligations under this Agreement to maintain the confidentiality of the Company s confidential information are in addition to any obligations of Executive under applicable statutory or common law.

6. *Ventures.* If, during Executive s employment with the Company, Executive is engaged in or provides input into the planning or implementing of any project, program or venture involving the Company, all rights in such project, program or venture shall belong to the Company. Except as approved in writing by the Board of Directors of the Company, Executive shall not be entitled to any interest in any such project, program or venture or to any commission, finder s fee or other compensation in connection therewith. Executive shall have no interest, direct or indirect, in any customer or supplier that conducts business with the Company.

7. *Conflicts of Interest.* During Executive s employment with the Company hereunder, Executive shall not, directly or indirectly, transact business with the Company personally, or as agent, owner, partner, or shareholder of any other entity unless any such transaction has been knowingly approved by all disinterested members of the Company s Board of Directors.

8. *Noncompetition and Nonsolicitation Covenants.*

(a) *Agreement Not to Compete.* During Executive s employment with the Company or any Affiliates and for a period of twelve (12) consecutive months from and after the termination of Executive s employment, whether such termination is with or without cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), engage in any business, in the United States or in any other location in which the Company is then doing business or actively planning to do business:

(i) that designs, develops, markets, distributes, or sells web content management services or products, or

(ii) that designs, develops, markets, distributes, or sells services or products similar to any service or product then being developed, marketed, or distributed by the Company.

Ownership by Executive, as a passive investment, of less than 3% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this *Section 8(a)*.

(b) *Agreement Not to Hire.* During Executive s employment with the Company or any Affiliates and for a period of twelve (12) consecutive months from and after the termination of Executive s employment, whether such termination is with or without cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), hire, engage or solicit any person who is then an employee or contractor of the Company or who was an employee of the Company at any time during the six (6) month period immediately preceding Executive s termination of employment, in any manner or capacity.

(c) *Agreement Not to Solicit.* During Executive s employment with the Company or any Affiliates and for a period of twelve (12) consecutive months from and after the termination of

executive s employment, whether such termination is with or without cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly (including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise), solicit, request, advise or induce any current or potential customer, supplier or other business contact of the Company to cancel, curtail or otherwise adversely change its relationship with the Company, in any manner or capacity.

(d) *Acknowledgment.* Executive hereby acknowledges that the provisions of this *Section 8* are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this *Section 8* by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor.

(e) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this *Section 8* is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this *Section 8* shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

9. *Patents, Copyrights and Related Matters.*

(a) *Disclosure and Assignment.* Executive shall immediately disclose to the Company any and all improvements and inventions that Executive may conceive and/or reduce to practice individually or jointly or commonly with others while he is employed with the Company or any of its Affiliates with respect to (i) any methods, processes or apparatus concerned with the development, use or production of any type of products, goods or services sold or used by the Company or its Affiliates, and (ii) any type of products, goods or services sold or used by the Company or its Affiliates. Any such improvements and inventions shall be the sole and exclusive property of the Company and Executive shall immediately assign, transfer and set over to the Company his entire right, title and interest in and to any and all of such improvement and inventions as are specified in this *Section 9(a)*, and in and to any and all applications for letters patent that may be filed on such inventions, and in and to any and all letters patent that may issue, or be issued, upon such applications. In connection therewith and for no additional compensation therefor, but at no expense to Executive, Executive shall sign any and all instruments deemed necessary by the Company for:

(i) the filing and prosecution of any applications for letters patent of the United States or of any foreign country that the Company may desire to file upon such inventions as are specified in this *Section 9(a)*;

(ii) the filing and prosecution of any divisional, continuation, continuation-in-part or reissue applications that the Company may desire to file upon such applications for letters patent; and

(iii) the reviving, re-examining or renewing of any of such applications for letters patent.

This *Section 9(a)* shall not apply to any invention for which no equipment, supplies, facilities, confidential, proprietary or secret knowledge or information, or other trade secret information of the Company was used and that was developed entirely on Executive s own time, and (i) that does not relate (A) directly to the business of the Company, or (B) to the Company s actual or demonstrably anticipated research or development, or (ii) that does not result from any work performed by Executive for the Company.

(b) *Copyrightable Material.* All right, title and interest in all copyrightable material that Executive shall conceive or originate individually or jointly or commonly with others, and that arise in connection with Executive s services hereunder or knowledge of confidential and proprietary information of the Company, shall be the property of the Company and are hereby assigned by Executive to the Company or its Affiliates, along with ownership of any and all copyrights in the

copyrightable material. Where applicable, works of authorship created by Executive relating to the Company or its Affiliates and arising out of Executive s knowledge of confidential and proprietary information of the Company shall be considered works made for hire, as defined in the U.S. Copyright Act, as amended.

10. *Return of Records and Property.* Upon termination of Executive s employment or at any time upon the Company s request, Executive shall promptly deliver to the Company any and all Company and Affiliate records and any and all Company and Affiliate property in his possession or under his control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company or its Affiliates and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or its Affiliates.

11. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

12. *Termination of Employment.*

(a) The Executive s employment with the Company shall terminate immediately upon:

(i) Executive s receipt of written notice from the Company of the termination of his employment;

(ii) The Company s receipt of Executive s written resignation from the Company;

(iii) Executive s Disability (as defined below); or

(iv) Executive s death.

(b) The date upon which Executive s termination of employment with the Company occurs shall be the Termination Date.

13. *Payments upon Termination of Employment.*

(a) If Executive s employment with the Company is terminated by the Company for any reason other than for Cause (as defined below), or if Executive s employment with the Company is terminated by Executive for Good Reason (as defined below) within twelve (12) months following a Change in Control (as defined in the Stellent, Inc. 2000 Stock Incentive Plan, as may be amended from time to time), or if Executive s employment with the Company terminates due to death or Disability, subject to *Section 13(f)*, *Section 13(g)*, and *Section 13(h)*, the Company shall:

(i) pay to Executive in a lump sum an amount equal to Executive s current base salary, less applicable withholdings, for a period of twelve (12) months following the Termination Date; and

(ii) if Executive elects to continue his group health or dental insurance coverage with the Company following the termination of his employment with the Company, reimburse him for the portion of the premiums that the Company would have paid had Executive remained employed with the Company, at the same level of coverage that was in effect as of the Termination Date, for a period of twelve (12) consecutive months after the Termination Date.

(b) If Executive s employment with the Company is terminated by reason of:

(i) Executive s abandonment of his employment or Executive s resignation for any reason other than for Good Reason (as defined below); or

(ii) termination of Executive s employment by the Company for Cause (as defined below),

the Company shall pay to Executive or his beneficiary or his estate, as the case may be, his base salary through the Termination Date.

(c) Cause hereunder shall mean:

(i) an act or acts of dishonesty undertaken by Executive and intended to result in personal gain or enrichment of Executive or others at the expense of the Company;

(ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive s part and that, in either event, is injurious to the Company;

(iii) the conviction of Executive of a felony;

(iv) failure of Executive to perform his duties and responsibilities hereunder or to satisfy his obligations as an officer or employee of the Company; or

(v) breach of any terms and conditions of this Agreement by Executive.

(d) Termination by Executive for Good Reason hereunder shall mean termination by Executive of his employment with the Company because one or more of the following shall have occurred upon or after a Change in Control (as defined in the Stellent, Inc. 2000 Stock Incentive Plan, as may be amended from time to time) without Executive s written consent:

(i) the relocation of Executive s principal place of work more than 30 miles outside the greater Twin Cities metropolitan area;

(ii) a material reduction in Executive s duties or responsibilities; or

(iii) a material reduction of Executive s base salary, other than pursuant to a general reduction in the base salaries of all executives of the Company.

(e) Disability hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 90 days or more during any 180-day period. A period of inability shall be uninterrupted unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(f) Any amount payable to Executive as reimbursement for the cost of the continuation of his group health or dental insurance coverage under *Section 13(a)* shall be subject to deductions and withholdings and shall be paid to Executive by the Company in approximately equal monthly installments commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law and continuing monthly thereafter. The Company shall be entitled to cease making reimbursement payments to Executive for the cost of the continuation of his group health or dental insurance coverage with the Company after the Termination Date if Executive becomes eligible for comparable group health or dental insurance coverage from any other employer. For purposes of mitigation and reduction of the Company s financial obligations to Executive under *Section 13(a)*, Executive shall promptly and fully disclose to the Company in writing the fact that he has become eligible for comparable group health or dental insurance coverage from any other employer. Executive shall be liable to repay any amounts to the Company that should have been so mitigated or reduced but for Executive s failure or unwillingness to make such disclosures.

(g) Notwithstanding the foregoing provisions of this *Section 13*, the Company shall not be obligated to make any payments to Executive under *Sections 13(a)* hereof unless Executive shall have

signed a release of claims in favor of the Company and its Affiliates in a form to be prescribed by the Board, all applicable consideration and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of such payments.

(h) Notwithstanding any provision to the contrary contained in this Agreement, if the cash payments due and the other benefits to which Executive shall become entitled under this *Section 13*, either alone or together with other payments in the nature of compensation to Executive that are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company or otherwise, would constitute a parachute payment as defined in Section 280G of the Internal Revenue Code (the Code) or any successor provision thereto, such lump sum payment and/or such other benefits and payments shall be reduced (but not below zero) to the largest aggregate amount as will result in no portion thereof being subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or being non-deductible to the Company for federal income tax purposes pursuant to Section 280G of the Code (or any successor provision thereto). The outside accountants of the Company shall determine the amount of any reduction to be made pursuant to this *Section 13* and shall select from among the foregoing benefits and payments those that shall be reduced.

(i) In the event of termination of Executive s employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by *Sections 13(a)* or *13(b)* hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided by law, under the terms of any other applicable agreement between Executive and the Company, or under the terms of any employee benefit plans or programs then maintained by the Company in which Executive participates.

14. *Miscellaneous.*

(a) *Governing Law.* All matters relating to the interpretation, construction, application, validity and enforcement of this Agreement shall be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

(b) *Jurisdiction and Venue.* Executive and the Company consent to jurisdiction of the courts of the State of Minnesota and/or the federal district courts, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, shall be in Hennepin County, State of Minnesota.

(c) *Entire Agreement.* This Agreement and any stock option agreements entered into by the Company and Executive contain the entire agreement of the parties relating to Executive s employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein.

(d) *No Violation of Other Agreements.* Executive hereby represents and agrees that neither (i) Executive s entering into this Agreement nor (ii) Executive s carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is

sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (1) to an Affiliate or (2) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for purposes of all terms and conditions of this Agreement, including this *Section 14*.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(i) *Severability.* Subject to *Section 8(e)* hereof, to the extent that any portion of any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(j) *Captions and Headings.* The captions and paragraph headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date set forth in the first paragraph.

STELLENT, INC.

By: ________________________

Its ________________________

____

[Executive]

PART II

Item 20. ***Indemnification of Directors and Officers.***

The Company is subject to Minnesota Statutes Chapter 302A, the Minnesota Business Corporation Act. Section 302A.521 of the Minnesota Business Corporation Act provides in substance that, unless prohibited by its articles of incorporation or bylaws, a corporation must indemnify an officer or director who is made or threatened to be made a party to a proceeding by reason of his official capacity against judgments, penalties, fines, settlements and reasonable expenses, including attorneys fees and disbursements, incurred by such person in connection with the proceeding, if certain criteria are met. These criteria, all of which must be met with respect to the person to be indemnified, are (a) that such person has not been indemnified by another organization for the same judgments, penalties, fines, settlements and expenses; (b) that such person must have acted in good faith; (c) that no improper personal benefit was obtained by such person and such person satisfied certain statutory conflicts of interest provisions, if applicable; (d) that in the case of a criminal proceeding, such person had no reasonable cause to believe that the conduct was unlawful; and (e) that such person must have acted in a manner the person reasonably believed was in the best interests of the corporation or, in certain limited circumstances, not opposed to the best interests of the corporation. The determination as to eligibility for indemnification is made by the members of the corporation s board of directors or a committee of the board who are at the time not parties to the proceedings under consideration, by special legal counsel, by the shareholders who are not parties to the proceedings or by a court. Article 6 of the Company s Amended and Restated Bylaws requires indemnification by the Company to the full extent permitted by the laws of the State of Minnesota, as amended from time to time.

The Company also maintains a director and officer insurance policy to cover the Company, its directors and its officers against certain liabilities.

Item 21. ***Exhibits and Financial Statement Schedule.***

(a) *Exhibits:*

Exhibit No.	Description
2	Agreement and Plan of Merger, dated as of January 11, 2004, by and among Stellent, Inc., STEL Sub, Inc. and Optika Inc. (included in the joint proxy statement/ prospectus as Annex A). Stellent hereby agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.
4.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 of Stellent s Form 8-K dated August 29, 2001, File No. 0-19817).
4.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 4.2 of Stellent s Registration Statement on Form S-8, File No. 333-75828).
4.3	Share Rights Agreement between Stellent and Wells Fargo Bank Minnesota, N.A., as Rights Agent, dated as of May 29, 2002 (incorporated by reference to Exhibit 99.1 of Stellent s Registration Statement on Form 8-A12G, File No. 0-19817, filed June 3, 2002).
5	Opinion of Faegre & Benson LLP.
8.1	Form of opinion of Faegre & Benson LLP regarding tax matters.
8.2	Form of opinion of Morrison & Foerster LLP regarding tax matters.
9.1	Voting Agreement among Optika Inc. and the shareholders of Stellent, Inc. named therein, dated January 11, 2004, as amended by Amendment No. 1 to Voting Agreement dated January 27, 2004 (included in the joint proxy statement/ prospectus as Annex B).
9.2	Voting Agreement among Stellent, Inc. and the common stockholders of Optika Inc. named therein, dated January 11, 2004 (included in the joint proxy statement/ prospectus as Annex C).

Exhibit No.	Description
9.3	Written Consent and Voting Agreement among Stellent, Inc., Optika Inc. and the preferred stockholders of Optika Inc. named therein, dated January 11, 2004 (included in the joint proxy statement/ prospectus as Annex D).
10	Employment Agreement among Stellent, Inc., Mark K. Ruport and Optika Inc., dated January 11, 2004 (included in the joint proxy statement/ prospectus as Annex J).
23.1	Consent of Grant Thornton LLP, relating to financial statements of Stellent, Inc.
23.2	Consent of KPMG LLP, relating to financial statements of Optika Inc.
23.3	Consent of Faegre & Benson LLP (included in Exhibits 5 and 8.1).
23.4	Consent of Morrison & Foerster, LLP (included in Exhibit 8.2).
24	Powers of Attorney.
99.1	Form of Proxy of Stellent, Inc.
99.2	Form of Proxy of Optika Inc.
99.3	Fairness Opinion of RBC Dain Rauscher Inc. (included in the joint proxy statement/ prospectus as Annex E).
99.4	Fairness Opinion of Revolution Partners, LLC (included in the joint proxy statement/ prospectus as Annex F).
99.5	Consent of RBC Dain Rauscher Inc.
99.6	Consent of Revolution Partners, LLC.

Previously filed.

(b) *Financial Statement Schedule*

Incorporated by reference to the financial statement schedule included in Stellent s Annual Report on Form 10-K for the year ended March 31, 2003.

(c) *Reports, Opinions or Appraisals*

Information requested hereunder is furnished as Exhibits 5, 8.1, 8.2, 99.3 and 99.4 to this registration statement.

Item 22. ***Undertakings.***

(A) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the Securities Act);

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement, or the most recent post-effective amendment thereof, which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered, if the total dollar value of securities offered would not exceed that which was registered, and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act, if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(B) The undersigned Registrant hereby undertakes, that, for purposes of determining any liability under the Securities Act, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(C) The undersigned Registrant hereby undertakes:

(1) That before any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) That every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(D) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(E) The undersigned Registrant hereby undertakes:

(1) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(2) To supply by means of a post-effective amendment all information concerning the merger, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 2 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Eden Prairie, State of Minnesota, on the 21st day of April, 2004.

STELLENT, INC.

By /s/ GREGG A. WALDON

Gregg A. Waldon
Executive Vice President, Chief Financial Officer,
Secretary and Treasurer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 has been signed on the 21st day of April, 2004, by the following persons in the capacities indicated:

Signature	Title
/s/ ROBERT F. OLSON Robert F. Olson	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)
/s/ GREGG A. WALDON Gregg A. Waldon	Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)
* Kenneth H. Holec	Director
* Philip E. Soran	Director
* Raymond A. Tucker	Director
* Steven C. Waldron	Director

* Gregg A. Waldon, by signing his name hereto, does hereby sign this document on behalf of each of the above-named officers and directors of the registrant pursuant to powers of attorney duly executed by such persons.

By /s/ GREGG A. WALDON

Gregg A. Waldon

Attorney-in-Fact

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INDEX TO EXHIBITS

Exhibit Number	Exhibit	Manner of Filing
2	Agreement and Plan of Merger, dated as of January 11, 2004, by and among Stellent, Inc., STEL Sub, Inc. and Optika Inc. Stellent hereby agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.	Included in the joint proxy statement/ prospectus as Annex A.
4.1	Amended and Restated Articles of Incorporation.	Incorporated by reference to Exhibit 3.1 of Stellent s Form 8-K dated August 29, 2001, File No. 0-19817.
4.2	Amended and Restated Bylaws.	Incorporated by reference to Exhibit 4.2 of Stellent s Registration Statement on Form S-8, File No. 333-75828.
4.3	Share Rights Agreement between Stellent and Wells Fargo Bank Minnesota, N.A., as Rights Agent, dated as of May 29, 2002.	Incorporated by reference to Exhibit 99.1 of Stellent s Registration Statement on Form 8-A12G, File No. 0-19817, filed June 3, 2002.
5	Opinion of Faegre & Benson LLP.	Previously filed.
8.1	Form of opinion of Faegre & Benson LLP regarding tax matters.	Filed herewith.
8.2	Form of opinion of Morrison & Foerster, LLP regarding tax matters.	Filed herewith.
9.1	Voting Agreement among Optika Inc. and the shareholders of Stellent, Inc. named therein, dated January 11, 2004, as amended by Amendment No. 1 to Voting Agreement dated January 27, 2004.	Included in the joint proxy statement/ prospectus as Annex B.
9.2	Voting Agreement among Stellent, Inc. and the common stockholders of Optika Inc. named therein, dated January 11, 2004.	Included in the joint proxy statement/ prospectus as Annex C.
9.3	Written Consent and Voting Agreement among Stellent, Inc., Optika Inc. and the preferred stockholders of Optika Inc. named therein, dated January 11, 2004.	Included in the joint proxy statement/ prospectus as Annex D.
10	Employment Agreement among Stellent, Inc., Mark K. Ruport and Optika Inc., dated January 11, 2004.	Included in the joint proxy statement/ prospectus as Annex J.
23.1	Consent of Grant Thornton LLP, relating to financial statements of Stellent, Inc.	Filed herewith.
23.2	Consent of KPMG LLP, relating to financial statements of Optika Inc.	Filed herewith.
23.3	Consent of Faegre & Benson LLP.	Included in Exhibits 5 and 8.1.
23.4	Consent of Morrison & Foerster, LLP.	Included in Exhibit 8.2.
24	Powers of Attorney.	Previously filed.
99.1	Form of Proxy of Stellent, Inc.	Filed herewith.
99.2	Form of Proxy of Optika Inc.	Filed herewith.
99.3	Fairness Opinion of RBC Dain Rauscher Inc.	Included in the joint proxy statement/ prospectus as Annex E.
99.4	Fairness Opinion of Revolution Partners, LLC.	Included in the joint proxy statement/ prospectus as Annex F.
99.5	Consent of RBC Dain Rauscher Inc.	Previously filed.
99.6	Consent of Revolution Partners, LLC.	Previously filed.