

MANATRON INC
Form DEF 14A
August 27, 2004

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

MANATRON, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

510 East Milham Avenue
Portage, Michigan 49002

September 3, 2004

To Our Shareholders:

 You are cordially invited to attend the 2004 Annual Meeting of Shareholders of Manatron, Inc. The meeting will be held at the Radisson Plaza Hotel, in Kalamazoo, Michigan, on Thursday, October 14, 2004, at 10:00 a.m., local time.

 On the following pages, you will find the Notice of Annual Meeting of Shareholders and the Proxy Statement. The Proxy Statement and enclosed proxy card are being furnished to shareholders on or about September 3, 2004. A report on Manatron's activities and its outlook for the future also will be presented at the meeting.

 It is important that your shares be represented and voted at the Annual Meeting, regardless of the size of your holdings. Whether or not you plan to attend the Annual Meeting, we urge you to **sign, date and return as soon as possible** the enclosed proxy card. Sending a proxy will not affect your right to vote in person if you attend the meeting. However, if you hold your stock in a broker or bank "street" account and wish to vote your shares in person at the meeting, you must obtain the appropriate documentation from your broker or bank custodian and bring it with you to the meeting.

Respectfully,

Portage, Michigan
September 3, 2004

Randall L. Peat
Chairman of the Board of Directors

**Your Vote is Important. Even if you plan to attend the meeting,
PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.**

510 East Milham Avenue
Portage, Michigan 49002

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Our Shareholders:

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 The Annual Meeting of Shareholders of Manatron, Inc., will be held at the Radisson Plaza Hotel, in Kalamazoo, Michigan, on Thursday, October 14, 2004, at 10:00 a.m., local time, for the following purposes:

- (i) To elect two directors to serve three-year terms expiring in 2007;
- (ii) To approve the Stock Option and Restricted Stock Plan of 2004; and
- (iii) To transact any other business that may properly come before the meeting.

 Only shareholders of record as of the close of business on August 20, 2004, are entitled to notice of and to vote at the Annual Meeting.

 A copy of the Annual Report to Shareholders for the fiscal year ended April 30, 2004, is enclosed with this Notice. The following Proxy Statement and enclosed proxy card are being furnished to shareholders on or about September 3, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

Portage, Michigan
September 3, 2004

Jane M. Rix
Secretary

**Your Vote is Important. Even if you plan to attend the meeting,
PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.**

MANATRON, INC.

**510 East Milham Avenue
Portage, Michigan 49002**

ANNUAL MEETING OF SHAREHOLDERS

September 3, 2004

PROXY STATEMENT

 This Proxy Statement and the enclosed proxy card are being furnished to shareholders of common stock of Manatron, Inc. (the "Company") on or about September 3, 2004, in connection with the solicitation of proxies by the Board of Directors to be voted at the 2004 Annual Meeting of Shareholders, which will be held on Thursday, October 14, 2004, at 10:00 a.m., local time, and at any adjournment of that meeting. The Annual Meeting will be held at the Radisson Plaza Hotel in Kalamazoo, Michigan.

 The purpose of this Annual Meeting is to consider and vote upon: (i) the election of two directors to serve three-year terms expiring in 2007; (ii) the approval of the Stock Option and Restricted Stock Plan of 2004; and (iii) the transaction of any other business that may properly come before the meeting. Proxies in the accompanying form, if properly executed, duly returned to the Company and not revoked will be voted at the Annual Meeting. If a shareholder specifies a choice, the shares represented by proxy will be voted as specified. If no choice is specified, the shares represented by proxy will be voted for the election of both nominees named in this Proxy Statement, for approval of the Stock Option and Restricted Stock Plan of 2004 and in accordance with the discretion of the persons named as proxies on any other matters that may come before the meeting or any adjournment of the meeting. For purposes of determining the presence or absence of a quorum for the transaction of business at the meeting, all shares for which a proxy or vote is received, including abstentions and shares represented by a broker vote on any matter, will be counted as present and represented at the meeting.

 Any shareholder executing and returning the enclosed proxy card may revoke it at any time before it is exercised by delivering a written notice of revocation to the Secretary of the Company at the address set forth above or by attending and voting at the Annual Meeting.

 The Company does not know of any matter to be presented for consideration at the Annual Meeting other than that stated in the Notice of Annual Meeting of Shareholders. If any other matter should properly come before the meeting, the persons named in the proxy will have discretionary authority to vote in accordance with their judgment.

VOTING SECURITIES

 Holders of record of the Company's common stock, no par value ("Common Stock"), at the close of business on August 20, 2004, are entitled to notice of and to vote at the Annual Meeting of Shareholders and at any adjournment of the meeting. As of August 20, 2004, 4,361,508 shares of the Company's Common Stock were issued and outstanding. Shareholders are entitled to one vote on each matter presented for shareholder action for each share of Common Stock registered in their names at the close of business on the record date. Shares cannot be voted unless the shareholder is present at the Annual Meeting or represented by proxy.

ELECTION OF DIRECTORS

 The Board of Directors proposes that Gene Bledsoe and Paul R. Sylvester, both incumbent directors, be elected to serve three-year terms expiring in 2007.

 This Proxy Statement contains more information about the director nominees. The nominees presently are directors of the Company whose terms will expire at the 2004 Annual Meeting of Shareholders. Unless otherwise directed by a shareholder's proxy, the persons named as proxies intend to vote for the nominees identified above. Each

of the nominees has consented to being named in this Proxy Statement and to serve if elected. If any nominee is unable to serve or is otherwise unavailable for election, which is not now anticipated, the Board of Directors may or may not select a substitute nominee. If a substitute nominee is selected, all proxies will be voted for the election of the substitute nominee designated by the Board of Directors. If a substitute nominee is not selected, all proxies will be voted for the election of the remaining nominee. Proxies will not be voted for a greater number of persons than the number of nominees named in this Proxy Statement.

A plurality of the shares present in person or represented by proxy and voting on the election of directors is required to elect directors. For the purpose of counting votes on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as shares voted on the election, and the number of shares for which a plurality is required will be reduced by the number of shares not voted.

**Your Board of Directors Recommends That You
Vote FOR the Election of All Nominees as Directors**

APPROVAL OF STOCK OPTION AND RESTRICTED STOCK PLAN OF 2004

General

The Board of Directors believes that the Company's long-term interests would be advanced by aligning the interests of its directors and certain officers and other key employees with the interests of its shareholders. Therefore, to attract, retain and motivate directors, officers and key employees of exceptional abilities, and to recognize the significant contributions these individuals have made to the long-term performance and growth of the Company and its subsidiary, on July 22, 2004, the Board of Directors adopted and approved, subject to shareholder approval, the Manatron, Inc. Stock Option and Restricted Stock Plan of 2004 (the "Incentive Plan"). The Incentive Plan is intended to supplement and continue the compensation policies and practices of the Company's other stock incentive plans, which the Company has used for several years. Because there are a limited number of shares available for issuance under previously authorized stock incentive plans, the Board of Directors believes that approval of the Incentive Plan is now advisable to make additional shares available for stock options and other awards.

The Company intends to use the Incentive Plan to grant equity-based incentives to eligible participants. Most of the options granted under the previously authorized stock incentive plans have been incentive stock options within the meaning of the Code, with an exercise price equal to the market price of the stock on the date of the grant. The Incentive Plan would continue to authorize the grant of these incentive stock options. However, the proposed Incentive Plan also would permit the grant of other forms of long-term incentive compensation, if determined to be desirable to advance the purposes of the Incentive Plan. These other forms of long-term incentive compensation include non-qualified stock options, restricted stock and stock awards (together with incentive stock options, collectively referred to

as "Incentive Awards"). By combining in a single plan many types of incentives commonly used in long-term incentive compensation programs, the Incentive Plan is intended to provide the Company with flexibility in designing specific long-term incentives to best promote the objectives of the Incentive Plan and in turn promote the interests of our shareholders.

 If shareholders approve the Incentive Plan, then Incentive Awards may be granted to eligible Participants. No Incentive Awards would be granted under the Incentive Plan on a date that is more than ten years after the Incentive Plan's effective date. The effective date of the Incentive Plan will be the date of the Annual Meeting, if the shareholders approve the Incentive Plan. Incentive Awards would be granted under the Incentive Plan to Participants for no cash consideration or for such minimum consideration as determined by the Compensation Committee. The Incentive Plan would not be qualified under Section 401(a) of the Code and would not be subject to the ERISA.

 The following is a summary of the principal features of the Incentive Plan; however, it is not complete and, therefore, you should not rely solely on it for a detailed description of every aspect of the Incentive Plan. The summary is qualified in its entirety by reference to the terms of the Incentive Plan, a copy of which is attached as **Appendix A** to this Proxy Statement.

Eligible Participants

 The Company anticipates that the primary persons who will receive Incentive Awards under the Incentive Plan will be directors of the Company (seven persons immediately after the Annual Meeting) and officers (currently seven persons, two of whom are directors) and other key employees (who could include any and all employees of the Company) of the Company and its subsidiary. Additional individuals may become directors, officers or key employees in the future and could participate in the Incentive Plan. Directors, nominees for director, officers and key employees of the Company and its subsidiary may be considered to have an interest in the Incentive Plan either because they have already received or may in the future receive Incentive Awards under it.

 No Incentive Awards have been granted or received under the Incentive Plan through the date of this Proxy Statement, including by the individuals and groups listed within the table below. The following table sets forth the Incentive Awards that would have been awarded to the listed individuals and groups under the Incentive Plan during fiscal year 2004 if the Incentive Plan had been in effect for fiscal year 2004 and that are determinable. It does not set forth any grants made under the Company's previously authorized option or stock incentive plans. Furthermore, it does not set forth options or other Incentive Awards that may be granted in the future under the Incentive Plan, because they are not determinable at this time except as noted.

New Plan Benefits

Stock Option and Restricted Stock Plan of 2004(1)

Name and Position	Dollar Value \$(2)	Number of Shares(3)
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Paul R. Sylvester President and Chief Executive Officer	\$	--	--
Randall L. Peat Chairman of the Board		--	--
G. William McKinzie Chief Operating Officer		--	--
Early L. Stephens Chief Technology and Marketing Officer		--	--
Marty A. Ulanski Executive Vice President of Sales and Business Development		--	--
Executive Group	\$	--	--
Non-Executive Director Group(4)	\$	50,000	7,194 (4)
Non-Executive Officer Employee Group(5)	\$	--	--

- (1) Because the Incentive Plan is subject to shareholder approval and cannot be effective until the 2004 Annual Meeting, no Incentive Awards have been made under the Incentive Plan. This table represents the Incentive Awards that would have been awarded under the Incentive Plan during fiscal year 2004 if the Incentive Plan had been in effect for fiscal year 2004.
- (2) The Dollar Value is derived by multiplying the closing stock price on the respective grant dates by the total number of shares granted.
- (3) It is not possible to determine the number of restricted shares or options that would have been awarded during fiscal year 2004 under the Incentive Plan, because the Company already has other restricted stock and option plans that are in effect and under which restricted shares and options may still be awarded. Some or all restricted shares and options could have been awarded under any, some or all of these plans or the Incentive Plan.
- (4) These awards were not actually made - they represent the amounts that would have been awarded during fiscal year 2004 if the Incentive Plan had been in effect for fiscal year 2004: each continuing "non-employee director" (within the meaning of Rule 16b-3 under the Exchange Act) who is serving on the applicable date would automatically receive annually pursuant to the Incentive Plan, on the date of the close of the Annual Meeting of shareholders, an Incentive Award of Ten Thousand Dollars (\$10,000) worth of restricted stock, based on the market price of the Manatron's Common Stock on such date, each share of which would not be transferable for one year. With respect to the annual awards of restricted stock to non-employee directors (there were 5 non-employee directors on the date of last year's annual meeting), the number of shares was derived by dividing the market price of the awards (an aggregate of \$50,000) by the market price on the date of last year's annual meeting of shareholders (\$6.95).

- (5) The Non-Executive Officer Employee Group consists of all other employees as a group, including current officers who are not executive officers.

Authorized Shares

Subject to certain anti-dilution and other adjustments, 200,000 shares of Common Stock would be available for issuance under the Incentive Plan. On August 20, 2004, the closing price of Manatron's Common Stock on the NASDAQ SmallCap Market was \$8.56 per share. No participant would be entitled to receive, during any calendar year, Incentive Awards issued under the Incentive Plan with respect to more than 75,000 shares of Common Stock. Upon the occurrence of certain corporate events (e.g., merger, stock dividend), the Compensation Committee could adjust the number, class and kind of shares subject to the Incentive Plan and the exercise price of shares subject to outstanding options. The Company has registered shares of Common Stock authorized by the Incentive Plan under the Securities Act of 1933. If the Incentive Plan is not approved by the shareholders, no Incentive Awards will be made under the Incentive Plan.

Administration of the Incentive Plan

The Incentive Plan would be administered by the Compensation Committee. The Compensation Committee would determine, subject to the terms of the Incentive Plan, the persons to receive Incentive Awards, the nature and amount of Incentive Awards to be granted to each person (subject to the limits specified in the Incentive Plan), the time of each grant, the terms relating to and the duration of each grant and all other determinations necessary or advisable for administration of the Incentive Plan. The Compensation Committee could amend the terms of Incentive Awards granted under the Incentive Plan from time to time in any manner, subject to the limitations specified in the Incentive Plan.

Stock Options

The Incentive Plan would permit the Company to grant to participants options to purchase shares of Common Stock at stated prices for specific periods of time. Some stock options may qualify as incentive stock options as defined in Section 422 of the Code. Other stock options would not be incentive stock options within the meaning of the Code. Incentive stock options would be available only for officers and employees and would not be available for non-employee directors. Stock options could be granted at any time before October 13, 2014, unless the Board terminates the Incentive Plan before that time. The Compensation Committee could award options for any amount of consideration, or no consideration, as the Compensation Committee determines.

The Compensation Committee would establish the terms of individual stock option grants in stock option agreements or certificates of award, or both. These documents would contain terms, conditions and restrictions that the Compensation Committee determines to be appropriate. These restrictions could include vesting requirements to encourage long-term ownership of shares. The terms could also provide for automatic regrants of options for the number of previously owned shares held by that individual for at least six months that are surrendered to the Company in connection with the exercise of an outstanding stock option, or the payment of taxes in connection with the vesting of restricted stock or the exercise of a stock option.

The exercise price of a stock option would be determined by the Compensation Committee, but must be at least 100% of the market value of Common Stock on the date of grant. No Incentive Award could be repriced, replaced, regranted through cancellation or modified without shareholder approval if the effect of such repricing, replacement, regrant or modification would be to reduce the exercise price of then-outstanding Incentive Awards to the same participants.

When exercising all or a portion of a stock option, a participant could pay the exercise price with cash or, if permitted by the Compensation Committee, shares of Common Stock that the participant has held for at least six months or other consideration substantially equal to cash. The Compensation Committee could also authorize payment of all or a portion of the exercise price in the form of a promissory note or installment payments, except as limited by the Sarbanes-Oxley Act or other laws, rules or regulations. Any promissory notes or installment payments must be with full recourse and at the market rate of interest. The Board of Directors could restrict or suspend the power of the Compensation Committee to permit such loans, however, and could require that adequate security be provided.

Although the term of each stock option would be determined by the Compensation Committee, no stock option would be exercisable under the Incentive Plan after 10 years from the date it was granted. Stock options generally would be exercisable for limited periods of time if an option holder dies, becomes disabled, is terminated without cause or voluntarily leaves his or her employment or directorship before retirement (as defined in the Incentive Plan). If an option holder is terminated for cause (as determined by the Compensation Committee or officers designated by the Compensation Committee), the option holder would forfeit all rights to exercise any outstanding stock options. Subject to the other terms of the Incentive Plan, if an option holder retires (as specified in the Incentive Plan), he or she could exercise options for the remainder of their terms, unless the terms of the option agreement or award provide otherwise.

Without Compensation Committee approval, stock options granted under the Incentive Plan generally could not be transferred, except by will or by the laws of descent and distribution, unless transfer is permitted by the terms of the grant or the applicable stock option agreement. The Compensation Committee could impose other restrictions on shares of Common Stock acquired through a stock option exercise.

Federal Tax Consequences of Stock Options

Incentive Stock Options. Under current federal income tax laws, an option holder would not recognize income and the Company would not receive a deduction at the time an incentive stock option is granted. An option holder exercising an incentive stock option would not recognize income at the time of the exercise. The difference between the market value and the exercise price would, however, be a tax preference item for purposes of calculating alternative minimum tax. Upon the sale or other disposition of the underlying stock, as long as (i) the option holder held the stock for at least one year after the exercise of the stock option and at least two years after the grant of the stock option, and (ii) the stock option is exercised not later than three months after termination of employment (one year in the event of disability), the option holder's basis would equal the exercise price, and the option holder would pay tax on the difference between the sale proceeds and the exercise price as capital gain. The Company would receive no deduction for federal income tax purposes. Special rules apply when a participant owns a stock option when the participant dies.

If an option holder fails to meet any of the conditions described above relating to holding periods and exercises following termination of employment, he or she generally would recognize compensation taxed as ordinary income equal to the difference between (i) the lesser of (a) the fair market value of the stock at the time of exercise or (b) the amount realized on the sale or disposition and (ii) the exercise price paid for the stock. The Company would then receive a corresponding deduction for federal income tax purposes. Additional gains, if any, recognized by the option holder would result in the recognition of capital gain.

 Nonqualified Stock Options. Federal income tax laws provide different rules for nonqualified stock options that do not meet the Code's definition of an incentive stock option. An option holder would not recognize any income and the Company would not receive a deduction when a nonqualified stock option is granted. If a nonqualified stock option is exercised, the option holder would recognize compensation income equal to the difference between the fair market value of the stock on the date of exercise and the exercise price paid. The Company would receive a corresponding deduction for federal income tax purposes, except to the extent that the deduction limits of Section 162(m) of the Code apply. The option holder's tax basis in the shares acquired would be the exercise price paid plus the amount of compensation income recognized. Sale of the stock after exercise would result in recognition of short-term or long-term capital gain (or loss).

Restricted Stock

 The Incentive Plan also permits the Compensation Committee to award restricted stock, subject to the terms and conditions set by the Compensation Committee that are consistent with the Incentive Plan. The Compensation Committee could award restricted stock for any amount of consideration, or no consideration, as the Compensation Committee determines.

 As with stock option grants, the Compensation Committee would establish the terms of individual awards of restricted stock in restricted stock agreements or certificates of award. Restricted stock granted to a participant would "vest" (i.e., the restrictions on it would lapse) in the manner and at the times that the Compensation Committee determines.

 Unless the Compensation Committee otherwise consents or permits or unless the terms of a restricted stock agreement or award provide otherwise, if a participant's employment, officer status or directorship is terminated during the restricted period (i.e., the period of time during which restricted stock is subject to restrictions) for any reason other than death, disability or retirement, the shares of the participant's restricted stock that are still subject to restrictions at that time would be forfeited and returned to the Company. If the participant's employment or directorship is terminated during the restricted period because of death, disability or retirement, the restrictions on the participant's shares of restricted stock would terminate automatically with respect to that number of shares (rounded to the nearest whole number) equal to the total number of shares of restricted stock awarded to the participant, multiplied by the number of full months that have elapsed since the date of grant, divided by the total number of full months in the restricted period. All of the remaining shares would be forfeited and returned to the Company, unless the Compensation Committee provides otherwise.

 Without Compensation Committee authorization, until the restricted stock vests a recipient of restricted stock would not be allowed to sell, exchange, transfer, pledge, assign or otherwise dispose of restricted stock other than to the Company or by will or the laws of descent and distribution. All rights with respect to restricted stock would only be exercisable during a participant's lifetime by the participant or his or her guardian or legal representative. The Compensation Committee could impose additional restrictions on shares of restricted stock. Holders of restricted stock would enjoy other rights of a shareholder with respect to restricted stock, including the right to vote restricted shares at shareholders' meetings and the right to receive dividends. Unless the Compensation Committee otherwise determines, any noncash dividends or distributions paid with respect to unvested restricted stock would be subject to the same terms, conditions and restrictions that are applicable to the restricted stock for which the

shares are received.

 Except as otherwise determined by the Compensation Committee, each continuing "non-employee director" (within the meaning of Rule 16b-3 under the Exchange Act) who is serving on the applicable date will automatically be granted annually, on the date of the close of the annual meeting of

shareholders (beginning with the meeting held on October 14, 2004), an award of Ten Thousand Dollars (\$10,000) worth of Restricted Stock, based on the market price of the Common Stock on such date, rounded to the nearest whole number of shares of restricted stock, and such restricted stock shall be restricted from being transferred in any way for a period of one year from the date the restricted stock is granted, except by will or according to the laws of descent and distribution.

Federal Tax Consequences of Restricted Stock

 Generally, under current federal income tax laws a participant would not recognize income upon the award of restricted stock. However, a participant would be required to recognize compensation income at the time the restricted stock vests equal to the difference between the fair market value of the stock at vesting and the amount paid for the stock (if any). At the time the participant recognizes compensation income, the Company would be entitled to a corresponding deduction for federal income tax purposes, except to the extent that the deduction limits of Section 162(m) of the Code apply. If restricted stock is forfeited by a participant, the participant would not recognize income and the Company would not receive a deduction. Before the time the restricted stock vests, dividends paid on restricted stock would be reported as compensation income to the participant and the Company would receive a corresponding deduction.

 A participant could, within 30 days after the date of an award of restricted stock, elect to report compensation income for the tax year in which the restricted stock is awarded. If the participant makes this election, the amount of compensation income would be equal to the difference between the fair market value of the restricted stock at the time of the award and the amount paid for the stock (if any). Any later appreciation in the value of the restricted stock would be treated as capital gain and recognized only when the participant sells the restricted stock. Dividends received after such an election would be taxable as dividends and not treated as additional compensation income. If, however, restricted stock is forfeited after the participant makes such an election, the participant would not be allowed any deduction for the amount that he or she earlier reported as income. Upon the sale of restricted stock, a participant would recognize capital gain (or loss) in the amount of the difference between the sale price and the participant's basis in the stock.

Stock Awards

 The Incentive Plan also permits the Compensation Committee to make stock awards. The Compensation Committee could make stock awards for any amount of consideration, or no consideration, as the Compensation Committee determines. A stock award of Common Stock would be subject to terms and conditions set by the Compensation Committee at the time of the award. Stock award recipients would generally have all voting, dividend, liquidation and other rights with respect to awarded shares of Common Stock. However, the Compensation Committee could impose restrictions on the assignment or transfer of Common Stock awarded under the Incentive Plan.

Federal Tax Consequences of Stock Awards

 The recipient of a stock award generally would recognize compensation income equal to the difference between the fair market value of the stock when it is awarded and the amount paid for the stock (if any). The recipient's tax basis in the stock would equal the amount of compensation income recognized on the award plus the amount paid by the recipient for the stock (if any). The Company would be entitled to a corresponding deduction equal to the amount of compensation income recognized by the recipient, except to the extent that the deduction limits of Section 162(m) of the Code apply. Upon a subsequent sale of the stock, the recipient would recognize capital gain or loss equal to the difference

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between the amount realized on the sale and his or her basis in the stock. Different rules may apply where the stock is transferred subject to a "substantial risk of forfeiture."

Effects of a Change in Control of the Company

 Upon the occurrence of a Change in Control of the Company (as defined in the Incentive Plan), all outstanding stock options would become immediately exercisable in full and would remain exercisable in accordance with their terms. All other outstanding Incentive Awards under the Incentive Plan would immediately become fully vested, exercisable and nonforfeitable. In addition, the Compensation Committee, without the consent of any affected participant, could determine that some or all participants holding outstanding stock options would receive, in lieu of some or all of their stock options, cash in an amount equal to the greater of the excess of (i) the highest sale price of the shares on the NASDAQ SmallCap Market (or whatever quotation system or stock exchange on which Common Stock is listed at the time) on the day before the effective date of the Change in Control or (ii) the highest price per share actually paid in connection with the Change in Control, over the exercise price of the stock options.

Tax Withholding

 If Incentive Awards are made under the Incentive Plan, the Company could withhold from any cash otherwise payable to a participant or require a participant to remit to the Company enough cash to satisfy federal, state, local and foreign withholding and employment-related taxes attributable to an Incentive Award. Unless the Compensation Committee determines otherwise, minimum required tax withholding obligations could also be satisfied by withholding Common Stock to be received upon exercise of or vesting of an Incentive Award or by delivering to the Company previously-owned shares of Common Stock.

Termination and Amendment of the Plan

 The Board of Directors could terminate the Incentive Plan at any time and could from time to time amend the Incentive Plan as it considers proper and in the Company's best interests, provided that no amendment could impair any outstanding Incentive Award without the consent of the participant, except according to the terms of the Incentive Plan or the Incentive Award. No termination, amendment or modification could become effective with respect to any Incentive Award outstanding under the Incentive Plan without the prior written consent of the participant holding the award, unless the amendment or modification operated solely to the participant's benefit. The Company could also suspend a participant's rights under the Incentive Plan for a period of up to 30 days while that participant's termination for cause is considered.

Effective Date of the Plan

 Subject to shareholder approval, the Incentive Plan would take effect on October 14, 2004, and, unless terminated earlier by the Board of Directors, no awards could be made under the Incentive Plan after October 13, 2014.

 If the Incentive Plan is not approved by the shareholders, no Incentive Awards will be made under the Incentive Plan to any Company director, officer or employee, including the Chief Executive Officer or any of the four most highly compensated executive officers, or any other person.

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Section 162(m) of the Code

 Section 162(m) of the Code limits to \$1,000,000 the annual income tax deduction that a publicly held corporation may claim for compensation paid to its chief executive officer and to its four most highly compensated officers other than the chief executive officer. Qualified "performance-based" compensation is exempt from the \$1,000,000 limit and may be deducted even if other compensation exceeds \$1,000,000. The proposed Incentive Plan is intended to provide performance-based compensation under Section 162(m) to permit compensation associated with stock options awarded under the Incentive Plan to be tax deductible to the Company while allowing, as nearly as practicable, the continuation of the Company's preexisting practices with respect to the award of stock options. No participant in the Incentive Plan may be granted, with respect to any calendar year, awards representing more than 75,000 shares of Common Stock available for awards under the Incentive Plan.

Vote Required

 The affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and voting on this proposal is required to approve the Incentive Plan. For purposes of counting votes on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as shares voted on the proposal, and the number of shares for which a majority is required will be reduced by the number of shares not voted.

**Your Board of Directors Recommends That You
Vote FOR Approval of the Stock Option and Restricted Stock Plan of 2004**

OWNERSHIP OF COMMON STOCK
Five Percent Holders

The following table sets forth information as to each person known to the Company to have been the beneficial owner of more than 5% of the Company's outstanding shares of Common Stock as of August 20, 2004. The number of shares stated is based on information provided by each person listed and includes shares personally owned of record by the person and shares which, under applicable regulations, are considered to be otherwise beneficially owned by the person.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock			
	Sole Voting and Dispositive Power(1)	Shared Voting or Dispositive Power(2)	Total Beneficial Ownership(1)	Percent of Class(3)
Randall L. Peat 510 East Milham Avenue Portage, Michigan 49002	431,767	1,334	433,101	8.8%
J. Wayne Moore 4105 Executive Drive Beavercreek, Ohio 45430	309,734	198	309,932	6.3%

(1) These numbers include shares that may be acquired through options that are exercisable within 60 days after August 20, 2004. The number of shares that may be acquired through options that are exercisable within 60 days after August 20, 2004, for each listed person is as follows:

Randall L. Peat	30,000
J. Wayne Moore	0

(2) These numbers include shares over which the listed person is legally entitled to share voting or dispositive power by reason of joint ownership, trust or other contract or property right, and shares held by spouses or children or other relatives over whom the listed person may have substantial influence by reason of relationship.

- (3) These percentages represent the number of shares owned by each beneficial owner as of August 20, 2004, plus the shares that may be acquired by each beneficial owner through the exercise of outstanding stock options within 60 days by each after August 20, 2004, as a percentage of the total of all outstanding shares as of August 20, 2004, plus the total of all shares that may be acquired through the exercise of outstanding stock options by each beneficial owner within 60 days after August 20, 2004.

Securities Ownership of Management

The following table sets forth the number of shares of Common Stock beneficially owned as of August 20, 2004, by each of the Company's directors, nominees for director and the Chief Executive Officer, as well as the four other most highly compensated executive officers (the "named executive officers") and all of the Company's directors and officers as a group. The number of shares stated is based on information provided by each person listed and includes shares personally owned of record by the person and shares which, under applicable regulations, are considered to be otherwise beneficially owned by the person.

Amount and Nature of Beneficial Ownership of Common Stock

Name of Beneficial Owner	Sole Voting and Dispositive Power(1)	Shared Voting or Dispositive Power(2)	Total Beneficial Ownership(1)	Percent of Class(3)
W. Scott Baker, Director	5,000	--	5,000	*
Gene Bledsoe, Director	27,849	1,102	28,951	*
Richard J. Holloman, Director	167,202	--	167,202	3.4%
G. William McKinzie, Executive Officer	65,137	--	65,137	1.3%
Randall L. Peat, Executive Officer and Director	431,767	1,334	433,101	8.8%
Early L. Stephens, Executive Officer	74,746	--	74,746	1.5%
Paul R. Sylvester, Executive Officer and Director	198,072	--	198,072	4.0%

BOARD OF DIRECTORS

By Board resolution, the Company's Board of Directors is currently set at seven members, two of whom are standing for reelection. The Board of Directors is divided into three classes, with each class to be as nearly equal in number as possible. Generally, each class of directors serves a term of office of three years, with the term of each class expiring at the Annual Meeting of Shareholders in each successive year. This year, the Board of Directors has nominated Gene Bledsoe and Paul R. Sylvester to serve three-year terms.

Biographical information is presented below for each person who either is nominated for election as a director at the 2004 Annual Meeting of Shareholders or is continuing as an incumbent director. Unless otherwise noted, each director and nominee for director has had the same principal employment for the last five years.

Nominees for Election to Terms Expiring in 2007

Gene Bledsoe (age 59) has been a director since 1993. Mr. Bledsoe served as the Managing Partner of the Casal Group Corporation from 1992 to 2002, a computer industry marketing services and

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management consulting firm based in Dallas, Texas. Since 2002, Mr. Bledsoe has been a marketing and technology consultant with Virginia Cook, Realtors located in Dallas, Texas.

Paul R. Sylvester (age 45) has been a director since 1987. Mr. Sylvester became President and Chief Executive Officer of the Company in March of 1996. Mr. Sylvester served as the Company's Vice President-Finance and Chief Financial Officer from 1987 until 1998. Mr. Sylvester is also a Director and Chairman of the Audit Committee of X-Rite, Incorporated (Nasdaq), a leading global provider of systems and solutions for color and light measurement.

Incumbent Directors Whose Terms Expire in 2005

Randall L. Peat (age 56) has been a director since 1972. Mr. Randall Peat was one of the founders of the Company and became Chairman of the Board of Directors in October of 1995. In addition to his chairman responsibilities, Mr. Randall Peat is actively involved in sales and marketing for the Company. Mr. Randall Peat has held a number of positions with the Company, including President of the Company's Gavel Division, during the last thirty years.

Stephen C. Waterbury (age 54) has been a director since 1991. Mr. Waterbury is a partner at the law firm of Warner Norcross & Judd LLP located in Grand Rapids, Michigan.

Incumbent Directors Whose Terms Expire in 2006

Richard J. Holloman (age 50) has been a director since 1992. Since 2002, Mr. Holloman has served as National Account Manager for Misys Healthcare Systems, which designs, develops and supports information products for hospitals, physicians, commercial laboratories, physician practices and home care providers. From 1997 until 2002, Mr. Holloman served as President and Chief Executive Officer of VisionAir, Inc., located in Wilmington, North

Carolina, which designs, develops and distributes Emergency 911 and public safety software and related services to local governments nationwide.

 Harry C. Vorys (age 79) has been a director since 1986. Before his retirement in July of 1990, Mr. Vorys was an Executive Vice President and Director of Citizens Trust and Savings Bank of South Haven, Michigan, which later merged into Shoreline Bank. Mr. Vorys served as a director of Shoreline Financial Corporation, the former holding company of Shoreline Bank, from inception to 1997. Mr. Vorys is currently retired and serves as President of St. Johns Northwestern Military Academy Foundation, Inc., a non-profit organization.

 W. Scott Baker (age 42) has been a director since 2000. Mr. Baker currently is the President of National Nail Corporation, a building materials manufacturer and distributor, and has held this position since May of 1997. From 1983 to May of 1997, Mr. Baker was employed with Arthur Andersen, LLP, an auditing, management and technology consulting firm, where he served as Partner from 1996 to 1997.

Shareholder Communication with the Board

 Shareholders may communicate with the Board of Directors by writing to the directors care of the Company's Corporate Secretary at: ATTN: Jane M. Rix - Confidential, Manatron, Inc., 510 E. Milham Avenue, Portage, Michigan 49002. The Corporate Secretary will review any shareholder communications and, if appropriate, forward them as directed.

BOARD COMMITTEES AND MEETINGS

 The Company's Board of Directors, which is responsible for the overall management of the business and affairs of the Company, held five meetings during fiscal 2004. Although Manatron has not adopted a written policy with respect to the attendance of its directors at Board and committee meetings, directors are expected to make every effort to personally attend every Board meeting and every meeting of each committee on which they serve as a member. The Board is scheduled to meet at least quarterly and may meet more frequently. Independent directors meet in executive sessions, without the presence of management, after each regularly scheduled Board of Directors meeting. Each director attended 75% or more of the aggregate of the total number of Board of Directors meetings and of the total number of committee meetings of which he was then a member. Six of the eight then-current directors attended the 2003 annual meeting.

 The Board of Directors has determined that Messrs. Baker, Bledsoe, Holloman, Vorys and Waterbury meet the applicable National Association of Securities Dealers, Inc. ("NASD") and Securities and Exchange Commission ("SEC") standards for independence, including the heightened standard for Audit Committee members, and have no material relationship with the Company. Each director is subject to the Manatron Inc. Code of Ethics and Conduct, a copy of which is posted on the Company's website at www.manatron.com.

 The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee. Effective July 22, 2004, the Compensation Committee and the Stock Option Committee were combined into a single committee, to be known as the

Compensation Committee. The members of each committee are appointed by the Board of Directors.

 nbsp; **Audit Committee.** The Audit Committee is responsible for, among other things: (i) appointing, retaining and approving the compensation of and providing oversight of the independent auditors; (ii) reviewing and approving the scope of the yearly audit plan; (iii) reviewing the results of the annual audit with management and the independent auditors; (iv) reviewing the Company's internal controls with the independent auditors; (v) reviewing the recommendations of independent auditors for accounting or operational improvements; (vi) reviewing nonaudit services and special engagements to be performed by the independent auditors; and (vii) reporting to the Board of Directors on the Audit Committee's activities and findings and making recommendations to the Board of Directors on these findings. The Audit Committee met four times during fiscal 2004.

 nbsp; The members of the Audit Committee are Messrs. Baker (Chairman), Vorys and Bledsoe. The Audit Committee meets the definitions of an "audit committee" under applicable NASD and SEC rules. The Board of Directors has determined that each member of the Audit Committee is independent, as that term is defined in Rule 4200(a)(15) and Rule 4350(d)(2)(A) of the NASD and in applicable rules of the SEC. The Board of Directors has determined that Mr. Baker is an audit committee financial expert, as that term is defined in Item 401(h)(2) of SEC Regulation S-K. Effective July 7, 2004, the Board of Directors amended and restated the written charter for the Audit Committee, a copy of which is attached as **Appendix B** to this Proxy Statement.

 nbsp; **Compensation Committee.** The responsibilities of the Compensation Committee include (i) recommending the cash and other incentive compensation, if any, to be paid to the Company's Chief Executive Officer and certain other executive officers; (ii) the administration and award of stock options and restricted stock under the Company's stock plans; and (iii) the review of all material proposed option plan changes. In addition, the Compensation Committee determines the key employees to whom options

and restricted stock will be granted, the number of shares covered by each option or award, the exercise price of each option, and other matters associated with option and restricted stock awards.

 nbsp; The Compensation Committee currently consists of Messrs. Vorys (Chairman) and Bledsoe. Until July of 2004, it consisted of Messrs. Vorys (Chairman), Bledsoe and Waterbury. The Board of Directors has determined that each member of the Compensation Committee is independent, as that term is defined in Rule 4200(a)(15) of the NASD. The Compensation Committee met twice during fiscal 2004. In July 2004, the Board of Directors adopted a written charter for the Compensation Committee. A copy of the charter is posted on the Company's website at www.manatron.com.

 nbsp; **Nominating Committee.** The Nominating Committee considers and evaluates the qualifications of potential candidates for the Board of Directors and recommends appropriate candidates to the full Board of Directors. It also monitors and makes recommendations to the Board of Directors regarding the Company's Corporate Governance Policy (a copy of which is posted on the Company's website at www.manatron.com.) and other matters of policy and practice relating to corporate governance. The Nominating Committee consists of Messrs. Stephen C. Waterbury (Chairman), Vorys and Holloman. The Board of Directors has determined that each member of the Nominating Committee is independent, as that term is defined in Rule 4200(a)(15) of the NASD. The Nominating Committee did not meet during fiscal 2004. In July 2004, the Board of Directors adopted a written charter for the Nominating Committee. A copy of the charter is posted on the Company's website at www.manatron.com.

 A shareholder of record of shares of a class entitled to vote at any meeting of shareholders called for the election of directors (an "Election Meeting") may make a director nomination at the Election Meeting if, and only if, that shareholder first has delivered, not less than 120 days before the date of the Election Meeting in the case of an Annual Meeting, and not more than seven days following the date of notice of the Election Meeting in the case of a special meeting, a notice to the Secretary of the Company setting forth with respect to each proposed nominee: (i) the name, age, business address and residence address of the nominee; (ii) the principal occupation or employment of the nominee; (iii) the number of shares of capital stock of the Company that are beneficially owned by the nominee; (iv) a statement that the nominee is willing to be nominated and to serve; and (v) such other information concerning the nominee as would be required under the rules of the SEC to be included in a proxy statement soliciting proxies for the election of the nominee. The Nominating Committee shall consider every nominee so proposed by a shareholder and report each such nomination along with the Nominating Committee's recommendation to the full Board. The Nominating Committee may also, in its discretion, consider shareholders' informal recommendations of possible nominees. Shareholders may send such informal recommendations to the Nominating Committee by communicating with the Nominating Committee as described above under the heading "Board of Directors - Shareholder Communications with the Board."

 The Board of Directors believes that the Company and its shareholders are best served by having a Board of Directors that brings a diversity of education, experience, skills, and perspective to Board of Directors meetings. Accordingly, there are no specific or minimum qualifications or criteria for nomination for election or appointment to the Board of Directors. In making nominee recommendations to the Board, the Nominating Committee considers a potential nominee's ability, judgment and personal and professional integrity. The Nominating Committee seeks nominees who are likely to be most effective, in conjunction with other nominees and Board members, in collectively serving the long-term interests of the stockholders. Important considerations include a strong understanding of financial statements, experience functioning at an executive level with profit and loss responsibility, experience with publicly traded companies, experience in a company that is niche-oriented, is focused on performance-oriented products, is technology driven and/or operates in a competitive environment. The Nominating Committee identifies and evaluates nominees for director on a case-by-case basis and has no

written procedures for doing so. There is no material difference in the manner in which the Nominating Committee evaluates nominees for director that were recommended by a shareholder.

 Executive Committee. The Executive Committee has the authority to exercise the powers of the Board of Directors in managing the Company's business affairs and property during intervals between meetings of the Board of Directors. The Executive Committee consists of Messrs. Waterbury, Peat and Sylvester. The Executive Committee has not met since the last Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

 The Audit Committee of the Board of Directors oversees the Company's financial reporting process on behalf of the Board of Directors. It meets with management and the Company's independent registered public accounting firm from time to time and reports the results of its activities to the Board of Directors. In this capacity, the Audit Committee has done the following:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended April 30, 2004.

We have discussed with the independent registered public accounting firm ("auditors") the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the auditors required by Independence Standard No. 1, *Independence Discussions with Audit Committees*, as amended, by the Independence Standards Board, and have discussed with the auditors the auditors' independence including a consideration of the compatibility of non-audit services with their independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the Company's Form 10-K Report for the year ended April 30, 2004.

Respectfully submitted,

W. Scott Baker (Chairman)
Gene Bledsoe
Harry C. Vorys

COMPENSATION OF DIRECTORS

Effective as of the October 14, 2004 meeting of the Board of Directors, non-employee directors will receive an \$8,000 annual retainer fee plus additional compensation in accordance with the following: \$1,000 for attendance at each meeting of the Board of Directors, \$750 for attendance at each Audit Committee meeting (with the Chairman of the Audit Committee receiving \$1,250) and \$500 for attendance at each committee meeting other than the Audit Committee. Previously, the non-employee directors received an \$8,000 annual retainer fee, \$750 for attendance at each meeting of the Board of Directors, \$500 for attendance at each Audit Committee meeting (with the Chairman of the Audit Committee receiving \$750) and \$500 for attendance at each committee meeting other than the Audit

Committee. Directors who are also employees of the Company or its subsidiaries receive no annual retainer and are not compensated for attendance at meetings of the Board of Directors or committees.

Each non-employee director was also granted an option on December 18, 2003, to purchase 5,000 shares of Common Stock. The per share exercise price of options granted to non-employee directors is 100% of the fair market value of the Common Stock on the date each option is granted. The term of each option may not exceed 10 years. In addition, subject to shareholder approval of the Manatron, Inc. Stock Option and Restricted Stock Plan of 2004, each non-employee director will automatically receive annually, on the date of the annual meeting of shareholders, an award of restricted shares of the Company's common stock having a market price equal to \$10,000 on that date. Such shares will be restricted from being sold, transferred, pledged, or assigned for a period of one year after

the date of the award.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the compensation earned during each of the last three fiscal years ended April 30, 2004, 2003 and 2002, by the Company's Chief Executive Officer and the named executive officers:

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards		
		Salary	Bonus	Restricted Stock Awards(2)	Numbers of Shares Underlying Options	All Other Compensation (3)
Paul R. Sylvester President and Chief Executive Officer	2004	\$185,000	\$10,000 (1)	(6)	--	\$14,341
	2003	166,000	28,500	--	--	37,232
	2002	160,000	--	--	--	28,052
Randall L. Peat Chairman of the Board	2004	\$131,000	\$10,000 (1)	--	--	\$ 9,714
	2003	118,000	21,900	--	--	34,708
	2002	104,500	--	--	--	26,785
G. William McKinzie Chief Operating Officer	2004	\$143,000	\$10,000 (1)	--	--	\$10,123
	2003	127,000	22,300	(5)	30,000	4,447
	2002	7,200 (4)	--	--	--	--
Early L. Stephens Chief Technology and Marketing Officer	2004	\$133,000	\$10,000 (1)	--	--	\$ 9,404
	2003	117,000	20,700	--	--	7,021
	2002	100,700	--	--	--	1,530
Marty A. Ulanski Executive Vice President of Sales and Business Development	2004	\$101,000 (4)	\$10,000 (1)	(7)	20,000	\$ 2,764
	2003	--	--	--	--	--
	2002	--	--	--	--	--

- (1) On July 9, 2004, the Company paid bonuses in the indicated amounts to each named executive officer based on the Company's profitability during the fiscal year ended April 30, 2004.

- (2) The values of restricted stock awards are reported in the corresponding footnotes and are calculated using the closing market price of common stock on the date of grant.

As of the end of fiscal year 2004, each of the named executive officers listed below held shares of unvested restricted stock. Dividends are paid on shares of restricted stock at the same rate dividends are paid on common stock. The number of shares of unvested restricted stock held by each of the named executive officers and the aggregate value of those shares at April 30, 2004 (as represented by the market value of the Company's Common Stock on that date, \$7.60), without giving effect to the reduction in value attributable to the restrictions on the stock, are set forth below:

	<u>Number of shares</u>	<u>Aggregate Value</u>
Paul R. Sylvester	57,000	\$433,200
Randall L. Peat	--	--
G. William McKinzie	24,000	\$182,400
Early L. Stephens	28,000	\$212,800
Marty A. Ulanski	20,000	\$152,000

- (3) All other compensation for the year ended April 30, 2004, includes: (i) Company matching contributions under the Company's 401(k) plan of \$2,325 for Mr. Sylvester, \$1,994 for Mr. Peat, \$2,123 for Mr. McKinzie, and \$1,972 for Mr. Stephens; (ii) amounts paid by the Company for life insurance of \$472 for Mr. Sylvester; and (iii) Company contributions under the Company's Supplemental Executive Retirement Plan for calendar year 2003 of \$11,544 for Mr. Sylvester, \$7,720 for Mr. Peat, \$8,000 for Mr. McKinzie, \$7,432 for Mr. Stephens, and \$2,764 for Mr. Ulanski. In addition, 172 shares were contributed by the Company to Mr. Sylvester's ESOP account, 132 shares were contributed to Mr. Peat's ESOP account, 137 shares were contributed to Mr. McKinzie's ESOP account and 128 shares were contributed to Mr. Stephens ESOP account. The value of such shares is calculated using the market value of the Company's Common Stock on April 30, 2004, which was \$7.60.
- (4) Mr. McKinzie joined the Company in April 2002 and Mr. Ulanski joined the Company in July 2003.
- (5) Under the Restricted Stock Plan of 1987, Mr. McKinzie was granted 30,000 shares of restricted common stock on May 1, 2002, of which 6,000 shares vest annually beginning on May 1, 2003. The value of this restricted stock award was \$124,500 and was calculated using the market value of the Company's Common Stock on the date of the grant, which was \$4.15 per share.
- (6) Under the Executive Stock Plan of 2000, Mr. Sylvester was granted 15,000 shares of restricted common stock on August 1, 2003, of which 6,000 shares vested on August 1, 2004 and 1,500 shares vest annually thereafter. The value of this restricted stock award was \$108,750 and was calculated using the market value of the Company's Common Stock on the date of the grant, which was \$7.25 per share.
- (7) Under the Stock Option and Restricted Stock Plan of 2003, Mr. Ulanski was granted 20,000 shares of restricted common stock on August 1, 2003, of which 4,000 shares vest annually beginning on August 1, 2004. The value of this restricted stock award was \$145,000 and was calculated using the market value of the Company's Common Stock on the date of the grant, which was \$7.25 per share.

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 The following table sets forth information regarding stock options granted to the Chief Executive Officer and the named executive officers during the fiscal year ended April 30, 2004:

Individual Grants						
Name	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
					5%	10%
Paul R. Sylvester	--	--	--	--	--	--
Randall L. Peat	--	--	--	--	--	--
G. William McKinzie	--	--	--	--	--	--
Early L. Stephens	--	--	--	--	--	--
Marty A. Ulanski	20,000	44%	\$ 7.25	July 31, 2013	\$ 91,000	\$ 231,000

(1) On August 1, 2003 the Company granted 20,000 options to purchase shares of Common Stock to Mr. Ulanski. These options become exercisable over a five-year period, with 4,000 options becoming exercisable annually beginning on August 1, 2004. Exercise prices of stock options are determined by the Compensation Committee and are equal to the fair market value of the Company's Common Stock on the grant date.

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

 The following table sets forth information regarding stock options exercised by the Chief Executive Officer and the named executive officers during the fiscal year ended April 30, 2004:

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Paul R. Sylvester	--	--	74,000	36,000	\$ 319,150	\$ 30,600
Randall L. Peat	--	--	30,000	--	174,375	--
G. William McKinzie						