ELEVON INC
Form PREM14A
May 28, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

ELEVON, INC.

(Name of Registrant as Specified in Its Charter)
Not applicable

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

x 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: Common Stock, par value $0.001 per share

(2) Aggregate number of securities to which transaction applies: 16,633,402 shares of common stock (includes 998,159 shares underlying options to purchase shares of common stock)

(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): $1.30 (per share price set forth in the merger agreement)

(4) Proposed maximum aggregate value of transaction: $20,758,802.45 (excludes $864,620.15 representing the aggregate amount of the exercise price of the options included in the aggregate number of securities)

(5) Total fee paid: $4,151.76

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:

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, 2003

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

You are cordially invited to attend a special meeting of stockholders of Elevon, Inc. to be held at our headquarters at 303 Second Street, Three North, San Francisco, California on , , 2003 at A.M., local time, to consider an acquisition by SSA Global Technologies, Inc. of 100% of Elevon s outstanding common stock for $1.30 in cash per share (subject to appraisal rights) in a merger.

At this meeting, you will be asked (1) to consider and vote upon a proposal to approve the transaction by which Seneca Merger Subsidiary Inc. shall be merged with and into Elevon, pursuant to the Agreement and Plan of Merger, dated as of May 8, 2003, by and among SSA, Seneca Merger Subsidiary, Seneca Acquisition Subsidiary Inc. and Elevon, with Elevon surviving the merger as an indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share, and to approve and adopt such merger agreement and (2) to consider and vote upon a proposal to approve the sale of all of Elevon s owned intellectual property, immediately prior to consummation of the merger, to Seneca Acquisition Subsidiary for a purchase price of $1,754,000 in cash pursuant to the merger agreement. The effectiveness of each proposal is conditioned upon the approval of both proposals, and accordingly, the failure of our stockholders to approve either proposal will result in the ineffectiveness of both proposals.

The merger and asset sale have been approved by the members of our board of directors present at the meeting at which the merger and asset sale were considered. Based on its review, our board of directors has concluded that the proposed merger and asset sale are advisable and fair to, and in the best interests of, our stockholders and, therefore, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF APPROVING THE MERGER AND ASSET SALE.

Your vote is very important. The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting pursuant to Delaware law is required to approve the merger and asset sale. In connection with the merger agreement, certain of our stockholders, including all of our directors and certain of our executive officers, holding an aggregate of over 10% of our outstanding common stock, have entered into a voting agreement with SSA, pursuant to which such stockholders have agreed to vote their shares in favor of the approval of the merger and asset sale and against any alternative transactions. Whether or not you plan to attend the special meeting, we urge you to complete, sign and promptly return the enclosed proxy card to assure that your shares will be voted at the meeting. Please read these materials carefully. Do not send any certificates representing our common stock to us at this time. If the merger is consummated, you will be sent instructions regarding the surrender of your certificates.

On behalf of our board of directors, we thank you for your support and urge you to vote FOR approval of the merger and asset sale.

Sincerely,

FRANK M. RICHARDSON
Chief Executive Officer

The date of this proxy statement is , 2003, and it is first being mailed to our stockholders on or about , 2003.

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ELEVON, INC.

303 Second Street
San Francisco, California 94107
(415) 495-8811

, 2003

To Our Stockholders:

Notice is hereby given that a special meeting of stockholders of Elevon, Inc. will be held at our headquarters, 303 Second Street, Three North, San Francisco, California on , , 2003 at A.M., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the transaction by which Seneca Merger Subsidiary Inc. shall be merged with and into Elevon, pursuant to the Agreement and Plan of Merger, dated as of May 8, 2003, by and among SSA Global Technologies, Inc., Seneca Merger Subsidiary, Seneca Acquisition Subsidiary Inc. and Elevon, with Elevon surviving the merger as an indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share, and to approve and adopt such merger agreement.

2. To consider and vote upon a proposal to approve the sale of all of Elevon s owned intellectual property, immediately prior to consummation of the merger, to Seneca Acquisition Subsidiary for a purchase price of $1,754,000 in cash pursuant to the merger agreement.

3. To consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

The effectiveness of each proposal is conditioned upon the approval of both proposals, and accordingly, the failure of our stockholders to approve either proposal will result in the ineffectiveness of both proposals. A copy of the merger agreement is attached as Appendix A to, and is described in, the accompanying proxy statement.

Only holders of our common stock of record at the close of business on , 2003, will be entitled to notice of, and to vote at, our special meeting or any adjournment or postponement of such special meeting. A list of such stockholders will be available for inspection at our offices located at 303 Second Street, Three North, San Francisco, California 94107, at least ten days prior to our special meeting.

By Order of the Board of Directors,

STANLEY V. VOGLER
Senior Vice President and Chief Financial Officer

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ELEVON, INC.

303 SECOND STREET
SAN FRANCISCO, CALIFORNIA 94107
(415) 495-8811

PROXY STATEMENT

INTRODUCTION

This proxy statement is being furnished to our stockholders, in connection with the solicitation by our board of directors of proxies to be used at our special meeting of stockholders to be held at our headquarters at 303 Second Street, Three North, San Francisco, California on _____, 2003 at A.M., local time, and at any adjournment or postponement thereof. This proxy statement, the notice of special meeting of stockholders and the enclosed form of proxy are first being mailed to our stockholders on or about , 2003.

The special meeting of our stockholders has been called:

1. To consider and vote upon a proposal to approve the transaction by which Seneca Merger Subsidiary Inc. shall be merged with and into Elevon, Inc., pursuant to the Agreement and Plan of Merger, dated as of May 8, 2003, by and among SSA Global Technologies, Inc., Seneca Merger Subsidiary, Seneca Acquisition Subsidiary Inc. and Elevon, with Elevon surviving the merger as an indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share, and to approve and adopt such merger agreement.

2. To consider and vote upon a proposal to approve the sale of all of Elevon s owned intellectual property, immediately prior to consummation of the merger, to Seneca Acquisition Subsidiary for a purchase price of $1,754,000 in cash pursuant to the merger agreement.

3. To consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

The effectiveness of each proposal is conditioned upon the approval of both proposals, and accordingly, the failure of our stockholders to approve either proposal will result in the ineffectiveness of both proposals.

Consummation of the merger and asset sale are subject to a number of conditions. Accordingly, even if our stockholders approve the merger and asset sale, there can be no assurance that the merger and asset sale will be consummated.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at our special meeting pursuant to Delaware law is required to approve the merger and asset sale. In connection with the merger agreement, certain of our stockholders, including all of our directors and certain of our executive officers, holding an aggregate of over 10% of our outstanding common stock, have entered into a voting agreement with SSA, pursuant to which such stockholders have agreed to vote their shares in favor of the approval of the merger and asset sale and against any alternative transactions. See The Voting Agreement on page 41.

FORWARD-LOOKING STATEMENTS

Some statements contained in this proxy statement regarding future financial performance and results and other statements that are not historical facts are forward-looking statements. Such statements relate to, among other things, the merger, the asset sale, and future capital expenditures, cost reduction, cash flow and operating results. The words expect, project, estimate, predict, anticipate, believes, plans, and similar expressions are also intended to identify forward-looking statements. Such statements are subject to numerous risks, uncertainties, assumptions, and other factors, including those set forth in this

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proxy statement which could cause actual future events or results to differ materially from historical results, or those described in the forward-looking statement. The forward-looking statements contained in this proxy statement should be considered in light of these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission, we and SSA do not undertake to update forward-looking information contained herein or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated in, contemplated by or implied by such statements.

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SUMMARY

The following is a summary of certain information contained elsewhere in this proxy statement. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained elsewhere in this proxy statement and its appendices. Stockholders are urged to read this proxy statement and its appendices in their entirety before voting.

Date, Time and Place of the Special Meeting

Our special meeting of our stockholders will be held at our headquarters at 303 Second Street, Three North, San Francisco, California on , , 2003 at A.M., local time.

Purpose of Our Special Meeting (Page 12)

Our special meeting is being held to consider an acquisition by SSA of 100% of Elevon s outstanding common stock for $1.30 in cash per share (subject to appraisal rights) in a merger.

At our special meeting, our stockholders will (1) consider and vote upon a proposal to approve the transaction by which Seneca Merger Subsidiary shall be merged with and into Elevon, pursuant to the Agreement and Plan of Merger, dated as of May 8, 2003, by and among SSA, Seneca Merger Subsidiary, Seneca Acquisition Subsidiary and Elevon (attached to this proxy statement as Appendix A), with Elevon surviving the merger as an indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share, and approve and adopt such merger agreement and (2) consider and vote upon a proposal to approve the sale of all of Elevon s owned intellectual property, immediately prior to consummation of the merger, to Seneca Acquisition Subsidiary for a purchase price of $1,754,000 in cash pursuant to the merger agreement. The effectiveness of each proposal is conditioned upon the approval of both proposals, and accordingly, the failure of our stockholders to approve either proposal will result in the ineffectiveness of both proposals.

Record Date and Quorum (Page 13)

Our board of directors has fixed the close of business on , 2003 as the record date for the determination of stockholders entitled to notice of, and to vote at, our special meeting and any adjournment or postponement of such special meeting. Each holder of record of our common stock at the close of business on such record date is entitled to one vote for each share then held on each matter submitted to a vote of our stockholders. At the record date, there were shares of our common stock outstanding. The holders of a majority of the outstanding shares entitled to vote at our special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business.

Vote Required (Page 13)

The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at our special meeting pursuant to Delaware law is required to approve the merger and asset sale. Thus, a failure to vote or an abstention will have the same legal effect as a vote cast against approval of the merger and asset sale. In addition, brokers who hold shares of our common stock as nominees will not have discretionary authority to vote such shares in the absence of instructions from the beneficial owners; thus, if no instructions are provided, such broker non-votes will have the same legal effect as a vote cast against approval of the merger and asset sale.

As a condition to entering into the merger agreement, SSA required that certain of our stockholders, including all of our directors and certain of our executive officers, holding an aggregate of over 10% of our outstanding common stock, enter into a voting agreement with SSA, pursuant to which such stockholders agree to vote their shares in favor of the approval of the merger and asset sale and against any alternative transactions.

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Parties to the Merger and Asset Sale (Page 42)

SSA Global Technologies, Inc.

Principal Executive Offices:
500 West Madison, Suite 1600
Chicago, Illinois 60661
Telephone: (312) 258-6000

SSA, a privately held Delaware corporation, is a provider of enterprise solutions for manufacturing, consumer and services companies worldwide.

Seneca Merger Subsidiary Inc.

Principal Executive Offices:
c/o SSA Global Technologies, Inc.
500 West Madison, Suite 1600
Chicago, Illinois 60661
Telephone: (312) 258-6000

Seneca Merger Subsidiary, a Delaware corporation, is a newly-formed indirect wholly-owned subsidiary of SSA and was formed for the purpose of being merged with and into us pursuant to the terms and conditions of the merger agreement.

Seneca Acquisition Subsidiary Inc.

Principal Executive Offices:
c/o SSA Global Technologies, Inc.
500 West Madison, Suite 1600
Chicago, Illinois 60661
Telephone: (312) 258-6000

Seneca Acquisition Subsidiary, a Delaware corporation, is a newly-formed indirect wholly-owned subsidiary of SSA and was formed for the purpose of purchasing all of our owned intellectual property pursuant to the terms and conditions of the merger agreement.

Elevon, Inc.

Principal Executive Offices:
303 Second Street, Three North
San Francisco, California 94107
Telephone: (415) 495-8811

We design, develop, market and support, on a worldwide basis, a family of enterprise financial, operational and analytical software products that we believe enables large and medium-sized organizations, higher education institutions, and federal, state and government agencies to optimize their business processes, reduce business costs, and improve management information needed to run their business. We derive our revenue from software licenses, software maintenance and professional consulting services. Our collaborative commerce solutions and analytical applications are licensed to large and mid-size companies and similarly sized governmental organizations worldwide.

The Proposed Merger and Asset Sale Transactions (Page 14)

We have agreed with SSA to be acquired by SSA under the terms of the merger agreement described in this proxy statement. We have attached the merger agreement as Appendix A to this proxy statement. We encourage you to read the merger agreement in its entirety.

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Under the terms of the merger agreement:

We will sell to Seneca Acquisition Subsidiary all of our owned intellectual property for a purchase price of $1,754,000 in cash; and

Immediately thereafter, Seneca Merger Subsidiary will be merged with and into Elevon, after which we will be the surviving corporation, as a privately held, indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share.

SSA required the asset sale as a condition to the merger transaction for SSA s tax planning purposes. The asset sale will not affect our stockholders or their rights as stockholders pursuant to the merger agreement, and our stockholders will not receive any cash from the $1,754,000 purchase price of the asset sale. If our stockholders do not approve of the merger, then the proposal to approve the asset sale will be ineffective, and if our stockholders do not approve of the asset sale, then the proposal to approve the merger will be ineffective. The closing of the merger and the asset sale are effectively conditioned on each other, so if one does not close, neither will close.

Recommendation of Our Board of Directors (Page 20)

The members of our board of directors present at the meeting held to consider the merger and asset sale determined that the merger and asset sale are advisable and fair to, and in the best interest of, our stockholders and recommended that our stockholders vote to approve the merger and asset sale. In reaching these conclusions, our board of directors was favorably influenced by numerous factors, including, among others, the fairness opinion presented by Updata Capital.

Opinion of Our Financial Advisor (Page 20)

We retained Updata Capital to act as our exclusive financial advisor in connection with a possible transaction and to render its opinion to our board of directors as to the fairness from a financial point of view of the consideration to be received by our stockholders in the merger transaction. Updata Capital provided to our board of directors an oral opinion on May 8, 2003 that the consideration to be received by our stockholders is fair to such stockholders from a financial point of view and subsequently confirmed the opinion in writing. The full text of the written opinion of Updata Capital, which sets forth a description of assumptions made, matters considered and limitations on the review undertaken by Updata Capital, is attached as Appendix B to this proxy statement. Stockholders are urged to read such opinion carefully in its entirety.

Interests of Certain Persons in the Merger and Asset Sale (Page 24)

In considering the recommendation of our board of directors with respect to the merger and asset sale, stockholders should be aware that certain of our officers and directors have interests in connection with the merger and asset sale which may present them with actual or potential conflicts of interest. If the merger is consummated, certain indemnification arrangements for directors and officers will be extended and, if the employment of certain officers is terminated by us without cause in connection with the merger or by such executives as a result of constructive termination following a change of control, such executives will be entitled to severance payments. Also, certain of our board members and executive officers hold stock options. Immediately prior to the merger, each outstanding stock option shall become immediately vested and exercisable in full. If the merger is completed, all options to purchase our common stock under our stock option plans remaining outstanding and unexercised will be canceled and converted into the right to receive a per share cash payment (net of applicable taxes) equal to an amount, if any, that the $1.30 per share cash merger consideration exceeds the per share exercise price of the options. Fallen Angel Equity Fund, L.P. will receive the benefit of any gains payable on stock options granted to David C. Wetmore, a director of Elevon, since the date Fallen Angel Equity Fund, L.P. invested in Elevon.

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Material U.S. Federal Income Tax Consequences (Page 26)

The receipt of cash in connection with the surrender of each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between the amount of cash received in connection with the surrender of each share of common stock and your adjusted tax basis in that share.

You should read The Merger and Asset Sale Material U.S. Federal Income Tax Consequences beginning on page 26 for a more complete discussion of the federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor on the tax consequences of the merger to you.

Regulatory Compliance (Page 28)

There are no federal or state regulatory requirements to be complied with in order to complete the merger and asset sale, other than the filing of the certificate of merger with the Secretary of State of the State of Delaware.

Appraisal Rights (Page 28)

Our stockholders have the right under Delaware law to demand appraisal of their shares in connection with the merger and, upon compliance with statutory procedures, to receive payment in cash for the fair value of their shares of our common stock determined in accordance with Delaware law in lieu of the merger consideration. The fair value of shares of our common stock as determined in accordance with Delaware law may be more or less than the merger consideration to be paid to non-dissenting stockholders of Elevon in the merger. To preserve their rights, stockholders who wish to exercise appraisal rights must not vote in favor of the merger and must follow specific procedures. Such stockholders must precisely follow these specific procedures to exercise appraisal rights, or their appraisal rights may be lost. These procedures are described in this proxy statement, and the provisions of Delaware law that grant appraisal rights and govern such procedures are attached as Appendix C. We encourage all of our stockholders to read these provisions carefully and in their entirety.

Certain Effects of the Merger and Asset Sale (Page 30)

We will sell to Seneca Acquisition Subsidiary all of our owned intellectual property for a purchase price of $1,754,000 in cash, and immediately thereafter, Seneca Merger Subsidiary will be merged with and into Elevon, after which we will be the surviving corporation, as a privately held, indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share. After the effective time of the merger, the present holders of our common stock will no longer have an equity interest in Elevon, will not share in any of our potential future earnings or growth and will no longer have rights to vote on corporate matters. In addition, if the merger is completed, our common stock will be delisted from the Over-the-Counter Bulletin Board and will be deregistered under the Securities Exchange Act of 1934, as amended.

SSA required the asset sale as a condition to the merger transaction for SSA s tax planning purposes. The asset sale will not affect our stockholders or their rights as stockholders pursuant to the merger agreement, and our stockholders will not receive any cash from the $1,754,000 purchase price of the asset sale. If our stockholders do not approve of the merger, then the proposal to approve the asset sale will be ineffective, and if our stockholders do not approve of the asset sale, then the proposal to approve the merger will be ineffective. The closing of the merger and the asset sale are effectively conditioned on each other, so if one does not close, neither will close.

Even if our stockholders approve the merger and asset sale, there can be no assurance that the merger and asset sale will be consummated. Also, there are certain risks relating to the merger in that the cash merger consideration per share will not be adjusted for changes in stock prices, which may result from a number of

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factors, including market perception of the merger; changes in the business, operations or prospects of Elevon; market assessments of the likelihood that the merger will be completed; and the timing of the merger and general market and economic conditions. In addition, certain of our officers and directors have interests in connection with the merger and asset sale which may present them with actual or potential conflicts of interest. See The Merger and Asset Sale Interests of Certain Persons in the Merger and Asset Sale on page 24. Also, if the merger is delayed or not consummated for any reason, we may be subject to a number of additional risks, including the following:

- we may be required to pay to SSA a termination fee;
- we may be required to reimburse certain expenses incurred by SSA in connection with the merger and asset sale;
- the price of our common stock may decline to the extent that our current market price reflects a market assumption that the merger is likely to be completed; and
- certain costs related to the merger and asset sale, such as legal and accounting advisor fees, must be paid even if the merger is not completed.

In addition, current and prospective employees of Elevon may experience uncertainty about their future roles with the surviving company until after the merger is completed or if the merger is not completed. This may adversely affect the ability of Elevon to attract and retain key management, sales, marketing and technical personnel. Also, Elevon s business and relationships with its customers may be impaired or disrupted by any uncertainty that may be caused by the merger. Further, if the merger is terminated or is not consummated for any reason and our board of directors determines to seek another merger or business combination, we cannot assure you that it will be able to find a transaction providing as much stockholder value as this merger.

While the merger agreement is in effect, subject to certain exceptions, we are prohibited from soliciting, initiating or encouraging or entering into certain alternative transactions.

Effective Date of the Merger (Page 31)

The merger will become effective at the time the applicable certificate of merger is filed with the Secretary of State of the State of Delaware.

Merger Consideration; Payment for Shares (Page 26 and Page 32)

If you are a shareholder of Elevon and do not validly exercise rights of appraisal under Delaware law, then, upon effectiveness of the merger, each of your shares of our common stock will be converted into the right to receive a cash payment of $1.30, without interest.

After the merger is completed, you will have the right to receive the cash payment pursuant to the merger agreement, but you will no longer have any rights as a stockholder of Elevon. Our stockholders will receive such cash payment after exchanging their company stock certificates in accordance with the instructions contained in the letter of transmittal to be sent to our stockholders shortly after completion of the merger.

STOCKHOLDERS SHOULD NOT SEND ANY SHARE CERTIFICATES TO ELEVON AT THIS TIME. If the merger is consummated, you will be sent instructions regarding the surrender of your certificates.

Our Stock Options (Page 32)

Immediately prior to the merger, each outstanding stock option under stock incentive plans shall become immediately vested and exercisable in full. If the merger is completed, all options to purchase our common stock under our stock option plans remaining outstanding and unexercised will be canceled and converted into the right to receive a per share cash payment (net of applicable taxes) equal to an amount, if any, that the $1.30 per share cash merger consideration exceeds the per share exercise price of the options. In the event that

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the exercise price of such option is equal to or greater than the $1.30 per share cash merger consideration, such option shall be cancelled and no cash compensation shall be paid.

In addition, on the earlier of (1) the completion of the merger or (2) June 30, 2003, the current offering period will terminate and all accumulated payroll deductions under the employee stock purchase plan will be used to purchase shares of our common stock at a price determined under the terms of the plan. Any shares so purchased will be treated the same as other shares of our common stock under the merger agreement. If the merger is not completed by June 30, 2003, we will not start a new offering period.

Conditions to the Merger and Asset Sale (Page 38)

Completion of the merger and asset sale depends on a number of conditions being met, including:

- receipt of the required approvals from our stockholders;
- receipt or filing of all authorizations, consents, approvals and filings in connection with any governmental entity;
- absence of legal restraint or prohibition preventing the completion of the merger or the asset sale; and
- the consummation of the merger and the asset sale is not prohibited or illegal.

SSA s obligation to complete the merger is subject to satisfaction of the following additional conditions:

- we must have performed in all material respects our covenants and agreements required under the merger agreement, and certain of our representations and warranties must be true and correct in all material respects and other of our representations and warranties must be true and correct such that the aggregate effect of any inaccuracies in such representations and warranties (without regard for materiality qualifiers) do not comprise a material adverse effect on such party;
- each ancillary agreement to which we are or will be a party will be valid, in full force and effect, and we will have materially complied with each such ancillary agreement;
- no requirement of law will have been issued, enacted or enforced by any governmental entity which would materially reduce the benefits of the transactions contemplated to SSA or the surviving corporation;
- there will not have occurred a material adverse effect to us, as defined in the merger agreement;
- we will have obtained certain specified consents or approvals; and
- all of our directors and all directors of our subsidiaries shall have submitted their resignations.

Our obligation to complete the merger also is subject to satisfaction of the following additional conditions:

- SSA, Seneca Acquisition Subsidiary, and Seneca Merger Subsidiary must have performed in all material respects their covenants and agreements required under the merger agreement, and each representation and warranty of SSA, Seneca Acquisition Subsidiary, and Seneca Merger Subsidiary must be true and correct such that the aggregate effect of any inaccuracies in such representations and warranties (without regard for materiality qualifiers) does not have a material adverse effect on the ability of SSA, Seneca Acquisition Subsidiary, and Seneca Merger Subsidiary to perform their duties under the merger agreement or to consummate the merger and asset sale; and
- each ancillary agreement to which SSA, Seneca Merger Subsidiary or Seneca Acquisition Subsidiary is or will be a party will be valid, in full force and effect, and SSA and Seneca Merger Subsidiary will have materially complied with each such ancillary agreement;
- the completion of the asset sale.

See The Merger Agreement Principal Conditions to the Completion of the Merger Agreement on page 38.

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Termination of the Merger Agreement (Page 39)

Either we or SSA, by action of our respective boards of directors, may terminate the merger agreement and abandon the merger and the asset sale at any time prior to the closing of the merger:

by mutual written consent of the parties;

if the merger has not been completed on or before November 4, 2003;

if the completion of the merger is legally prohibited by a final and non-appealable order or by law;

if our stockholders fail to approve either the merger or the asset sale.

SSA has the right to terminate the merger agreement and abandon the merger and the asset sale under certain specified circumstances regarding our actions in response to alternative acquisition proposals or if we change our recommendation that stockholders approve the transactions. In addition, SSA has the right to terminate if we breach or fail to perform certain covenants, agreements, representations or warranties and we fail to cure such breaches or we fail to perform within a specified period of time.

We have the right to terminate the merger agreement and abandon the merger and the asset sale if our board of directors determines that an unsolicited alternative acquisition proposal is a superior proposal and we comply with certain specified requirements, or if SSA breaches or fails to perform certain covenants, agreements, representations or warranties and fails to cure such breaches or failures to perform within a specified period of time.

If the merger agreement is terminated and abandoned, the merger agreement will be void and we, SSA, Seneca Merger Subsidiary and Seneca Acquisition Subsidiary will not have any liability other than obligations to pay any termination fees and expenses, if applicable, provided, however, no such termination will relieve any party of any liability or damages resulting from any willful breach of the merger agreement prior to such termination.

Termination Fee and Payment of Expenses (Page 40)

Except under specific circumstances set forth in the merger agreement, the parties have agreed that all expenses shall be borne solely by the party incurring such fees and expenses, whether or not the transactions are consummated. We must pay SSA a fee of $500,000 plus reimbursement of SSA s out-of-pocket expenses in an amount not to exceed $250,000, if the merger agreement is terminated under specified circumstances. We must pay SSA a fee of $500,000 (but not reimbursement of SSA s out-of-pocket expenses) if the merger agreement is terminated under other specified circumstances.

SSA must reimburse us for up to $250,000 of our expenses and for 50% of the expenses associated with the printing, mailing and filing of this proxy statement under specified circumstances. In other circumstances, SSA must reimburse us for 50% of the expenses associated with the printing, mailing and filing of this proxy statement, but not other expenses.

No Solicitation by Elevon (Page 35)

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations, or otherwise cooperate, with any third party with respect to any alternative acquisition proposal. Notwithstanding these provisions, the merger agreement provides that, under specified circumstances, we may, in response to an unsolicited acquisition proposal, request clarifications from or furnish information to a third party to determine if an unsolicited acquisition proposal would be reasonably likely to lead to a superior proposal. If our board of directors determines that such proposal is superior to the merger and asset sale, the merger agreement provides that, under specified circumstances, we may engage in negotiations regarding an acquisition proposal with that party. Under the merger agreement, however, our board of directors has agreed not to change or withdraw its recommendation of the merger agreement, or to recommend, approve, or cause us to accept an alternative acquisition proposal, unless (i) such proposal is a superior proposal, (ii) our board

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determines in good faith that the failure to so act is a breach of fiduciary duty, and (iii) we give SSA 48 hours notice of our intent to take any such action.

The Voting Agreement (Page 41)

In connection with the merger agreement, certain of our stockholders, including all of our directors and certain executive officers, holding an aggregate of over 10% of our outstanding common stock, have entered into a voting agreement with SSA, pursuant to which such stockholders have agreed to vote their shares in favor of the approval of the merger and asset sale and against any alternative transactions.

The Voting Agreement is attached to this proxy statement as Appendix D.

Market Prices for Common Stock and Dividend Information (Page 43)

Prior to March 6, 2001, our common stock was traded on the Nasdaq National Market, under the symbol WALK. From March 6, 2001 to July 14, 2002, our common stock was traded on the Over-the-Counter Bulletin Board under the symbol WALK. Since July 15, 2002, our common stock has been traded on the Over-the-Counter Bulletin Board under the symbol ELVN. As of , 2003, there were approximately stockholders of record of our common stock. We have not paid any cash dividends and do not anticipate paying any cash dividends in the foreseeable future. The high and low sale prices per share of our common stock, for the periods set forth below, are as reported by the Nasdaq National Stock Market System and the range of high and low sales prices per share for our common stock for the periods set forth below are as quoted on the Over-the-Counter Bulletin Board. As of May 8, 2003, the date prior to the announcement of the merger agreement, the closing price was $1.08. As of , 2003, the latest practicable date prior to mailing of this proxy statement, the closing price was $.

	For the Period or Quarter Ending					
	March 31, 2002	**June 30, 2002**	**September 30, 2002**	**December 31, 2002**	**March 31, 2003**	**April 1, 2003 through May 23, 2003**
Over-the-Counter Bulletin Board						
Price range per common share						
High	$2.39	2.00	1.32	1.39	1.52	1.30
Low	$0.81	1.21	0.73	1.02	1.06	1.00

	For the Period or Quarter Ending				
	January 1, 2001 through March 5, 2001	**March 6, 2001 through March 31, 2001**	**June 30, 2001**	**September 30, 2001**	**December 31, 2001**
Over-the-Counter Bulletin Board					
Price range per common share					
High		$1.25	1.06	0.97	1.02
Low		$0.69	0.51	0.45	0.44
Nasdaq National Stock Market					
Price range per common share					
High	$2.59				
Low	$0.97				

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND ASSET SALE

Q: WHAT WILL OUR STOCKHOLDERS RECEIVE IN THE MERGER?

A: As a result of the merger, our stockholders (other than those who properly exercise appraisal rights) will receive $1.30 in cash, without interest, for each share of our common stock that they own.

Q: WHAT IS THE PURPOSE OF THE ASSET SALE?

A: SSA required the asset sale as a condition to the merger transaction for SSA s tax planning purposes.

Q: WHAT IS THE EFFECT OF THE ASSET SALE ON ME?

A: The asset sale will not affect you or your rights as a stockholder pursuant to the merger agreement, and you will not receive any cash from the $1,754,000 purchase price of the asset sale. If our stockholders do not approve of the merger, then the proposal to approve the asset sale will be ineffective, and if our stockholders do not approve of the asset sale, then the proposal to approve the merger will be ineffective. The closing of the merger and the asset sale are effectively conditioned on each other, so if one does not close, neither will close.

Q: WHAT DO I NEED TO DO NOW?

A: We urge you to read this proxy statement carefully, including its appendices, and to consider how the merger and asset sale affect you. After doing so, please mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting of our stockholders.

A number of brokers and banks are participating in a program provided through ADP Investor Communications Services that offers telephone and Internet proxy options. If your shares are held in an account with a broker or bank participating in the ADP Investor Communication Services program, you may grant a proxy in respect of those shares telephonically by calling the telephone number shown on the voting form received from your broker or bank, or via the Internet at ADP Investor Communications Services voting web site (www.proxyvote.com).

Q: WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?

A: The failure to return your proxy card will have the same effect as voting against the merger and asset sale.

Q: MAY I VOTE IN PERSON?

A: Yes. If your shares are not held in street name, you may attend the special meeting of our stockholders, and vote your shares in person, rather than signing and returning your proxy card. If your shares are held in street name, please call your broker for information regarding the voting of your shares.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice to our corporate secretary stating that you would like to revoke your proxy. Second, you can complete, date, and submit a new, later dated, proxy card. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: IF MY SHARES ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker how to vote your shares, following the procedure provided by your broker. Without instruction, your shares will not be voted, which will have the effect of a vote against the merger and asset sale.

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Q: SHOULD I SEND IN MY ELEVON STOCK CERTIFICATES NOW?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of our common stock for the merger consideration of $1.30 in cash, without interest, for each share of our common stock.

Q: WHEN DO YOU EXPECT THE MERGER AND ASSET SALE TO BE COMPLETED?

A: We are working toward completing the merger and asset sale as quickly as possible. In addition to obtaining stockholder approval, we must satisfy all other closing conditions. We expect to complete the merger and asset sale as soon as practicable after the special meeting.

Q: AM I ENTITLED TO APPRAISAL RIGHTS?

A: Yes. Holders of record of our common stock who do not vote in favor of the merger are entitled to demand appraisal under the Delaware General Corporation Law in connection with the merger.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger and asset sale, including the procedures for voting your shares, you should contact:

Investor Relations
Elevon, Inc.
303 Second Street, Three North
San Francisco, California 94107
(415) 495-8811
or our proxy solicitor, D.F. King & Co., Inc. at (800) 488-8035.

THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

This proxy statement and the accompanying proxy card are solicited by our board of directors. These proxies will be used at our special meeting to be held at our headquarters at 303 Second Street, Three North, San Francisco, California on , , 2003 at A.M., local time and at any and all adjournments or postponements thereof.

Our special meeting is being held to consider an acquisition by SSA of 100% of Elevon s outstanding common stock for $1.30 in cash per share (subject to appraisal rights) in a merger.

At our special meeting, our stockholders will (1) consider and vote upon a proposal to approve the transaction by which Seneca Merger Subsidiary shall be merged with and into Elevon, pursuant to the Agreement and Plan of Merger, dated as of May 8, 2003, by and among SSA, Seneca Merger Subsidiary, Seneca Acquisition Subsidiary and Elevon, with Elevon surviving the merger as an indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share, and approve and adopt such merger agreement and (2) consider and vote upon a proposal to approve the sale of all of Elevon s owned intellectual property, immediately prior to consummation of the merger, to Seneca Acquisition Subsidiary for a purchase price of $1,754,000 in cash pursuant to the merger agreement. The effectiveness of each proposal is conditioned upon the approval of both proposals, and accordingly, the failure of our stockholders to approve either proposal will result in the ineffectiveness of both proposals.

Our board of directors approved the merger and asset sale. OUR BOARD OF DIRECTORS RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR APPROVAL OF THE MERGER AND ASSET SALE.

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Record Date and Voting of Common Stock

Stockholders of record at the close of business on , 2003 will be entitled to vote at our special meeting. On such record date, there were outstanding shares of our common stock. The presence, in person or by proxy, of the holders of shares representing at least a majority of the outstanding shares of our common stock at our special meeting shall constitute a quorum. Shares represented by proxies that reflect abstentions or broker non-votes (i.e., shares held by a broker or nominee that are represented at the special meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

All shares represented by properly executed and unrevoked proxies will be voted at the special meeting. Each share of our common stock is entitled to one vote. You may revoke your proxy before it is voted by executing another proxy at a later date, by notifying our corporate secretary in writing of your revocation, or by attending the special meeting and voting in person.

A number of brokers and banks are participating in a program provided through ADP Investor Communications Services that offers telephone and Internet proxy options. If your shares are held in an account with a broker or bank participating in the ADP Investor Communication Services program, you may grant a proxy with respect to those shares telephonically by calling the telephone number shown on the voting form received from your broker or bank, or via the Internet at ADP Investor Communications Services voting web site (www.proxyvote.com).

At the special meeting, holders of our common stock will vote on the proposals to approve the merger and asset sale. Holders of a majority of all the outstanding shares of our common stock must vote in favor of approving the merger and asset sale in order for those proposals to be adopted. Votes withheld, abstentions and broker non-votes will not be counted as votes cast and will not be voted. A failure to vote, a vote to abstain or a broker non-vote will have the same legal effect as a vote cast against approval of the merger and asset sale.

In connection with the merger agreement, certain of our stockholders, including all of our directors and certain executive officers, holding an aggregate of over 10% of our outstanding common stock, have entered into a voting agreement with SSA, pursuant to which such stockholders have agreed to vote their shares in favor of the approval of the merger and asset sale and against any alternative transactions. See The Voting Agreement on page 41.

If the enclosed proxy is duly executed and received in time for the special meeting, and if no contrary instructions are included on the proxy, it is the intention of the persons named as proxies to vote the shares of our common stock represented thereby in favor of the proposals to approve of the merger and asset sale, and in the discretion of the persons named as proxies in connection with any other business that may properly come before the special meeting or any adjournment or postponement thereof.

At this time, we know of no other matters that may be presented for stockholder action at the special meeting. However, if any matters, other than these proposals stated above, should properly come before the special meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment.

In the event that there are not sufficient votes to adopt the proposals stated above, it is expected that the special meeting will be postponed or adjourned in order to permit further solicitation of proxies by us. No proxy that is voted against approval of the merger and asset sale will be voted in favor of any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies.

The delivery of this proxy statement shall not, under any circumstances, create any implication that the information contained herein is correct after the date hereof.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE MERGER AND ASSET SALE.

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Solicitation of Proxies

We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to stockholders, provided, however, that under certain circumstances SSA will pay 50% of printing, mailing and filing expenses. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by our directors, officers or other regular employees. No additional compensation will be paid to directors, officers or other regular employees for such services. We have retained D.F. King & Co., Inc. for assistance in connection with the solicitation of proxies for the special meeting at a cost of approximately $7000 plus reimbursement of customary expenses.

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT IN CONNECTION WITH OUR SOLICITATION OF PROXIES AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR ANY OTHER PERSON.

THE MERGER AND ASSET SALE

Background of the Merger and Asset Sale

During 2002, the board of directors of Elevon held discussions with management regarding strategic alternatives for Elevon in view of a difficult business environment resulting from the continued slowdown in the United States economy. We believe the difficult economic conditions caused our customer base to defer and reduce levels of spending on information technology products, services and maintenance. In 2002 and 2003, we believe that Elevon s performance was adversely affected by such reductions in spending on information technology by our existing and potential customer base. Elevon also faced a number of challenges including:

a mature and saturated marketplace for its mainframe based products;

competing in a marketplace with several larger competitors who offer a broader array of products and services;

having fewer opportunities to reduce its cost structure due to prior reductions in force, the need to maintain sufficient staff to remain a viable competitor, and a significant fixed infrastructure cost due to our San Francisco office lease.

In addition, our board of directors discussed whether remaining as a public company offered the best value for Elevon s stockholders considering the cost of meeting public company reporting and compliance requirements in relation to the level of Elevon s revenue and results of operations and the loss of stockholder liquidity from having been delisted from the Nasdaq National Market on March 6, 2001.

In June 2002, Elevon entered into negotiations with Novele Limited to sell its United Kingdom operations and its Elevon 5 product line. The sale was completed on September 6, 2002, providing Elevon with $15.7 million in cash after transaction costs. This divestiture simplified the operations and structure of Elevon, which better positioned Elevon to continue operations as an independent company or to attract a potential acquiror.

Also in June 2002, two potential acquirors (referred to as Company A and Company B, respectively) separately contacted Frank Richardson, the chief executive officer of Elevon, and Stanley Vogler, the chief financial officer of Elevon, to discuss a potential acquisition of Elevon. Elevon had preliminary discussions and a series of management meetings with both Company A and Company B over the course of June through October.

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On August 8, 2002, our board of directors held its regularly scheduled board meeting, which included Elevon s legal counsel, Latham & Watkins LLP, and entertained a presentation by a representative of Updata Capital, regarding its services to provide strategic and financial advice to our board of directors. The representative of Updata Capital discussed with our board of directors strategic alternatives for Elevon, including strategic partnerships, merger with a company of equal size, raising financing to fund and expand Elevon s operations and a sale of Elevon. Our board of directors agreed to engage Updata Capital and instructed management to enter into an engagement letter with Updata Capital.

On August 14, 2002, Elevon entered into an engagement letter with Updata Capital to provide strategic and financial advice in connection with a potential sale of Elevon. Updata Capital agreed to begin making inquiries of potential candidates to acquire Elevon. Over the course of this process, Updata Capital contacted numerous potential candidates, resulting in contact with 19 potential acquirors (including SSA) that sought preliminary materials about Elevon. Of these 19 potential acquirors, five (including SSA) engaged in a more advanced level of discussions with management and conducted varying levels of due diligence.

In late September, Elevon was contacted by another potential acquiror (referred to as Company C). Elevon had preliminary discussions and management meetings with Company C over the course of October through early November.

In mid-October, a representative of Updata Capital contacted Mike Greenough, president and chief executive officer of SSA, and sent Mr. Greenough financial information regarding Elevon. On October 23, 2002, SSA sent to Mr. Vogler a list of preliminary due diligence questions. Over the next week, a representative of Updata Capital provided SSA with responsive due diligence materials.

On October 25, 2002, our board of directors held a special telephonic meeting, which included Elevon s management and Elevon s legal counsel, to discuss the status of discussions with Company A, Company B and other potential acquirors. Following extended discussions, our board of directors authorized and directed management to continue discussions with Company A and Company B as well as to continue to pursue other potential acquirors.

On November 2, 2002, SSA notified a representative of Updata Capital that it was working on another acquisition and therefore did not presently have the time or resources to pursue an acquisition of Elevon.

On November 4, 2002, Company A indicated an interest in beginning expanded due diligence and entering into formal negotiations to purchase Elevon. From November 4, 2002 through November 11, 2002, representatives of Updata Capital and Elevon negotiated with Company A and reached an understanding that Elevon would not initiate discussions with new parties for a limited period of time.

On or about November 8, 2002, Company C terminated its due diligence and negotiations with Elevon.

From November 15, 2002 though mid-December, Mr. Richardson and Mr. Vogler had meetings and calls with Company A, and Company A s advisors conducted due diligence on Elevon.

On November 19, 2002, our board of directors held its regularly scheduled meeting and discussed the status of the negotiations with Company A. Elevon s legal counsel, Latham & Watkins LLP, reviewed issues relating to our board of directors fiduciary duties with respect to a sale of Elevon for cash and responded to questions from our board of directors regarding its fiduciary obligations. Following counsel s presentation, a representative of Updata Capital made a presentation to our board of directors regarding its search for and analysis of potential acquirors (including Company A, Company B and SSA) and provided a preliminary analysis of the valuation of Elevon.

On December 18, 2002, Company A terminated its due diligence and negotiations with Elevon.

In January 2003, a representative of Updata Capital and Elevon s management met with a number of other potential acquirors. On January 3, 2003, Mr. Vogler met with an officer of Company B to discuss a preliminary proposal by Company B. On January 17, 2003, Mr. Richardson and Mr. Vogler met with members of Company B s management at Company B s offices to discuss Elevon s business and management. Company B terminated negotiations with Elevon on January 24, 2003.

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On January 21, 2003, a representative of Updata Capital again contacted Mr. Greenough and discussed SSA s interest in Elevon. Mr. Greenough indicated that SSA was interested in Elevon and would conduct preliminary due diligence. From January 21, 2003 until mid-February, representatives of Updata Capital had a series of calls and correspondence with SSA to provide SSA with preliminary due diligence materials. On January 28, 2003, Mr. Richardson gave a presentation regarding Elevon s various product lines to representatives of SSA.

On February 13, 2003, Shelley Isenberg, a senior vice president of SSA, sent Updata Capital a preliminary, non-binding term sheet with an offer price of $1.85 per share in cash and included certain other requirements, including a termination fee of $675,000 plus reimbursement of up to $250,000 of SSA s out-of-pocket expenses. The proposed offer was made subject to certain assumptions regarding Elevon s business and capital structure and was subject to due diligence by SSA. SSA also sought a sixty-day exclusivity period. Elevon did not execute the term sheet and did not grant SSA exclusivity.

Also on February 13, 2003, a representative of Updata Capital contacted another potential acquiror (referred to as Company D) and provided Company D with preliminary due diligence materials. On February 20, 2003, Mr. Richardson and Mr. Vogler met with a principal of Company D to provide a management overview of the business. From February to mid-April, Mr. Richardson and Mr. Vogler had a series of meetings with Company D and Company D conducted preliminary due diligence at Elevon at various times.

On February 18, 2003, our board of directors held its regularly scheduled meeting, which included Elevon s management and Elevon s legal counsel. A representative of Updata Capital made a presentation to our board of directors regarding the proposal presented by SSA and updated our board of directors on the status of other potential acquirors. Our board of directors instructed management to continue negotiations with SSA and to evaluate any other strategic alternatives for Elevon.

On February 25, 2003, representatives of SSA met with representatives of Elevon and a representative of Updata Capital at the offices of Latham & Watkins LLP and Elevon made a presentation. From February 25 to February 27, Elevon had a number of discussions with SSA s representatives, including updating SSA on the financial position of Elevon, the status of service and maintenance revenues, operating costs and the fixed and contingent lease obligations of Elevon. Elevon also provided SSA with due diligence materials that SSA began to review over the course of the three days.

On March 13, 2003, Mr. Isenberg contacted a representative of Updata Capital. Mr. Isenberg indicated that based on further analysis, SSA s view on the value of Elevon had changed and, subject to the completion of due diligence, SSA would be willing to offer $1.35 per share in cash for Elevon. On March 20, 2003, representatives of SSA had a call with representatives of Elevon and a representative of Updata Capital to discuss SSA s proposed $1.35 per share offer.

On March 20, 2003, our board of directors held a special telephonic meeting, which included Elevon s management and Elevon s legal counsel, to discuss SSA s proposed $1.35 per share offer. Our board of directors, company management and Elevon s legal counsel discussed the proposal and received an update from management on the status of Elevon s business in the first quarter of 2003. Management informed our board of directors that Elevon was not expected to be cash flow positive in the first quarter due to decreased revenues, and that the second quarter revenue numbers also appeared to be eroding. Our board of directors then discussed whether the price could be improved or another acquiror found, including an update on the status of discussions with Company D and other potential acquirors. Our board of directors also discussed other strategic alternatives for Elevon and instructed management to evaluate alternative strategies for Elevon, including preparation of a liquidation analysis.

On March 21, 2003, Mr. Richardson and Mr. Vogler met with a principal of Company D to determine if Company D would present an offer that was competitive with SSA s $1.35 proposal. A representative of Updata Capital also contacted Company A to determine if Company A had any interest in a purchase of Elevon. Company A indicated that it still had no interest. On March 21, 2003, a representative of Updata

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Capital and Mr. Isenberg discussed SSA s proposal and SSA agreed to raise its proposed offer price to $1.40 per share.

On March 25, 2003, Mr. Richardson, Mr. Vogler and a representative of Updata Capital had a call with representatives of SSA, regarding the structure of the transaction, due diligence and timing. During the call, SSA proposed that Elevon sell to a subsidiary of SSA all of Elevon s owned intellectual property assets immediately prior to the sale of Elevon. SSA indicated that the asset sale would be for its tax planning purposes and that such a sale would not impact the per share price to be paid to Elevon s stockholders.

On March 28, 2003, our board of directors held a special telephonic meeting to get an update on the negotiations with SSA. Our board of directors discussed the proposed price of $1.40 per share in cash, the proposed structure of the deal and the timeline for due diligence and negotiations. Our board of directors also discussed the status of other potential acquirors and received an update on the status of discussions with Company D. Elevon s counsel, Latham & Watkins LLP, again reviewed with our board of directors their fiduciary duty in considering a cash transaction such as the one proposed by SSA.

On April 3, 2003, SSA s legal counsel prepared and provided to Elevon s counsel initial drafts of the merger agreement and the voting agreement. Over the next two weeks, the respective legal counsel of SSA and Elevon engaged in preliminary negotiations of the merger agreement and voting agreement.

On April 9, 2003, Mr. Greenough and representatives of SSA met with Mr. Richardson and Mr. Vogler at Elevon s offices and discussed operation of the business after the closing of the merger. SSA and its advisors conducted due diligence at Elevon and at offsite data rooms set up by Elevon. Over the next few weeks, Mr. Vogler and representatives of SSA engaged in numerous calls regarding SSA s due diligence efforts.

On April 11, 2003, our board of directors held a special telephonic meeting to discuss the status of negotiations with SSA. Latham & Watkins LLP reviewed with our board of directors the key points of the proposed merger agreement and our board of directors fiduciary obligations. Our board of directors took no action but instructed management to continue negotiations.

On April 14, 2003, SSA s legal counsel sent a revised draft of the merger agreement. The parties respective counsel negotiated the revised draft of the merger agreement on April 16, 2002.

On April 18, 2003, our board of directors held a special telephonic meeting, which included Elevon s management and Elevon s legal counsel, to discuss the status of negotiations with SSA. Management also reviewed with our board of directors the status of discussions with other potential acquirors and the likelihood that another acquiror would present a competing offer. Our board of directors instructed management to continue negotiations with SSA.

On April 22, 2003, Elevon terminated discussions with Company D because Company D s indication of interest was at a lower value to our stockholders and was subject to more conditions than SSA s proposal.

On April 24, 2003, Sam Anidjar, director of mergers and acquisitions for SSA, contacted a representative of Updata Capital to indicate that, based on its due diligence, SSA believed potential restrictions could be placed on the merged business, and SSA wanted a $2 million escrow at the proposed offer price. Mr. Vogler called Mr. Anidjar to discuss the reasons why an escrow would be impracticable. Mr. Vogler also notified Mr. Anidjar that a customer of Elevon had decided not to renew its maintenance contract in an effort to reduce the customer s operating cost.

On April 25, 2003, our board of directors held another special telephonic meeting, which included Elevon s management and Elevon s legal counsel, to discuss SSA s proposed escrow and the status of negotiations with SSA. Our board of directors concluded that an escrow would not be acceptable. Our board of directors also discussed the deterioration of Elevon s revenues in the first quarter of 2003 and Elevon s prospects for the second quarter. Our board of directors concluded that management should continue negotiations with SSA.

On April 25, 2003, Mr. Anidjar called a representative of Updata Capital to withdraw its proposal for an escrow but to inform a representative of Updata Capital that SSA now was willing to proceed with

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negotiations at a price of $1.34 per share. The representative of Updata Capital disputed SSA s reasons for the price reduction and argued that SSA s price reduction was not justified and that a price of $1.37 per share fully covered the issues presented by SSA. Elevon s management discussed with a representative of Updata Capital the $1.34 demand and instructed Updata Capital not to engage in any further price negotiations with SSA until SSA had completed their due diligence and all other issues on the merger agreement were resolved by the parties. On April 28, 2003, a representative of Updata Capital informed Mr. Anidjar that Elevon would proceed with negotiations at a price of $1.34 per share.

Between April 28, 2003 and May 2, 2003, SSA continued to raise issues based on its due diligence and pushed for a further price reduction.

On May 1, 2003, Elevon s management and representatives of SSA, and their respective legal counsel, held a teleconference to negotiate the unresolved issues on the merger agreement.

On May 2, 2003, representatives of SSA engaged in a number of calls with Mr. Vogler regarding SSA s due diligence and related valuation issues. Mr. Anidjar subsequently informed a representative of Updata Capital that SSA s final offer price would be $1.30 per share in cash. Elevon and Updata Capital did not agree to the price reduction. A representative of Updata Capital and Mr. Vogler both informed Mr. Anidjar that Elevon would not entertain any other discussions regarding the price until all other outstanding issues were resolved. Negotiation on the merger agreement continued on May 2, 2003 between the parties respective legal counsel and, on May 3, 2003, SSA s counsel distributed a revised draft of the merger agreement.

On May 6, 2003, our board of directors held a regularly scheduled board meeting attended in person by all of our board members. At the meeting, our board of directors met with senior management of Elevon and Elevon s legal and financial advisors and discussed the status of negotiations with SSA. After the discussion, a representative of Updata Capital presented its financial analysis of the consideration provided for in the transaction and informed our board of directors that it would be prepared to deliver an opinion that the consideration at a $1.30 per share price was fair to Elevon s stockholders from a financial point of view. After the presentation by Updata Capital, management, together with representatives of Latham & Watkins LLP, reviewed the proposed terms of the draft merger agreement and the other related documents with our board of directors. Our board of directors took no action but each board member expressed support for the proposed transaction at a $1.30 per share price.

On May 6 and 7, 2003, Elevon, SSA and their respective advisors conducted various negotiations to finalize the merger agreement, including SSA establishing a purchase price of $1,754,000 for the asset sale. On May 8, 2003, after the parties agreed that no other outstanding issues remained with the merger agreement and related documents, a representative of Updata Capital and Mr. Anidjar reached final agreement on price at $1.30 per share coupled with a reduction of the termination fee payable to SSA from Elevon from $675,000 to $500,000.

On May 8, 2003, our board of directors held a special telephonic meeting. A quorum of our board of directors consisting of Richard C. Alberding, Tania Amochaev and Mr. Richardson attended the meeting. William A. Hasler and David C. Wetmore were not available at the time of the meeting. At the meeting, Elevon s management, together with representatives of Latham & Watkins LLP, reviewed the proposed terms of the draft merger agreement and the other related documents with our board of directors. Following that review, a representative of Updata Capital delivered to our board of directors an oral opinion (which opinion was confirmed by a written opinion dated May 8, 2003) to the effect that the consideration provided for in the transaction was fair to Elevon s stockholders from a financial point of view. At the conclusion of this meeting, our board of directors approved the merger agreement, including the merger and asset sale contained therein and the related agreements, including the voting agreement and the amendment to the rights agreement, and resolved to recommend that our stockholders vote in favor of the merger and asset sale. Later on May 8, 2003, Mr. Hasler and Mr. Wetmore indicated that, had they been present at the meeting, they would have voted in favor of the merger agreement, including the merger and asset sale contained therein and the related agreements, including the voting agreement and the amendment to the rights agreement, and resolved to recommend that our stockholders vote in favor of the merger and asset sale.

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In the evening of May 8, 2003, Elevon and SSA, Seneca Merger Subsidiary and Seneca Acquisition Subsidiary executed the merger agreement and certain of Elevon s stockholders entered into the voting agreement with SSA and Elevon.

Prior to the opening of the market on May 9, 2003, Elevon issued a press release announcing the execution of the merger agreement.

Reasons for the Merger and Asset Sale

In the course of reaching its decision to approve the merger and asset sale and recommend that our stockholders vote in favor of approving the merger and asset sale, the board of directors of Elevon consulted with senior management, legal counsel to Elevon and the financial advisor to Elevon, reviewed a significant amount of information and considered a number of factors, including the following factors:

Value of Merger Consideration. The $1.30 per share merger consideration represented a premium of approximately 22.6% over the one-month trailing average closing price of $1.06 per share and a premium of approximately 20.3% over the $1.08 closing price for the shares on the Over-the-Counter Bulletin Board on May 8, 2003, the last trading day prior to the public announcement of the execution of the merger agreement. In addition, the merger consideration is all cash and is not subject to a financing condition.

Our Business, Financial Condition and Prospects. Our board of directors believes that the merger represents a more desirable alternative for our stockholders than continuing to operate as an independent public company under our current business plan. Our revenue is determined by the willingness of our customers to make expenditures for our products, services and maintenance. We believe our revenues have been and continue to be negatively impacted by the extended slowdown in the United States economy, which we believe has caused our customer base to defer and reduce levels of spending on information technology. Even with improved economic conditions, Elevon faces a very mature and saturated marketplace for mainframe software. Our competitors are larger companies that have a broader array of products and services to offer. In light of weakness in our first quarter 2003 results which resulted in a negative cash flow, our board of directors is concerned with the risk of draining our cash to support ongoing operations given the uncertain prospects that Elevon can achieve profits sufficient to cover the value of the cash so expended. Moreover, our board of directors believes that the reporting and compliance costs associated with remaining a public company does not offer the best value for our stockholders, particularly considering the level of Elevon s revenue and results of operations and the loss of stockholder liquidity from having been delisted from the Nasdaq National Market on March 6, 2001.

Other Strategic Alternatives Available to Us. As indicated above under the heading Background of the Merger and Asset Sale, our board of directors has been pursuing strategic alternatives for our company since the beginning of 2002. Our financial advisor, Updata Capital, contacted numerous potential candidates, resulting in 19 companies (including SSA) that expressed interest in Elevon and, although each of these companies was afforded ample time and information to submit an offer, of those contacted, only SSA had made a formal offer to acquire Elevon. In addition, our board of directors evaluated the costs associated with a liquidation of Elevon and concluded that such a strategy would yield a substantially lower value to our stockholders. As a result of this process, our board of directors believes that none of such alternatives (including the possibility of continuing to operate Elevon as an independent entity, and the perceived risks thereof) were reasonably likely to present superior opportunities for Elevon, or reasonably likely to create greater value for Elevon stockholders, than the merger.

Our Termination Rights in the Event of a Superior Proposal, and the Termination Fee. The merger agreement permits our board of directors to continue to receive unsolicited inquiries and proposals regarding other acquisition proposals, negotiate and give information to third parties, and subject to the satisfaction of certain conditions, in the exercise of its fiduciary duties, withdraw or modify its recommendation to our stockholders regarding the merger agreement or terminate the merger

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agreement in connection with a superior proposal, subject to the payment of a $500,000 termination fee to SSA and the reimbursement of up to $250,000 of its reasonable out-of-pocket expenses in connection with the merger.

Updata Capital Analysis and Fairness Opinion. Our board of directors considered as favorable to their determinations the opinions, analyses and presentations of Updata Capital described below under the heading The Merger and Asset Sale Opinion of Our Financial Advisor on page 20, including the opinion of Updata Capital to the effect that, as of the date of its opinion, and based upon and subject to those matters stated in the opinion, the consideration to be received by our stockholders in the proposed merger was fair from a financial point of view to those stockholders. A copy of the May 8, 2003 fairness opinion is attached as Appendix B to this proxy statement.

Impact of the Asset Sale on Our Stockholders. Our board of directors acknowledged that the asset sale would not impact the consideration payable to our stockholders and determined that the asset sale was a necessary condition to induce SSA to enter into the merger.

Our board of directors also considered the following factors, all of which they considered as mitigating factors, in their deliberations concerning the approval of the merger agreement:

Loss of Business Potential. Our board of directors considered that Elevon will no longer exist as an independent public company and our stockholders will no longer be able to participate in the potential growth of Elevon.

Tax Consequences to Our Stockholders. Our board of directors acknowledged that the merger is a taxable transaction and, as a result, our stockholders will be required to recognize gain or loss as a result of the receipt of the cash merger consideration.

Significant Costs Involved. Our board of directors considered the significant costs involved in connection with completing the merger, the substantial management time and effort required to effectuate the merger, and the related disruption to our operations. They also considered the potential consequences to our company if the merger were not to be completed for any reason.

The preceding discussion of the information and factors considered by our board of directors is not, and is not intended to be, exhaustive. In light of the variety of factors considered in connection with its evaluation of the merger and the asset sale and the complexity of these matters, our board of directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In addition, our board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the board of directors, but rather, our board of directors conducted an overall analysis of the factors described above, including discussions with and questioning of Elevon s senior management and legal and financial advisors.

Recommendation of Our Board of Directors

After careful consideration, our board of directors approved the merger and the asset sale and determined that the merger and the asset sale are advisable and fair to, and in the best interests of, Elevon and its stockholders. THE BOARD OF DIRECTORS RECOMMENDS THAT OUR STOCKHOLDERS VOTE IN FAVOR OF APPROVING THE MERGER AND ASSET SALE.

Opinion of Our Financial Advisor

Elevon engaged Updata Capital on August 14, 2002 to act as its financial advisor in connection with a potential merger or other business combination. Updata Capital focuses on providing merger and acquisition advisory services to information technology companies. In this capacity, Updata Capital is continually engaged in valuing such businesses and Updata Capital maintains an extensive database of information technology mergers and acquisitions for comparative purposes. The engagement letter with Updata Capital provides that upon consummation of a transaction, Updata Capital will be entitled to a total fee of $600,000, plus

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reimbursement of expenses. The engagement letter further provides for indemnification against certain liabilities arising out of its engagement. Fallen Angel Equity Fund, L.P., a beneficial owner of approximately 10.0% of Elevon s outstanding common stock, is under common management control with Updata Capital. In addition, David C. Wetmore, a director of Elevon, is a member of Fallen Angel Capital, LLC which is the general partner of Fallen Angel Equity Fund, L.P. and formerly was a managing director of Updata Capital.

At the May 6 and May 8, 2003 meetings of the board of directors, Updata Capital presented its analysis as described below and subsequently delivered its written opinion dated May 8, 2003 to the effect that as of such date and based on the matters described in the opinion, the merger consideration to be received in the merger was fair, from a financial point of view, to the holders of Elevon common stock. Updata Capital s opinion to the board of directors is dated and speaks only as of May 8, 2003. Updata Capital does not have any obligation to update, revise or reaffirm its opinion including at the time of the special meeting of the stockholders.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. The following summarizes the material valuation methodologies utilized by Updata Capital in supporting its fairness opinion. The summary does not purport to be a complete statement of the analyses and procedures applied, the judgments made or the conclusion reached by Updata Capital or a complete description of its presentation. Updata Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all the factors and analyses, could create an incomplete view of the process underlying its analyses and opinions. Updata Capital did not attempt to assign specific weights to particular analyses.

Updata Capital s opinion to Elevon s board of directors addresses only the fairness of the merger, from a financial point of view, to the holders of Elevon common stock, and does not constitute a recommendation to the stockholders as to how they should vote. Updata Capital s opinion does not address Elevon s underlying business decision to effect the transaction. In connection with the preparation of its opinion, Updata Capital made certain reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Updata Capital:

1. reviewed the most recent draft of the merger agreement and based its opinion on its understanding that the terms and conditions of the agreement will not materially change;

2. reviewed Elevon s historical financial statements and 2003 budget;

3. reviewed certain internal financial and operating information of Elevon;

4. participated in discussions with Elevon s management concerning the operations, business strategy, financial performance and prospects for Elevon;

5. reviewed the recent reported closing prices and trading activity for Elevon common stock on the Nasdaq and the Over-the-Counter Bulletin Board;

6. compared certain aspects of the financial and market performance of Elevon with public companies that Updata Capital deemed comparable in whole or in part;

7. analyzed available information, both public and private, concerning other mergers and acquisitions that Updata Capital believes to be comparable in whole or in part to the transaction;

8. reviewed Elevon s annual reports for the fiscal years ended December 31, 2001, and December 31, 2002, including the audited financial statements included therein, and recent quarterly financial statements;

9. conducted other financial studies, analyses and investigations as Updata Capital deemed appropriate for purposes of this opinion.

In rendering its opinion Updata Capital relied upon, without independent verification, and assumed the accuracy and completeness of, all the financial and other information, including without limitation the representations and warranties contained in the merger agreement, that was publicly available or furnished to

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it by Elevon. With respect to Elevon s 2003 budget, Updata Capital assumed that it was reasonably prepared and reflected the best available estimates and good faith judgments of Elevon s management as to the future performance of Elevon. Analyses based upon estimates of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Elevon, Updata Capital or any other person assumes responsibility if future results are materially different from those estimated. Updata Capital has neither made nor obtained an independent appraisal or valuation of any of Elevon s assets. Updata Capital s opinion is necessarily based on business, economic, market and other conditions as they existed and could be evaluated by Updata Capital at the date of its opinion and presentation to the board of directors.

The following is a summary of the material financial analyses performed by Updata Capital in connection with rendering its opinion. Financial analyses performed by Updata Capital exclude the historical results of Elevon s United Kingdom operations and Elevon 5, which were disposed of during 2002.

Analysis of Selected Publicly Traded Companies

Updata Capital developed an estimated range of theoretical public trading values for Elevon by aggregating implied public trading values for software vendors deemed comparable by Updata Capital. These values were based upon calculation and review of multiples of net enterprise value over the last twelve months (LTM) and calendar year 2003 estimated revenues and EBITA for a group of publicly traded companies with certain operations that may be considered similar to certain operations of Elevon. Net enterprise value represents a company s current stock price multiplied by its fully diluted common shares, plus debt and preferred stock, minus cash and cash equivalents on the most recent publicly available balance sheet. EBITA means a company s earnings before interest, one-time non-recurring charges, amortization charges and taxes. Updata Capital used closing per share prices as of May 5, 2003 in its calculations. Financial projections for the selected public companies were obtained through published equity research and analyst reports. Low, median and high multiples for the selected publicly traded software companies were multiplied by actual and estimated financial results for the Elevon business to obtain an estimated implied enterprise valuation.

The selected publicly traded companies consisted of: Click Commerce, Inc., Comshare, Inc., EXE Technologies, Inc., GEAC Computer Corporation Ltd., Made2Manage Systems, Inc., Scala Business Solutions, and Viewlocity, Inc. Updata Capital chose the selected companies because they were publicly traded companies that, for the purposes of the analysis, Updata Capital considered similar to Elevon with respect to operating performance or were software vendors deemed comparable. This universe of comparable companies differs from the set of companies previously used during the November 13, 2002 meeting with Elevon s board of directors because of deterioration in Elevon s first quarter 2003 performance.

The following table lists low, median, and high data (excluding not meaningful or not available data), for the public comparables selected. The bottom row lists implied transaction multiples based upon an offer for Elevon s outstanding stock of $1.30 per share.

	Enterprise Value to Revenue Multiple		Enterprise Value to EBITA Multiple	
Selected Companies	**LTM(1)**	**CY 2003 (Estimated)(2)**	**LTM(2)**	**CY 2003 (Estimated)(2)**
Publicly Traded Software Companies Low Multiple	0.1x	0.3x	2.2x	2.0x
Publicly Traded Software Companies Median Multiple	0.2x	0.4x	2.8x	2.5x
Publicly Traded Software Companies High Multiple	0.5x	0.6x	3.3x	3.0x
Elevon Implied Multiple at $1.30 per Share	0.2x	0.2x	NM	NM

(1) Data for publicly traded software companies consists of Comshare, GEAC, Made2Manage, and Scala.

(2) Data for publicly traded software companies consists of GEAC and Scala.

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Analysis of Selected Acquisitions

Updata Capital reviewed selected acquisitions consummated since April 2002 in the enterprise software sector that were deemed comparable. For each selected transaction, Updata Capital calculated multiples based on transaction value one day prior to announcement over revenues for the last twelve months (LTM) of the acquired company. Updata Capital analyzed the following transactions: Primavera Systems, Inc. s acquisition of Evolve Software, Inc. (announced in March 2003; deal still pending); Geac Computer Corp. s acquisition of Extensity, Inc. in March 2003; Indus International, Inc. s acquisition of SCT s Global Energy and Utilities Solutions Unit in March 2003; Symphony Technology Group s acquisition of Industri-Matematik International Corp. in February 2003; Agilisys Inc. s acquisition of Brain International in November 2002; QAD, Inc s acquisition of TRW s Integrated Supply Chain Solutions in November 2002, Golden Gate Capital and Parallax Capital Partners acquisition of Computer Associates Banking Solution Group in November 2002; ASA International Ltd. s acquisition of PowerCerv Corp. in October 2002; DataMirror Corp. s acquisition of Idion Technology Holdings Ltd. in July 2002; Golden Gate Capital and Parallax Capital Partners acquisition of SCT s Process Manufacturing Business; and SSA Global Technologies, Inc. s acquisition of Interbiz Product Lines in April 2002. This universe of comparable acquisition differs from the set previously used during the November 13, 2002 meeting with Elevon s board of directors because of deterioration in Elevon s first quarter 2003 performance.

It should be noted that none of the precedent transactions are identical to the merger and that, therefore, there are numerous factors that may have impacted the resulting transaction multiples that would affect the implied valuation of Elevon. The following table lists low, median and high data (excluding not meaningful, not available and not disclosed data) for the acquisitions selected. The bottom row lists the implied transaction multiple based upon an offer for Elevon s outstanding common stock of $1.30 per share, using last twelve month revenues.

Selected Transactions	Enterprise Value as a Multiple of Revenue
Comparable Acquisitions LTM Low Multiple	0.1x
Comparable Acquisitions LTM Median Multiple	0.3x
Comparable Acquisitions LTM High Multiple	0.6x
Elevon LTM Implied Multiple at $1.30 per share	0.2x

Analysis of Selected Precedent Transactions Involving Cash Rich Targets

Updata Capital compared the equity value as a percentage of cash for selected precedent transactions where targets were acquired with a significant cash balance on their balance sheet. Based on the analyses of 12 such transactions, the low equity value as a percent of cash was 44%, the median equity value as a percent of cash was 83%, and the high equity value as a percent of cash was 124%. As of May 6, 2003, the $1.30 merger consideration offered to Elevon s stockholders represented an equity value as percent of cash of 122% based on an estimated cash balance at closing of approximately $17 million.

Analysis of Premiums Paid in Selected Public Software Acquisitions

Updata Capital reviewed premiums paid in 19 acquisitions of publicly traded U.S software companies since January 2002. The low premiums paid over target s stock price one day and 20 days prior to announcement were -11% and -40%, respectively. The median premiums paid over target s stock price one day and 20 days prior to announcement were 21% and 36%, respectively. The high premiums paid over target s stock price one day and 20 days prior to announcement were 75% and 84%, respectively. The $1.30 per share merger consideration offered to Elevon s stockholders represents premiums of approximately 20% and 23% with respect to Elevon s stock price one day and 20 days prior to announcement, respectively.

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Discounted Cash Flow Analysis

Updata Capital calculated a range of theoretical firm values for Elevon based upon projected discounted cash flows and a terminal value multiple of both revenue and EBITA. Results were based on financial estimates, prepared by Updata Capital, of Elevon s business through 2008, and analysis of after-tax, unlevered free cash flows. Updata Capital s analysis used a discount range between 25% and 31%. Terminal values were based on both multiple of revenue and multiple of EBITA. Revenue multiples utilized for this terminal multiple methodology ranged between 0.4x and 0.7x. EBITA multiples utilized for the terminal multiple method ranged between 4.0x and 7.0x. Changes in these estimated ranges, or in estimates of Elevon s business performance, would change the implied theoretical firm values.

The discounted cash flow analysis produced a range of theoretical firm values depending on the assumptions utilized. Using a 25% discount rate and terminal value based on EBITA multiple of 5.0x, the discounted cash flow analysis resulted in a value of $1.15 per share of Elevon s common stock. Similarly, using a 25% discount rate and terminal value based on revenue multiple of 0.5x, the discounted cash flow analysis resulted in a value of $1.21 per share of Elevon s common stock.

Liquidation Analysis

In its fairness opinion, Updata Capital also considered a per share liquidation value analysis prepared by Elevon s management assuming that Elevon ceases to be a going concern in which Elevon s operations would be terminated, assets liquidated for cash, adequate provision made for liabilities, with remaining cash distributed to Elevon s stockholders. Management s analysis of the value to stockholders in liquidation suggested that a reasonable value to be distributed to stockholders would be $0.03 per share at the low end of its estimated range and $0.53 at the high end of its estimated range.

Updata Capital relied upon and assumed, without independent verification, that the liquidation analysis provided to it was reasonably prepared and reflected the best currently available information concerning the assets, liabilities and other aspects of Elevon, and that there was no material change in the assets, financial condition, business or prospects of Elevon since the date of the most recent information made available to it. Updata Capital did not independently verify the accuracy or completeness of the liquidation analysis supplied to it with respect to Elevon, and did not and does not assume responsibility for the accuracy or completeness of such information.

A COPY OF THE UPDATA CAPITAL OPINION IS ATTACHED HERETO AS APPENDIX B. OUR STOCKHOLDERS ARE URGED TO READ THE UPDATA CAPITAL OPINION CAREFULLY IN ITS ENTIRETY FOR THE ASSUMPTIONS MADE, THE PROCEDURES FOLLOWED, THE MATTERS CONSIDERED AND THE LIMITS OF THE REVIEW MADE BY UPDATA CAPITAL IN CONNECTION WITH SUCH OPINION.

Interests of Certain Persons in the Merger and Asset Sale

In considering the recommendation of our board of directors with respect to the merger and asset sale, stockholders should be aware that certain of our officers and directors have interests in connection with the merger and asset sale which may present them with actual or potential conflicts of interest.

Severance Arrangements

We previously entered into the following employment agreements with our executives: (i) an executive employment agreement with Frank M. Richardson effective September 1999, (ii) an executive severance benefits agreement with Paul A. Lord effective December 1999, and (iii) an executive employment agreement with Mr. Vogler effective February 2000. The employment agreements for Mr. Richardson and Mr. Vogler were amended and restated effective as of November 2002.

Each of these agreements provides that if such executive s employment is terminated by us without cause or by such executive as a result of a constructive termination following a change in control, such as consummation of the merger contemplated by the merger agreement, such executive will be entitled to receive

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the following benefits, as severance upon execution of a release agreement: (i) continued payment of such executive s base salary for 12 months following the date of termination; (ii) an amount equal to the average of such executive s bonuses for the 2 fiscal years prior to the date of termination; (iii) continued health benefits for 12 months (or less if such executive becomes eligible to participate in another employer s plans); and (iv) in the case of Mr. Richardson and Mr. Vogler, all of such executive s stock options will immediately become vested and exercisable and will remain exercisable for 12 months following such executive s date of termination; or in the case of Mr. Lord, all of Mr. Lord s stock options will immediately become vested and exercisable.

For purposes of the foregoing agreements, cause means any of the following, as determined in good faith by our board of directors: (i) an intentional act which materially injures Elevon; (ii) an intentional refusal or failure to follow lawful and reasonable directions of our board of directors or an individual to whom the executive reports (as appropriate); (iii) a willful and habitual neglect of duties; or (iv) a conviction of a felony involving moral turpitude which is reasonably likely to inflict or has inflicted material injury on Elevon.

For purposes of the foregoing agreements, constructive termination means that the executive voluntarily terminates employment after any of the following are undertaken without the executive s express written consent: (i) the assignment to the executive of any duties or responsibilities which result in a diminution or adverse change of the executive s position, status or circumstances of employment (a mere change in the executive s title or reporting relationship will not constitute a constructive termination); (ii) a reduction by Elevon in the executive s base salary; (iii) a relocation of the executive s business office by more than 30 miles; (iv) any breach by Elevon of any provision of the employment or severance agreement or any other material agreement between the executive and Elevon concerning the executive s employment; (v) any failure by Elevon to obtain the assumption of the employment or severance agreement by any successor or assign of Elevon; or (vi) any change in control.

Stock Options

Certain of our board members and executive officers hold options to acquire Elevon stock. Immediately prior to the merger, each outstanding stock option shall become immediately vested and exercisable in full. If the merger is completed, all options to purchase our common stock under our stock option plans remaining outstanding and unexercised will be canceled and converted into the right to receive a per share cash payment (net of applicable taxes) equal to an amount, if any, that the $1.30 per share cash merger consideration exceeds the per share exercise price of the options. In the event that the exercise price of such option is equal to or greater than the $1.30 per share cash merger consideration, such option shall be cancelled and no cash compensation shall be paid. Fallen Angel Equity Fund, L.P. will receive the benefit of any gains payable on stock options granted to Mr. Wetmore since the date Fallen Angel Equity Fund, L.P. invested in Elevon.

See The Merger Agreement Outstanding Options; Employee Stock Purchase Plan on page 32. For information concerning management s ownership of our common stock or holdings of stock options, see Security Ownership of Beneficial Owners and Management on page 44.

Indemnification

The merger agreement provides that SSA and the surviving corporation agree to extend the indemnification obligations currently set forth in our existing certificate of incorporation and by-laws for a period of six years after the date of the merger and not to modify such obligations in any adverse manner, unless required by law. For six years from the date of the merger, the surviving corporation shall provide to our current directors and officers a prepaid directors and officers insurance policy with respect to matters occurring on or before the date of the merger no less favorable than our existing policy or the best available coverage, subject to certain premium limitations. SSA shall, and shall cause the surviving corporation to, maintain such policies in full force and effect and continue to honor the obligations under such policies.

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Payment for Shares

At least five business days prior to the effective time of the merger, SSA shall designate a paying agent. Immediately after the effective time of the merger, SSA will deposit the payment fund in trust with the paying agent. The payment fund shall not be used for any purpose other than for payment of the cash merger consideration described above.

Within two business days after the effective time of the merger, SSA shall cause the paying agent to mail a letter of transmittal and instructions for use in effecting the surrender of share certificates in exchange for cash merger consideration, to each holder of record of a certificate representing a share that was converted to a right to receive a cash payment as described above. Upon surrender of a certificate for cancellation to the paying agent, together with such letter of transmittal, duly executed and completed in accordance with the accompanying instructions, the holder of such certificate shall be entitled to receive in exchange the cash merger consideration for each share represented by such certificate and such certificate shall then be cancelled. Until such certificates are cancelled, each certificate shall be deemed to evidence only the right to receive upon such surrender the cash merger consideration and no interest will be paid or will accrue with respect to any cash payable upon surrender of any certificate.

In the event any certificate or certificates representing common stock are lost, stolen or destroyed, then the person claiming such fact must provide an affidavit to that effect and as may be required by SSA in its discretion, a suitable bond or indemnity. Upon receipt and processing of such documents, the cash merger consideration owing to such person will be paid to such person.

If payment of cash merger consideration is to be made to a person other than the person in whose name the surrendered certificate is registered, then prior to payment, the certificate must be properly endorsed or be otherwise in proper form for transfer, and the person requesting such payment must have paid any transfer and other taxes required by reason of payment of the cash merger consideration to a person other than the registered holder of the certificate or the person must have established to the surviving corporation s satisfaction that such tax has either been paid or is not applicable. SSA, the paying agent, and the surviving corporation will be entitled to deduct and withhold such amounts as may be required under the Internal Revenue Code or any other applicable law. To the extent that such amounts are deducted or withheld, such amounts shall be treated as having been paid to the person to whom such amounts would otherwise have been paid and shall be paid to the appropriate government entity on that person s behalf.

Under the merger agreement, the surviving corporation agrees to pay all charges and expenses of the paying agent in connection with the exchange of the cash merger consideration for our common stock.

DETAILED INSTRUCTIONS, INCLUDING A TRANSMITTAL LETTER, WILL BE MAILED TO STOCKHOLDERS PROMPTLY FOLLOWING THE EFFECTIVE TIME OF THE MERGER AS TO THE METHOD OF EXCHANGING CERTIFICATES FORMERLY REPRESENTING SHARES OF OUR COMMON STOCK FOR THE MERGER CONSIDERATION. STOCKHOLDERS SHOULD NOT SEND CERTIFICATES REPRESENTING THEIR SHARES OF OUR COMMON STOCK TO THE PAYING AGENT OR ELEVON PRIOR TO RECEIPT OF THE TRANSMITTAL LETTER.

Material U.S. Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the merger to United States Holders (as defined below) of our common stock who receive cash on account of their shares surrendered in the merger. This summary is based on the Internal Revenue Code of 1986, as amended, applicable Treasury Regulations, and administrative and judicial interpretations of such Treasury Regulations, each as in effect as of the date of this proxy statement, all of which may change, possibly with retroactive effect. This summary assumes that shares of our common stock are held as capital assets. It does not address

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all of the tax consequences that may be relevant to particular holders in light of their personal circumstances, or to other types of holders, including, without limitation:

banks, insurance companies or other financial institutions;

dealers in securities or commodities;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

expatriates;

tax-exempt organizations;

Non-United States Holders (as defined below);

persons who are subject to alternative minimum tax;

persons who hold their shares of common stock as a position in a straddle , hedging or conversion transaction or other risk reduction transaction;

persons deemed to sell their shares of common stock under the constructive sale provisions of the Internal Revenue Code of 1986;

persons that have a functional currency other than the United States dollar; or

persons who acquired their shares of our common stock upon the exercise of stock options or otherwise as compensation.

In addition, this discussion does not address any state, local or foreign tax consequences of the merger.

We urge each holder of our common stock to consult his or her own tax advisor regarding the United States federal income or other tax consequences of the merger to such holder.

For purposes of this discussion, a United States Holder means a holder that is:

a citizen or resident of the United States;

a corporation, a partnership or an entity treated as a corporation or a partnership for United States federal income tax purposes created or organized in or under the laws of the United States or any State or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust (a) the administration over which a United States court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control and certain other trusts considered United States Holders for federal income tax purposes.

A Non-United States Holder is a holder other than a United States Holder.

If a partnership holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our common stock, and partners in such partnerships, should consult their tax advisor regarding the tax consequences of the merger to them.

Consequences of the Merger

The receipt of cash in connection with the surrender of shares of our common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. In general, a United States Holder who receives cash on account of shares of our common stock surrendered in the merger will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder s adjusted tax basis in the shares of our common stock surrendered

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pursuant to the merger. Any such gain or loss would be long-term capital gain or loss if the holding period for the shares of our common stock exceeded one year. Long-term capital gains of noncorporate taxpayers are generally taxable at a reduced rate. Capital gains of corporate stockholders are generally taxable at the regular tax rates applicable to corporations.

If a United States Holder of our common stock exercises appraisal rights and receives cash in connection with the surrender of its shares of our common stock, the holder will generally recognize capital gain or loss equal to the difference between the cash received and the holder s tax basis in our common stock surrendered.

Backup Withholding

Backup withholding may apply to payments made in connection with the merger. Backup withholding will not apply, however, to a holder who (1) furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to holders of our common stock prior to completion of the merger, (2) provides a certification of foreign status on Form W-8BEN or successor form, or (3) is otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s United States federal income tax liability provided the required information is furnished to the IRS.

THE FOREGOING DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO THE MERGER AND IS NOT TAX ADVICE. THEREFORE, HOLDERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Regulatory Compliance

There are no federal or state regulatory requirements to be complied with in order to complete the merger and asset sale, other than the filing of the certificate of merger with the Secretary of State of the State of Delaware.

Appraisal Rights

The discussion of the provisions set forth below is not a complete summary regarding your appraisal rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of Delaware law, which are attached to this proxy statement as Appendix C. Stockholders intending to exercise appraisal rights should carefully review Appendix C. Failure to follow precisely any of the statutory procedures set forth in Appendix C may result in a termination or waiver of these rights.

If the merger is consummated, holders of our common stock who follow the procedures specified in Section 262 of the Delaware General Corporate Law within the appropriate time periods will be entitled to have their shares of our common stock appraised by a court and to receive the fair value of such shares in cash as determined by the Delaware Court of Chancery in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the merger agreement.

The following is a brief summary of Section 262, which sets forth the procedures for demanding statutory appraisal rights. Failure to follow the procedures set forth in Section 262 precisely could result in the loss of appraisal rights. This proxy statement constitutes notice to holders of our common stock concerning the availability of appraisal rights under Section 262. A stockholder wishing to assert appraisal rights must be a record holder of the shares on the date of making a demand for appraisal rights with respect to such shares and must continuously hold such shares of record through the effective time of the merger.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. A written demand for appraisal of shares must be filed with us before the special meeting on , 2003. This written demand for appraisal of shares must be in addition to and separate from a vote against the

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merger. Stockholders electing to exercise their appraisal rights must not vote in favor of the merger. Any proxy or vote against the merger will not constitute a demand for appraisal within the meaning of Section 262.

A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder s name appears on the share certificate. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, this demand must be executed by or for the fiduciary. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in our common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized herein and in a timely manner to perfect appraisal rights in respect of such stock.

A stockholder of Elevon who elects to exercise appraisal rights should mail or deliver his, her or its written demand to us at our address at 303 Second Street, Three North, San Francisco, California, 94107, Attention: corporate secretary. Such written demand must be received by us prior to the special meeting on , 2003. The written demand for appraisal should specify the stockholder s name and mailing address, and that the stockholder is demanding appraisal of his or her common stock of Elevon by such demand. Within ten days after the effective time of the merger, we must provide notice of the effective time of the merger to all of our stockholders who have complied with Section 262 and have not voted for the merger.

Within 120 days after the effective time of the merger (but not thereafter), any stockholder who has satisfied the requirements of Section 262 may deliver to us a written demand for a statement listing the aggregate number of shares not voted in favor of the merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. We, as the surviving corporation in the merger, must mail such written statement to the stockholder no later than the later of 10 days after the stockholders request is received by us or 10 days after the latest date for delivery of a demand for appraisal under Section 262.

Within 120 days after the effective time of the merger (but not thereafter), either we or any stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of Elevon shares of stockholders entitled to appraisal rights. We have no present intention to file such a petition.

Upon the filing of any petition by a stockholder in accordance with Section 262, service of a copy must be made upon us, following which we must, within 20 days after 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 us. The Register in Chancery, if so ordered by the court, will give notice of the time and place fixed for the hearing of such petition by registered or certified mail to us and to the stockholders shown on the list at the addresses therein stated, and notice will also be given by publishing a notice at least one 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 must be approved by the court, and the costs thereof will be borne by us. The Delaware Court of Chancery may require the stockholders who have demanded an appraisal for their shares (and who hold stock represented by certificates) to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings and the Delaware Court of Chancery may dismiss the proceedings as to any stockholder that fails to comply with such direction.

If a petition for an appraisal is filed in a timely fashion, after a hearing on the petition, the court will determine which stockholders are entitled to appraisal rights and will appraise the shares owned by these stockholders, determining the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value.

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Our stockholders considering seeking appraisal of their shares should note that the fair value of their shares determined under Section 262 could be more, the same or less than the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares. The costs of the appraisal proceeding may be determined by the court and taxed against the parties as the court deems equitable under the circumstances. Upon application of a dissenting stockholder, the court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal. In the absence of a determination or assessment, each party bears his, her or its own expenses. The exchange of shares for cash pursuant to the exercise of appraisal rights will be a taxable transaction for United States federal income tax purposes and possibly state, local and foreign income tax purposes as well. See The Merger and Asset Sale Material U.S. Federal Income Tax Consequences on page 26.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote for any purpose the shares subject to demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the merger.

At any time within 60 days after the effective time of the merger, subject to the last sentence of this paragraph, any stockholder will have the right to withdraw his demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his demand for appraisal and receive payment for his shares as provided in the merger agreement only with the consent of Elevon. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, our stockholders rights to appraisal will cease. Since we have no obligation to file such a petition, and have no present intention to do so, any stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the court demanding appraisal may be dismissed as to any stockholder without the approval of the court, which approval may be conditioned upon such terms as the court deems just.

Failure by any company stockholder to comply fully with the procedures set forth in Appendix C to this proxy statement may result in termination of such stockholder s appraisal rights.

Certain Effects of the Merger and Asset Sale

We will sell to Seneca Acquisition Subsidiary all of our owned intellectual property for a purchase price of $1,754,000 in cash, and immediately thereafter, Seneca Merger Subsidiary will be merged with and into Elevon, after which we will be the surviving corporation, as a privately held, indirect wholly-owned subsidiary of SSA, whereby the outstanding shares of Elevon s common stock shall be converted into the right to receive an amount equal to $1.30 in cash per share. After the effective time of the merger, the present holders of our common stock will no longer have an equity interest in Elevon, will not share in any of our potential future earnings or growth and will no longer have rights to vote on corporate matters. In addition, if the merger is completed, our common stock will be delisted from the Over-the-Counter Bulletin Board and will be deregistered under the Securities Exchange Act of 1934, as amended. On May 8, 2003, we amended our stockholder rights agreement to except SSA to the extent SSA becomes a beneficial owner of Elevon s common stock pursuant to the terms of the merger agreement which includes the voting agreement, merger and asset sale.

SSA required the asset sale as a condition to the merger transaction for SSA s tax planning purposes. The asset sale will not affect our stockholders or their rights as stockholders pursuant to the merger agreement, and our stockholders will not receive any cash from the $1,754,000 purchase price of the asset sale. If our stockholders do not approve of the merger, then the proposal to approve the asset sale will be ineffective, and if our stockholders do not approve of the asset sale, then the proposal to approve the merger will be ineffective. The closing of the merger and the asset sale are effectively conditioned on each other, so if one does not close, neither will close.

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Even if our stockholders approve the merger and asset sale, there can be no assurance that the merger and asset sale will be consummated. Also, there are certain risks relating to the merger in that the cash merger consideration per share will not be adjusted for changes in stock prices, which may result from a number of factors, including market perception of the merger; changes in the business, operations or prospects of Elevon; market assessments of the likelihood that the merger will be completed; and the timing of the merger and general market and economic conditions. In addition, certain of our officers and directors have interests in connection with the merger and asset sale which may present them with actual or potential conflicts of interest. See The Merger and Asset Sale Interests of Certain Persons in the Merger and Asset Sale on page 24. Also, if the merger is delayed or not consummated for any reason, we may be subject to a number of additional risks, including the following:

- we may be required to pay to SSA a termination fee;
- we may be required to reimburse certain expenses incurred by SSA in connection with the merger and asset sale;
- the price of our common stock may decline to the extent that our current market price reflects a market assumption that the merger is likely to be completed; and
- certain costs related to the merger and asset sale, such as legal and accounting advisor fees, must be paid even if the merger is not completed.

In addition, current and prospective employees of Elevon may experience uncertainty about their future roles with the surviving company until after the merger is completed or if the merger is not completed. This may adversely affect the ability of Elevon to attract and retain key management, sales, marketing and technical personnel. Also, Elevon s business and relationships with its customers may be impaired or disrupted by any uncertainty that may be caused by the merger. Further, if the merger is terminated or is not consummated for any reason and our board of directors determines to seek another merger or business combination, we cannot assure you that it will be able to find a transaction providing as much stockholder value as this merger.

While the merger agreement is in effect, subject to certain exceptions, we are prohibited from soliciting, initiating or encouraging or entering into certain alternative transactions.

THE MERGER AGREEMENT

The following is a summary of the material terms and conditions of the merger agreement and is qualified in its entirety by the actual merger agreement attached as Appendix A. The following description may not contain all the information about the merger agreement that is important to you. We encourage you to read the merger agreement carefully and in its entirety.

Structure of the Merger and Asset Sale; Effectiveness

The merger agreement provides that, after all of the conditions to the merger agreement have been satisfied or waived or at such other time as may be agreed upon by the parties: