STELLENT INC
Form 10-K/A
April 28, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K/A

(AMENDMENT NO. 2)

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED MARCH 31, 2003
OR

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

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 0-19817

STELLENT, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MINNESOTA	41-1652566
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7777 GOLDEN TRIANGLE DRIVE EDEN PRAIRIE, MINNESOTA	55344-3736
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(952) 903-2000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: PREFERRED SHARE PURCHASE RIGHTS; COMMON STOCK, PAR VALUE $.01 PER SHARE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of September 30, 2002, the last business day of the registrant's most recently completed second fiscal quarter was $75,156,299, based on the closing sale price for the registrant's common stock on that date as reported by The Nasdaq Stock Market. For purposes of determining such aggregate market value, all officers and directors of the registrant are considered to be affiliates of the registrant, as well as shareholders holding 10% or more of the outstanding common stock as reflected on Schedules 13D or 13G filed with the registrant. This number is provided only for the purpose of this report on Form 10-K and does not represent an admission by either the registrant or any such person as to the status of such person.

As of June 25, 2003, the registrant had 21,793,506 shares of common stock issued and outstanding.

STELLENT, INC.

FORM 10-K/A
FOR THE FISCAL YEAR ENDED MARCH 31, 2003

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EXPLANATORY NOTE

In accordance with Exchange Act Rule 12b-15, this Amendment No. 2 on Form 10-K/A amends certain items of the Annual Report on Form 10-K of Stellent, Inc. (the "Company") for the fiscal year ended March 31, 2003, filed with the Securities and Exchange Commission on June 30, 2003, and presents the relevant text of the items amended. The amended items do not restate the Company's consolidated financial statements previously filed in the Form 10-K, as

previously amended. This Form 10-K/A does not reflect events occurring after the filing of the original Form 10-K or modify or update those disclosures affected by subsequent events.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

In 1997, we launched one of the first software product suites on the market that was fully developed and created expressly for Web-based content and document management. Currently, customers use our Stellent Universal Content Management software to organize and maintain electronic information, created by various sources using a broad range of software applications, and to publish that information on public or private Web sites. The single architecture of our content management software addresses each aspect of content management, including Web content management, document management, collaboration, records management and digital assets management. Additionally, software vendors and manufacturers of electronic devices such as cell phones and personal data organizers use our Content Component software to filter and convert electronic information files so that they can be viewed using a Web browser or a manufacturer's device.

FISCAL YEAR 2003 SUMMARY

MARKET TRENDS

We believe the trend toward companies increasingly using the Web for communicating and publishing business information will continue. Moreover, we believe that the trend toward more individuals creating more information that companies will seek to organize, maintain and publish on public or private Web sites will continue. However, as the software industry consolidates, the number of software applications in which business information is created may contract. In addition, we believe electronic devices will be used increasingly to view electronic information.

While we believe the general and long-term market trends identified above will create continued demand for our products, the market for content management software and our products at any particular time is highly dependant on information technology spending. Weak United States and international economic conditions resulted in reduced information technology spending throughout our fiscal year 2003. We cannot be certain whether, and if so, when, spending on information technology will rebound. We believe continuing difficult economic and market conditions are putting pressure on the ability of certain content management software companies to survive as independent entities, if at all. We believe customers increasingly have been concerned with vendor viability in

selecting content management software. In addition, we believe content management software customers are focusing on a single software architecture and/or a single vendor when making content management purchasing decisions. We believe both of these trends will continue and may result in consolidation of the content management software market. A consolidated content management software market may be inviting to larger software vendors that traditionally have marketed infrastructure, or

business transaction processing, software. If infrastructure software vendors, some of which have access to significantly greater financial and technical resources that we do, enter the content management software market, our business and operation results may be significantly adversely affected. We cannot be certain whether infrastructure software vendors will enter the content management software market.

OPERATING RESULTS

In fiscal year 2003, our consolidated results of operations were adversely impacted by weak economic conditions in the United States and internationally, which resulted in substantially reduced spending on information technology initiatives. Throughout fiscal year 2003, we continued our cost cutting efforts through several restructuring actions and saw a significant decline in our operating expenses. During fiscal year 2003, we continued to market and license our products and services primarily through a direct sales force and augmented our sales efforts through other relationships, such as with other software vendors, systems integrators, resellers and others. Our total revenues generated from operations outside of the United States increased slightly in fiscal year 2003 to 24% from 23%. No customer accounted for more than 10% of revenues in fiscal year 2003.

ACQUISITIONS

In April 2002, we acquired certain assets and assumed certain liabilities of Kinecta Corporation, a provider of software infrastructure for digital networks, for approximately $2.6 million in cash. We acquired the Kinecta assets primarily to obtain Kinecta's proprietary content distribution technology. We have incorporated Kinecta's technology into our core content management product line to maintain the competitive features of those products.

In March 2003, we acquired certain assets of Active IQ Corporation, a provider of hosted solutions for the commercial real estate industry, for approximately $0.7 million in cash. We acquired the Active IQ assets to expand the market for our content management software products by expanding our access to a particular market segment; the real estate industry.

RESTRUCTURINGS

Beginning in April 2002 and continuing through April 2003, we implemented several cost cutting measures, including a reduction in work force of approximately 24% since March 31, 2002 of 446 employees to 340 employees at March 31, 2003. These restructuring measures were in response to the economic slowdown both in the United States and internationally and were in all functional areas and geographies. Although we implemented the restructurings to reduce overall costs, we have recently been investing in certain areas in order to expand our customer base and grow our revenues. Because of this, we anticipate that the percentage of expenses as compared to total revenues represented by sales and marketing expenses, research and development expenses and general and administrative expenses will fluctuate from period to period depending primarily on when we hire new personnel, the timing of certain sales and marketing programs, the research programs that we put in place and the potential expansion of operations. In addition, our limited operating history makes it difficult for us to predict future operating results. We cannot be certain that we will sustain revenue growth. A table summarizing our restructuring plans is shown below:

	RESTRUCTURING CHARGES						
	FIRST QUARTER '03		SECOND QUARTER '03		THIRD QUARTER '03		FOURTH QU
	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATI BENEFITS
Balance at April 1, 2002	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Expense	2,100	404	--	--	--	--	--
Payments	(1,488)	(316)	--	--	--	--	--

	RESTRUCTURING CHARGES						
	FIRST QUARTER '03		SECOND QUARTER '03		THIRD QUARTER '03		FOURTH QU
	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATION BENEFITS	OTHER EXIT COSTS	EMPLOYEE TERMINATI BENEFITS
Balance at June 30, 2002	612	88	--	--	--	--	--
Expense	--	--	434	405	--	--	--
Payments	(612)	(88)	(230)	(40)	--	--	--
Balance at September 30, 2002	--	--	204	365	--	--	--

Expense	--	--	--	--	382	292	--
Payments	--	--	(36)	(24)	(312)	(256)	--
Balance at December 31, 2002	--	--	168	341	70	36	--
Expense	--	--	--	--	--	--	305
Payments	--	--	(114)	(37)	(37)	(36)	(65)
Balance at March 31, 2003	$ --	$ --	$ 54	$304	$ 33	$ --	$240

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are more fully described in Note 1 to our consolidated Financial Statements. The policies described below are particularly important to understanding our financial position and results of operations and may require management to make estimates or judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

We currently derive all of our revenues from licenses of software products and related services. We recognize revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions, and Securities and Exchange Commission Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements."

Product license revenue is recognized under SOP 97-2 when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable, and (iv) collectibility is probable and supported and the arrangement does not require services that are essential to the functionality of the software.

Persuasive Evidence of an Arrangement Exists -- We determine that persuasive evidence of an arrangement exists with respect to a customer under, i) a signature license agreement, which is signed by both the customer and us, or, ii) a purchase order, quote or binding letter-of-intent received from and signed by the customer, in which case the customer has either previously executed a signature license agreement with us or will receive a shrink-wrap license agreement with the software. We do not offer product return rights to end users or resellers.

Delivery has Occurred -- Our software may be either physically or electronically delivered to the customer. We determine that delivery has occurred upon shipment of the software pursuant to the billing terms of the arrangement or when the software is made available to the customer through electronic delivery. Customer acceptance generally occurs at delivery.

The Fee is Fixed or Determinable -- If at the outset of the customer arrangement, we determine that the arrangement fee is not fixed or determinable, revenue is typically recognized when the arrangement fee

becomes due and payable. Fees due under an arrangement are generally deemed

fixed and determinable if they are payable within twelve months.

Collectibility is Probable and Supported -- We determine whether collectibility is probable and supported on a case-by-case basis. We may generate a high percentage of our license revenue from our current customer base, for whom there is a history of successful collection. We assess the probability of collection from new customers based upon the number of years the customer has been in business and a credit review process, which evaluates the customer's financial position and ultimately their ability to pay. If we are unable to determine from the outset of an arrangement that collectibility is probable based upon our review process, revenue is recognized as payments are received.

With regard to software arrangements involving multiple elements, we allocate revenue to each element based on the relative fair value of each element. Our determination of fair value of each element in multiple-element arrangements is based on vendor-specific objective evidence ("VSOE"). We limit our assessment of VSOE for each element to the price charged when the same element is sold separately. We have analyzed all of the elements included in our multiple-element arrangements and have determined that we have sufficient VSOE to allocate revenue to consulting services and post-contract customer support ("PCS") components of our license arrangements. We sell our consulting services separately, and have established VSOE on this basis. VSOE for PCS is determined based upon the customer's annual renewal rates for these elements. Accordingly, assuming all other revenue recognition criteria are met, revenue from perpetual licenses is recognized upon delivery using the residual method in accordance with SOP 98-9, and revenue from PCS is recognized ratably over their respective terms, typically one year.

Our direct customers typically enter into perpetual license arrangements. Our Content Components Division generally enters into term-based license arrangements with its customers, the term of which generally exceeds one year in length. We recognize revenue from time-based licenses at the time the license arrangement is signed, assuming all other revenue recognition criteria are met, if the term of the time-based license arrangement is greater than twelve months. If the term of the time-based license arrangement is twelve months or less, we recognize revenue ratably over the term of the license arrangement.

Services revenue consists of fees from consulting services and PCS. Consulting services include needs assessment, software integration, security analysis, application development and training. We bill consulting services fees either on a time and materials basis or on a fixed-price schedule. In general, our consulting services are not essential to the functionality of the software. Our software products are fully functional upon delivery and implementation and generally do not require any significant modification or alteration for customer use. Customers purchase our consulting services to facilitate the adoption of our technology and may dedicate personnel to participate in the services being performed, but they may also decide to use their own resources or appoint other professional service organizations to provide these services. Software products are billed separately from professional services. We recognize revenue from consulting services as services are performed. Our customers typically purchase PCS annually, and we price PCS based on a percentage of the product license fee. Customers purchasing PCS receive product upgrades, Web-based technical support and telephone hot-line support.

Customer advances and billed amounts due from customers in excess of revenue recognized are recorded as deferred revenue.

Cost of Revenues

We expense all manufacturing, packaging and distribution costs associated with product license revenue as cost of revenues. We expense all technical

support service costs associated with service revenue as cost of revenues. We also expense amortization of capitalized software from acquisitions as cost of revenues.

In January 2002, the FASB issued Emerging Issues Task Force (EITF) Issue No. 01-14, Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred, which requires companies to report reimbursements of "out-of-pocket" expenses as revenues and the corresponding expenses incurred as costs of revenues within the income statement. We report our out-of-pocket expenses reimbursed

by customers as revenue and the corresponding expenses incurred as costs of revenues within the statement of operations. As a result, this EITF did not have a material effect on our consolidated financial statements.

Investments in and Notes with Other Companies

Investments in other equity securities and related notes with other companies in the software industry are classified as long-term as we anticipate holding them for more than one year. We hold less than 20% interest in, and do not directly or indirectly exert significant influence over, any of the respective investees. A portion of these investments are publicly traded and are deemed by management to be available for sale. We use the specific identification method to determine cost and fair value for computing gains and losses. Accordingly, these investments are reported at fair value with net unrealized gains or losses reported within shareholders' equity as accumulated other comprehensive income or loss. No sales of available for sale investments have occurred through March 31, 2003. During fiscal 2001, 2002 and 2003, we determined that permanent declines in the value of these publicly traded investments had occurred. As a result, we recorded write-downs of $0.4 million, $0.1 million, and $1.1 million during the years ended March 31, 2001, 2002 and 2003, respectively. Investments in other companies also include investments in several non-public, start-up technology companies for which we use the cost method of accounting. For the years ended March 31, 2002 and 2003, we determined that a permanent decline in value of certain investments had occurred and recorded a $5.6 million and $0.7 million write-down on the investments in and advances to these entities. We determined the permanent declines in value of these public and non-public companies using quarterly procedures such as reviewing their operating results and financial position, discussions with company management and review of the overall business climate.

Accounts Receivable

Our accounts receivable balances are due from companies across a broad range of industries -- Government, Finance, Manufacturing, Consumer, Aerospace and Transportation, Health Care/Insurance, and High Tech/Telecom. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable from sales of services are typically due from customers within 30 days and accounts receivable from sales of licenses are due over terms ranging from 30 days to nine months. Accounts receivable balances are stated at amounts due from customer net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payments terms are considered past due. We determined our allowance by considering a number of factors, including the length of time trade receivables are past due, our previous loss history, the customer's current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. We write-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

No customer accounted for 10% or more of our revenues in the years ended March 31, 2001, 2002, and 2003.

Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Prior to April 1, 2002, goodwill was amortized on a straight-line basis over three years. Effective April 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Other Intangible Assets, which provides that goodwill, as well as identifiable intangible assets with indefinite lives, should not be amortized but reviewed for impairment annually. Accordingly, we ceased amortization of goodwill as of April 1, 2002.

At March 31, 2002, other acquired intangible assets represented core technology, customer base, workforce, capitalized software, trademarks, and other intangible assets acquired through business acquisitions, and were amortized on a straight-line basis over three to four years. Effective April 1, 2002, we adopted SFAS 141, Business Combinations, which requires that all business combinations be accounted for utilizing the purchase method of accounting and specifies the criteria to use in determining whether intangible assets

identified in purchase accounting must be recorded separately from goodwill. We determined that our acquired workforce did not meet the separability criteria of SFAS 141, and therefore the net unamortized balance at March 31, 2002 was reclassified to goodwill effective April 1, 2002, and amortization of the balance ceased. The remaining other acquired intangible assets continue to be amortized on a straight-line basis over their remaining, definite useful lives.

The carrying value of goodwill and other intangible assets is tested for impairment on an annual basis or when factors indicating impairment are present. We completed our transitional goodwill impairment test on April 1, 2002 and determined that no impairment existed at that time. We have elected to complete the annual impairment test of goodwill on January 1 of each year. We engaged an independent outside professional services firm to assist us in our impairment testing of goodwill. Based on this assistance, we completed our annual goodwill impairment test on January 1, 2003 and determined that there was no impairment of goodwill at that time. Additionally, no circumstances occurred during the fourth quarter of the year ended March 31, 2003 which would have created an impairment loss at March 31, 2003.

Impairment of Long-Lived Assets

We evaluate the recoverability of its long-lived assets in accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 requires recognition of impairment of long-lived assets in the event that events or circumstances indicate an impairment may have occurred and when the net book value of such assets exceeds the future undiscounted cash flows attributed to such assets. We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. No impairment of long-lived assets has occurred through the year ended March 31, 2003.

New Accounting Pronouncements

In January 2003, the FASB issued FIN 46, Consolidation of Variable Interest Entities, which requires the assets, liabilities and results of operations of

variable interest entities (VIE) be consolidated into the financial statements of the company that has controlling financial interest. FIN 46 is not anticipated to have a material effect on our consolidated financial statements.

Accounting for Income Taxes

Deferred tax liabilities and deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The valuation allowance has been established due to the uncertainty of future taxable income, which is necessary to realize the benefits of the deferred tax assets. The Company had net operating loss (NOL) carryforwards of approximately $84,300 at March 31, 2003, which begin to expire in 2011. These NOL's are subject to annual utilization limitations due to prior ownership changes.

Realization of the NOL carryforwards and other deferred tax temporary differences are contingent on future taxable earnings. The deferred tax asset was reviewed for expected utilization using a "more likely than not" approach as required by SFAS No. 109, Accounting for Income Taxes, by assessing the available positive and negative evidence surrounding its recoverability. Accordingly, in fiscal 2003 we increased the valuation allowance to fully offset the deferred tax asset. The increase in the valuation allowance has been recognized as a reduction in paid in capital to the extent that a tax benefit from employee stock option exercises was previously recognized as additional paid in capital.

We will continue to assess and evaluate strategies that will enable the deferred tax asset, or portion there of, to be utilized, and will reduce the valuation allowance appropriately at such time when it is determined that the "more likely than not" approach is satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In general, these estimates and assumptions are based on historical experience of our management; but may include consideration of industry trends or information from other outside sources. Actual results could differ from those estimates.

RESULTS OF OPERATIONS -- FISCAL YEAR ENDED MARCH 31, 2003 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2002

REVENUES

Total revenues decreased by $22.9 million, or 26%, to $65.4 million for the year ended March 31, 2003 from $88.3 million for the year ended March 31, 2002. The decrease in revenues was due to a $26.5 million decrease in our product license revenues as a result of the worldwide economic slowdown, which has resulted in a reduction in overall customer spending in information technology initiatives, partially offset by a $3.7 million increase in revenues for services due to a larger base of installed products.

Product Licenses. Revenues for product licenses decreased by $26.5 million, or 40%, to $40.4 million for the year ended March 31, 2003 from $66.9 million for the year ended March 31, 2002. The decrease in revenues was attributable to a decrease of approximately $20.5 million in Universal Content Management and $6.5 million in Content Components software revenues in the United States partially offset by a $0.5 million increase in software revenues internationally. The decrease in our Universal Content Management and Content Components software licenses was due to less than expected demand and longer than expected sales cycles for those products, both resulting from reduced information technology spending. The market for content management software and our products at any particular time is highly dependant on information technology spending and we cannot be uncertain whether, and if so, when, spending on information technology will rebound.

Services. Revenues for services, consisting of consulting services, training and post-contract customer support, increased by $3.7 million, or 17%, to $25.1 million for the year ended March 31, 2003 from $21.4 million for the year ended March 31, 2002, as follows (in thousands):

	YEAR ENDED MARCH 31, 2003		YEAR ENDED MARCH 31, 2002	
Consulting services and training	$ 7,772	31%	$ 9,644	45%
Post-contract support	17,298	69	11,788	55
Total services revenues	$25,070	100%	$21,432	100%

The increase in revenues for services was attributable to an increase in post-contract customer support of approximately $5.5 million due to a larger installed base of Universal Content Management and Content Component products. As we license our products, whether perpetual for our Universal Content Management software or term for our Content Components software, our installed base of products increases. Since the rate of annual renewal of post contract customer support services on our Universal Content Management and Content Component software has remained high, our post contract customer support revenues grow because we have a larger installed base of products. Also, Universal Content Management revenues related to consulting services work can increase as a result of a larger installed base of products. Because we expect the trend toward companies increasingly using the Web for communicating and publishing business information and the trend toward electronic devices being used increasingly to view electronic information to continue, we expect our installed base of products to continue to grow and our services revenues attributable to post-contract customer support to continue to increase.

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The increase in revenues for services was partially offset by a decrease in Universal Content Management consulting services of approximately $1.9 million due to a decrease in product license revenue, which led to a decreased need for

implementation services. Our consulting services revenue is derived almost exclusively from our Universal Content Management software, as our Content Component software is licensed to other companies that embed our technology in their products and require very limited to no consulting services work. Because our revenues for Universal Content Management consulting services are highly dependent on our Universal Content Management product licensing revenues, they are difficult to predict.

COST OF REVENUES AND GROSS PROFIT

Total cost of revenues increased by $1.1 million, or 6%, to $20.5 million for the year ended March 31, 2003 from $19.4 million for the year ended March 31, 2002. Total cost of revenues as a percentage of total revenues was 31% for the year ended March 31, 2003 compared to 22% for the year ended March 31, 2002. Gross profit decreased by $24.1 million, or 35%, to $44.9 million for the year ended March 31, 2003 from $69.0 million for the year ended March 31, 2002. Total gross profit as a percentage of total revenues was 69% for the year ended March 31, 2003 compared to 78% for the year ended March 31, 2002. The decrease in gross profit dollars and percentage was attributable to the decrease in product license revenues described above. The increase in cost of revenues was due to increased amortization of prepaid royalties and capitalized software.

Product Licenses. Cost of revenues for product licenses increased by $1.5 million or 29%, to $6.5 million for the year ended March 31, 2003 from $5.0 million for the year ended March 31, 2002. Gross profit as a percentage of revenues for product licenses was 84% for the years ended March 31, 2003 and 93% for the year ended March 31, 2002. The increase in cost of revenues was attributable to the increased amortization of prepaid royalties of approximately $1.1 million and the increased amortization of capitalized software developed for us by a third party or purchased from a third party of approximately $0.4 million. As new versions of our Universal Content Management software continue to be released, we have elected to license or purchase more third party software to be included in our Universal Content Management products in order for us to provide certain functionality that we believe is necessary to be competitive. We expect to continue to license or purchase third party software to be included in our Universal Content Management products, which may cause our costs of revenues to increase. The fixed costs associated with the amortization of these prepaid royalties and capitalized software was approximately $3.1 million for the year ended March 31, 2003 versus approximately $2.0 million for the year ended March 31, 2002.

Amortization of Capitalized Software from Acquisitions. Cost of revenues related to amortization of capitalized software from acquisitions increased $0.9 million for the year ended March 31, 2003 to $1.9 million from $1.0 million for the year ended March 31, 2002. The increase in cost of revenues for amortization of capitalized software from acquisitions was attributable to the amortization over a three year period of $2.7 million of capitalized software obtained in the acquisition of the assets of Kinecta Corporation in April 2002. We acquired Kinecta for its proprietary content distribution technology and have incorporated the technology into our Universal Content Management products in order to maintain competitive functionality. We expect to continue to evaluate selective potential acquisitions. To the extent we consummate additional acquisitions, and depending on the structure of such acquisitions, the assets acquired and the consideration paid, our costs of revenues related to amortization of capitalized software from acquisitions may increase.

Services. Cost of revenues, consisting of personnel for consulting services, training and post-contract customer support, decreased by $1.3 million, or 9%, to $12.1 million for the year ended March 31, 2003 from $13.4 million for the year ended March 31, 2002, as follows (in thousands):

	YEAR ENDED MARCH 31, 2003		YEAR ENDED MARCH 31, 2002	
Consulting services and training	$ 8,381	69%	$10,044	75%
Post-contract support	3,765	31	3,348	25
Total services cost of revenues	$12,146	100%	$13,392	100%

The increase in the gross profit dollars of approximately $4.9 million was primarily due to the increase in revenues from post-contract customer support from a larger installed base of Universal Content Management products, with little additional support staff needed, and a higher installed base of Content Component software, which requires very little support staff needed as support is generally provided by the company that embeds our software. In general, we have had a fairly consistent rate of annual post-contract support renewals in both our Universal Content Management and Content Component software and better utilization of consulting services personnel related to our Universal Content Management software. During the current economic slowdown, we have seen less competition for skilled software post-contract customer support personnel than we experienced during stronger economic periods. If economic conditions improve, competition for skilled software post-contract customer support personnel may increase and our services costs of revenues may increase.

OPERATING EXPENSES

Sales and Marketing. Sales and marketing expenses decreased by $8.4 million, or 18%, to $38.3 million for the year ended March 31, 2003 from $46.7 million for the year ended March 31, 2002. Sales and marketing expenses as a percentage of total revenues were 59% for the year ended March 31, 2003 compared to 53% for the year ended March 31, 2002. Approximately $6.4 million of the decrease in sales and marketing expense was due to decreased staffing and related costs attributable to the restructurings of our company during the year ended March 31, 2003, reduced commission expense of approximately $1.5 million as a result of decreased sales and decreased travel expense of approximately $0.5 million. Sales and marketing expenses increased as a percentage of revenues due primarily to the decrease in product license revenues as described above. We reduced sales and marketing expenses in connection with management's plan to reduce costs and improve operating efficiencies to better align our operations with our revenue base. During the current economic slowdown, we have seen less competition for general software sales and marketing personnel than we experienced during stronger economic periods. However, competition has intensified for sales personnel who have been successful in the current market conditions. If economic conditions improve, competition for general software sales and marketing personnel may increase and our sales and marketing expenses may increase.

General and Administrative. General and administrative expenses decreased by $0.6 million, or 5%, to $11.3 million for the year ended March 31, 2003 from $11.9 million for the year ended March 31, 2002. General and administrative expenses as a percentage of total revenues were 17% for the year ended March 31, 2003 and 13% for the year ended March 31, 2002. General and administrative expense dollars decreased due to decreased personnel expenses associated with fewer personnel as a result of the restructurings of approximately $1.6 million, partially offset by an increase in the bad debt expense of approximately $1.0 million. The increase in bad debt was caused by certain of our customers becoming unable to pay their debts due to the downturn in their business, or discontinuation of their business caused by the downturn in the economy and the reduction in spending for high technology products. In response to recent business and market developments, Congress, the Securities and Exchange Commission and the national stock exchanges have enacted or proposed various corporate governance regulations for publicly traded companies. We expect to be subject to increasing corporate governance regulations and may be required to increase general and administrative spending to comply with such regulations.

Research and Development. Research and development expenses decreased by $1.8 million, or 10%, to $15.8 million for the year ended March 31, 2003 from $17.6 million for the year ended March 31, 2002. Research and development expenses as a percentage of total revenues were 24% for the year ended March 31, 2003 and 20% for the year ended March 31, 2002. The decrease in research and development expense dollars was due to decreased staffing and related costs as a result of the restructurings. We reduced research and development expenses in connection with management's plan to reduce costs and improve operating efficiencies to better align our operations with our revenue base. The downsizing is not anticipated to affect any of our new products currently in development or new version releases of our current products, but may delay or prevent progress on potential products not yet in development, particularly with our Content Component products.

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Acquisition and Related Costs. Acquisition and related costs were $1.1 million in the year ended March 31, 2003 and $0.2 million in the year ended March 31, 2002. For the year ended March 31, 2003, $0.7 million of these costs were related to a potential transaction with a Japanese company that would have given us new wireless technologies and an avenue to generate revenues for our Universal Content Management software. After proceeding with the due-diligence, it was determined that the target company was not situated well enough for us to accomplish previously established goals. The expenses associated with this project represent funds that we advanced to the company for a trade show, product integration testing and test marketing costs of the products. The remaining $0.4 million of acquisition costs represent final development milestone and bonus payments related to the acquisition of Kinecta Corporation in April 2002 and the acquisition of selected assets of Active IQ Corporation. Because we believe market trends may result in consolidation of the content management software market, from time to time we may seek to acquire businesses, products or technologies that are complementary to our business. Depending on the size, nature and structure of any future business acquisitions, our acquisition and related costs expense may increase substantially.

Amortization of Acquired Intangible Assets and Other. Amortization of

intangible assets acquired related to our acquisition of Content Components Division (CCD) in July 2000, our acquisition of RESoft in July 2001, and our acquisition of Kinecta in April 2002. Amortization of goodwill and acquired workforce ceased as of April 1, 2002 in connection with the adoption of SFAS 142. As a result, amortization expense decreased $6.3 million for the year ended March 31, 2003 as compared to fiscal year 2002. We believe the technology that was acquired in these acquisitions is necessary functionality to be competitive. From time to time we may acquire additional intangible assets based on market conditions and technological developments. Depending on the size, nature and structure of any such acquisitions of additional intangible assets, our amortization of acquired intangible assets and other expense may increase substantially. Absent any acquisitions of additional intangible assets, we expect our amortization of acquired intangible assets and other expense to decrease substantially over the next twelve months due to the completion of amortization of the intangible assets related to our acquisition of CCD.

Restructuring Charges. For the fiscal year ended March 31, 2003, in connection with management's plan to reduce costs and improve operating efficiencies, we recorded restructuring charges of approximately $4.4 million, compared to no restructuring charges in the fiscal year ended March 31, 2002. These restructuring expenses were taken in the June 30, 2002 quarter of $2.5 million, the September 30, 2002 quarter of $0.8 million, the December 31, 2002 quarter of $0.7 million and the March 31, 2003 quarter of $0.4 million. We assessed many factors in making our decisions on a quarterly basis, with a significant issue being the continued sluggishness or decline in the market for information technology in the United States and in Europe. These restructuring charges were comprised primarily of severance pay and benefits related to the involuntary termination of employees of approximately $3.2 million and the closing of facilities and other exit costs of approximately $1.2 The effect on expenses and cash flows over the next year associated with the termination of these employees is expected to be a decrease in expenses and increase in cash flow of approximately $13.4 million. The effect on expenses over the next year associated with the closing of the facilities and other exit costs is expected to be a decrease of approximately $0.2 million, but is expected to have an immaterial effect on cash flows. The combined expense decrease of approximately $13.6 million is anticipated to be in the areas of cost of revenues for services of $1.6 million, selling and marketing of $5.0 million, research and development of $4.1 million and general and administrative of $2.9 million. These cost reduction measures were taken to better align our business with our current revenue base and what we believe will be continued slow spending by companies in the high tech sector over the next year. However, we may be required to re-invest in certain areas to expand our customer base, grow our revenues and invest in product development, which may eliminate or exceed these cost savings.

OTHER INCOME (EXPENSE)

Interest income. Interest income was $2.0 million for the year ended March 31, 2003 compared to $3.8 million for the year ended March 31, 2002. Interest income for both years was primarily related to short-term investments purchased with the proceeds of our public stock offerings completed in June 1999 and

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March 2000. The decrease in net interest income was due to decreases in the interest rates earned by invested funds resulting from decreases in market interest rates, which have declined over 50%.

Investment impairment. During the year ended March 31, 2003, our

investment impairment was approximately $1.7 million. In the March 31, 2003 quarter, after purchasing certain assets of Active IQ and reviewing its public disclosures, which stated it was selling the remaining operating assets of the company to another party. We determined that a permanent decline in value had occurred and recorded a write-down of approximately $1.1 million. During the first nine months in the year ended March 31, 2003, we determined that a permanent decline in the value of certain of its investments in other companies had occurred. We made this determination after reviewing financial statements of these companies or discussing their future business plans and prospects with their management. As a result, we recorded a write-down on the investments in these companies of approximately $0.6 million for the year ended March 31, 2003. During the year ended March 31, 2002, we determined that a permanent decline in the value of certain of its investments in other companies had occurred. We made this determination after reviewing financial statements of these companies or discussing their future business plans and prospects with their management. As a result, we recorded a write-down on the investments in these companies of approximately $5.7 million for the year ended March 31, 2002.

RESULTS OF OPERATIONS -- FISCAL YEAR ENDED MARCH 31, 2002 COMPARED TO FISCAL YEAR ENDED MARCH 31, 2001

REVENUES

Total revenues increased by $21.6 million, or 32%, to $88.3 million for the year ended March 31, 2002 from $66.7 million for the year ended March 31, 2001. The increase in revenues was attributable to the growth in our Universal Content Management customer base and increased sales to existing customers of approximately $8.8 million, an increase of approximately $7.8 million in sales of our products and services in Europe and an increase of approximately $5.0 million in sales of our Content Component products. As we license our products, whether perpetual for our Universal Content Management software or term for our Content Components software, our installed base of products increases. Since the rate of annual renewal of post contract customer support services on our Universal Content Management and Content Component software has remained high, our post contract customer support revenues grow because we have a larger installed base of products. Also, Universal Content Management revenues related to consulting services work can increase as a result of a larger installed base of products since more of our customers continue to elect to have our consulting services employees perform the work versus having the customers' internal staff perform the work. We expect this trend to continue.

Product Licenses. Revenues for product licenses increased by $13.0 million, or 24%, to $66.9 million for the year ended March 31, 2002 from $53.9 million for the year ended March 31, 2001. The increase in revenues was attributable to an increase of approximately $6.1 million in sales of our products and services in Europe, the growth in our Universal Content Management customer base and increased sales to existing customers of approximately $4.2 million and an increase of approximately $2.7 million in sales of our Content Component products.

Services. Revenues for services, consisting of consulting services, training and post-contract customer support, increased by $8.6 million, or 67%, to $21.4 million for the year ended March 31, 2002 from $12.9 million for the year ended March 31, 2001, as follows (in thousands).

	YEAR ENDED MARCH 31, 2002		YEAR ENDED MARCH 31, 2001	
Consulting services and training....................	$ 9,644	45%	$ 6,398	50%

Post-contract support	11,788	55	6,470	50
Total services revenues	$21,432	100%	$12,868	100%

The increase in revenues for services was attributable to an increase in post-contract customer support of approximately $5.3 million due to a larger installed base of products and an increase in consulting services of

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approximately $3.4 million due to an increase in product license revenues, which lead to an increased need for services. Our consulting services revenue is derived almost exclusively from our Universal Content Management software, as our Content Component software is licensed to other companies that embed our technology in their products and require very limited or no consulting services work.

COST OF REVENUES AND GROSS PROFIT

Total cost of revenues increased by $7.6 million, or 64%, to $19.4 million for the year ended March 31, 2002 from $11.8 million for the year ended March 31, 2001. Total cost of revenues as a percentage of total revenues was 22% for the year ended March 31, 2002 compared to 18% for the year ended March 31, 2001. Gross profit increased by $14.1 million, or 26%, to $69.0 million for the year ended March 31, 2002 from $54.9 million for the year ended March 31, 2001. Total gross profit as a percentage of total revenues was 78% for the year ended March 31, 2002 compared to 82% for the year ended March 31, 2001. The increase in gross profit dollars was attributable to the increase in product license revenues while the decrease in gross profit percentage was due to lower gross profits on services.

Product Licenses. Cost of revenues for product licenses increased by $1.1 million or 28%, to $5.0 million for the year ended March 31, 2002 from $3.9 million for the year ended March 31, 2001. Gross profit as a percentage of revenues for product licenses was 93% for the years ended March 31, 2002 and 2001.

Amortization of Capitalized Software from Acquisitions. Cost of revenues related to amortization of capitalized software from acquisitions increased $0.3 million for the year ended March 31, 2002 to $1.0 million from $0.7 million for the year ended March 31, 2001. The increase in cost of revenues for amortization of capitalized software from acquisitions was attributable to the amortization of capitalized software obtained in the acquisition of the assets of RESoft in July 2001.

Services. Cost of revenues, consisting of personnel for consulting services, training and post-contract customer support, increased by $6.2 million, or 86%, to $13.4 million for the year ended March 31, 2002 from $7.2 million for the year ended March 31, 2001, as follows (in thousands):

	YEAR ENDED MARCH 31, 2002	YEAR ENDED MARCH 31, 2001

Consulting services and training	$10,044	75%	$5,249	73%
Post-contract support	3,348	25	1,941	27
Total services cost of revenues	$13,392	100%	$7,190	100%

The increase in the gross profit dollars of approximately $2.5 million was due to the increase in gross profit dollars of approximately $3.9 million from post-contract customer support offset by a decrease in gross profit dollars of approximately $1.4 million from consulting services. The decrease in the gross profit from consulting services was due to increased employee headcount and other staffing costs associated with increased training for our partners for which we receive minimal revenue, and an increase in the amount of services work performed by our partners, which typically would have been performed by us and which led to under-utilization of certain of our employees in the quarters ended September 30, 2001 and December 31, 2001.

OPERATING EXPENSES

Sales and Marketing. Sales and marketing expenses increased by $17.2 million, or 58%, to $46.7 million for the year ended March 31, 2002 from $29.5 million for the year ended March 31, 2001. Sales and marketing expenses as a percentage of total revenues were 53% for the year ended March 31, 2002 compared to 44% for the year ended March 31, 2001. Sales and marketing expenses increased as a result of increased headcount and increased spending on marketing communications and programs which management intended to better align business operations with expected revenues. Sales and marketing expenses increased as a percentage of total revenues due to the decrease in fourth quarter fiscal year 2002 revenues.

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General and Administrative. General and administrative expenses increased by $2.9 million, or 32%, to $11.9 million for the year ended March 31, 2002 from $9.0 million for the year ended March 31, 2001. General and administrative expenses as a percentage of total revenues were 13% for the years ended March 31, 2002 and 2001. General and administrative expense dollars increased due to increased personnel expenses of approximately $2.4 million, increased professional services of approximately $0.3 million and an increase of approximately $0.2 million in the bad debt expense. We increased our general and administrative expenses to better align our operations with our revenue base. The increase in personnel costs was caused primarily by the addition of more personnel from the acquisition of CCD in July 2000, expansion of European operations and the addition of a president and chief operating officer and other senior staff at our headquarters.

Research and Development. Research and development expenses increased by $7.8 million, or 80% to $17.6 million for the year ended March 31, 2002 from $9.8 million for the year ended March 31, 2001. Research and development expenses as a percentage of total revenues were 20% for the year ended March 31, 2002 and 15% for the year ended March 31, 2001. The increase in research and development expenses was due to increased staffing and related costs of $6.3 million and purchased services of $0.7 million. We increased our research and development expenses to better align our operations with our revenue base. The increase in personnel costs was caused by the addition of more personnel from the acquisition of CCD in July 2000, more personnel to support the development

of our Universal Content Management Software and the overall general increase in wages that was required to retain our personnel. Most of the personnel acquired in the acquisition of CCD were associated with research and development. The services that were purchased were certain translation and development services for our Universal Content Management software.

Acquisition and Related Costs. Acquisition costs of approximately $0.2 million in the year ended March 31, 2002 consisted of uncapitalized costs related to our acquisition of RESoft in July 2001 and the costs associated with developing the Japanese market through a potential acquisition. The acquisition costs of approximately $0.8 million in the fiscal year ended March 31, 2001 consisted of uncapitalized costs related to our acquisition of CCD in July 2000, accounted for as a purchase.

Amortization of Acquired Intangible Assets and Other. Amortization of intangible assets acquired related to our acquisition of CCD in July 2000, and our acquisition of RESoft in July 2001, accounted for as purchases. Amortization of goodwill and acquired workforce ceased as of April 1, 2002 in connection with the adoption of SFAS 142.

OTHER INCOME (EXPENSE)

Interest income was $3.8 million for the year ended March 31, 2002 compared to $7.0 million for the year ended March 31, 2001. Interest income for both years was related to short-term investments purchased with the proceeds of our public stock offerings completed in June 1999 and March 2000. The decrease in net interest income was due to decreases in the interest rates earned by invested funds resulting from decreases in market interest rates, which have declined over 50%.

Investment impairment. During the year ended March 31, 2002, the Company determined that a permanent decline in the value of certain of its investments in other companies had occurred. The Company made this determination after reviewing financial statements of these companies or discussing their future business plans and prospects with their management. As a result, the Company recorded a write-down on the investments in these companies of approximately $5.7 million for the year ended March 31, 2002.

QUARTERLY RESULTS

The following tables present unaudited consolidated statements of operations data both in absolute dollars and as a percentage of total revenues for each of our last eight quarters. This data has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for a fair presentation of such information. These unaudited quarterly results should be read in conjunction with the Consolidated Financial Statements and related Notes appearing elsewhere in this Annual Report on Form 10-K. The consolidated results of operations for any quarter are not necessarily indicative of the results for any future period.

	THREE MONTHS ENDED					
	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001	MAR. 31, 2002	JUNE 30, 2002	S
	(IN THOUSANDS, EXCEPT FOR PER SHARE					
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenues:						
Product licenses................	$19,072	$17,968	$21,563	$ 8,305	$ 11,118	
Services........................	5,527	5,199	5,005	5,701	5,937	
Total revenues....................	24,599	23,167	26,568	14,006	17,055	
Cost of revenues:						
Product licenses................	1,071	847	1,569	1,518	1,799	
Amortization of capitalized software from acquisitions....	233	233	256	244	474	
Services........................	2,984	3,587	3,463	3,358	3,076	
Total cost of revenues............	4,288	4,667	5,288	5,120	5,349	
Gross profit......................	20,311	18,500	21,280	8,886	11,706	
Operating expenses:						
Sales and marketing.............	11,277	11,578	12,827	10,990	10,307	
General and administrative......	2,432	2,475	2,603	4,374	2,722	
Research and development........	4,151	4,595	4,211	4,644	4,724	
Acquisitions and related costs........................	--	--	--	237	--	
Amortization of acquired intangible assets and other...	3,148	3,251	3,139	3,376	1,661	
Restructuring charges...........	--	--	--	--	2,504	
Total operating expenses..........	21,008	21,899	22,780	23,621	21,918	
Income (loss) from operations.....	(697)	(3,399)	(1,500)	(14,735)	(10,212)	
Other income (expense):						
Interest income net.............	1,258	981	699	817	601	
Investment impairment...........	--	(2,223)	--	(3,499)	--	
Net income (loss).................	$ 561	$(4,641)	$ (801)	$(17,417)	$ (9,611)	
Net income (loss) per common share						
Basic...........................	$ 0.03	$ (0.21)	$ (0.04)	$ (0.78)	$ (0.43)	
Diluted.........................	0.02	(0.21)	(0.04)	(0.78)	(0.43)	

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	THREE MONTHS ENDED					
	JUNE 30, 2001	SEPT. 30, 2001	DEC. 31, 2001	MAR. 31, 2002	JUNE 30, 2002	S
AS A PERCENTAGE OF TOTAL REVENUES:						
Revenues:						

Product licenses	77.5%	77.6%	81.2%	59.3%	65.2%
Services	22.5	22.4	18.8	40.7	34.8
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
Product licenses	4.4	3.7	5.9	10.8	10.5
Amortization of capitalized software from acquisitions	0.9	1.0	1.0	1.7	2.8
Services	12.1	15.5	13.0	24.0	18.0
Total cost of revenues	17.4	20.2	19.9	36.5	31.3
Gross profit	82.6	79.8	80.1	63.5	68.7
Operating expenses:					
Sales and marketing	45.8	50.0	48.3	78.5	60.4
General and administrative	9.9	10.7	9.8	31.2	16.0
Research and development	16.9	19.8	15.8	33.2	27.7
Acquisition and related costs	--	--	--	1.7	--
Amortization of acquired intangible assets and other	12.8	14.0	11.8	24.1	9.7
Restructuring charges	--	--	--	--	14.7
Total operating expenses	85.4	94.5	85.7	168.7	128.5
Income (loss) from operations	(2.8)	(14.7)	(5.6)	(105.2)	(59.8)
Other income (expense):					
Interest income, net	5.1	4.2	2.6	5.8	3.5
Investment impairment	--	(9.6)	--	(25.0)	--
Net income (loss)	2.3%	(20.1)%	(3.0)%	(124.4)%	(56.3)%

As a result of our limited operating history and the significant changes that are occurring in the Web content management software sector in which we compete, it is difficult for us to forecast our revenues or earnings accurately. It is possible that in some future periods our results of operations may not meet or exceed the expectations of current and future public market analysts and investors. For instance, if revenues or earnings per share do not meet projections, we expect our business, operating results and financial condition to be materially adversely affected and the price of our common stock to decline. We expect our revenues and operating results may vary significantly from quarter to quarter. Factors that have caused our results to fluctuate in the past, and will likely cause fluctuations in the future, include:

- demand for our products and services;

- the timing of new product introductions and sales of our products and services;

- unexpected delays in introducing new products and services;

- increased expenses, whether related to sales and marketing, research and development or administration;

- changes in the rapidly evolving market for Web content management solutions;

- the mix of revenues from product licenses and services, as well as the mix of products licensed;

- the mix of services provided and whether services are provided by our staff or third-party contractors;

- the mix of domestic and international sales;

- costs related to possible acquisitions of technology or businesses;

- general economic conditions; and

- public announcements by our competitors.

In addition, our products are typically shipped when the orders are received, so our license backlog at the beginning of any quarter in the past has represented only a small portion of expected license revenues for that quarter. Further, we recognize a substantial percentage of product license revenues in the last month of the quarter, frequently in the last week or even the last days of the quarter. As a result, our sales pipeline at the beginning of a quarter may not give us reasonable assurance about the sales that will be closed in that quarter, and the delay or cancellation of any large orders could result in a significant shortfall from anticipated revenues. Since our expenses are relatively fixed in the near term, any shortfall from anticipated revenues could result in significant variations in operating results from quarter to quarter.

As a result of these and other factors, we believe that period-to-period comparisons of our results of operations may not be meaningful and should not be relied upon as indicators of our future performance.

NET OPERATING LOSS CARRYFORWARDS

As of March 31, 2003, we had net operating loss carryforwards of approximately $84.3 million. The net operating loss carryforwards will expire at various dates beginning in 2011, if not utilized. The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. Our ability to utilize net operating loss carryforwards on an annual basis will be limited as a result of "ownership changes" in connection with the sale of equity securities. We have provided a valuation allowance against the entire amount of the deferred tax asset as of March 31, 2003 because of uncertainty regarding its full realization. Our accounting for deferred taxes involves the evaluation of a number of factors concerning the realizability of our deferred tax assets. In concluding that a valuation allowance was required, management considered such factors as our history of operating losses, potential future losses and the nature of our deferred tax assets. See Note 7 to the Consolidated Financial Statements included in Item 16 (a)1.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations and satisfied our capital expenditure requirements primarily through revolving working capital and term loans from banking institutions, private placements and public offerings of securities and proceeds from the sales of assets related to prior lines of business. Net cash used in operating activities was $8.0 million for the year ended March 31, 2003, compared to net cash used in operating activities of $2.9 million for the year ended March 31, 2002. The increase in cash used in operations is due primarily to the net loss generated by operations.

To date, we have invested our capital expenditures primarily in property and equipment, consisting largely of computer hardware and software. Capital expenditures for the year ended March 31, 2003 and 2002 were $1.0 and $3.4

million, respectively. We have also entered into capital and operating leases for facilities and equipment. We expect that our capital expenditures will increase as our employee base grows. At March 31, 2003, we did not have any material commitments for capital expenditures.

As of March 31, 2003, we had $81.2 million in cash and marketable securities and $69.8 million in working capital. Net cash used in financing activities was $2.7 million for the year ended March 31, 2003 while net cash provided by financing activities was $1.1 million for the year ended March 31, 2002. In March 2000, we completed a public offering of our common stock that raised approximately $100.1 million in proceeds for us, net of underwriting discounts and offering costs of approximately $5.7 million. In April 2000, the underwriters exercised their over-allotment option, raising additional net proceeds of approximately $22.7 million.

We currently believe that our cash and cash equivalents on hand will be sufficient to meet our working capital requirements for the foreseeable future, particularly through March 31, 2004. On a longer term basis,

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we may require additional funds to support our working capital requirements or for other purposes and may seek to raise such additional funds through public or private equity financings or from other sources. We cannot be certain that additional financing will be available on terms favorable to us, or on any terms, or that any additional financing will not be dilutive.

We continue to evaluate potential strategic acquisitions that could utilize equity and/or cash resources. Such opportunities could develop quickly due to market and competitive factors.

We lease all of our facilities under operating leases that have various expiration dates. Our contractual obligations as of March 31, 2003 consisted of a total of $13.4 million, of which, $3.9 million is payable in the next year, $2.7 million in one to two years, $2.0 million in three to four years, and $4.8 million after four years. The amounts reflected for operating leases represent primarily noncancelable lease payments on our office facility locations.

RELATED PARTY TRANSACTIONS

In December 2001 we entered into a note receivable of $3.5 million with a distributor. Through March 2002, the distributor had paid the minimum payments required under the note receivable with its own cash, and at the end of March 2002, it paid off the remaining note receivable with short-term bridge financing. The distributor completely repaid this short-term bridge financing in April 2002 through a traditional banking relationship. The short-term bridge financing was provided at normal market rates by Beartooth Capital, a venture financing organization controlled and funded by Robert F. Olson, a shareholder and our Chairman, President and Chief Executive Officer. There was no relationship prior to the bridge financing, and there is no existing relationship between Beartooth Capital and the distributor. Furthermore, we provided no compensation or guarantees to Beartooth Capital or Robert F. Olson for the short-term bridge financing, nor were we otherwise involved in this transaction.

During the year ended March 31, 2002, we held investments in five non-public companies in which we recognized license revenue of approximately $2.0 million from companies in which we had an equity investment, including approximately $1.4 million from Active IQ in December 2001. At March 31, 2003, we had no accounts receivable balance associated from these transactions. No license revenue was generated in our fiscal year ended March 31, 2003 from any

company in which we held an investment. License revenue recognized for the year ended March 31, 2001 from companies in which we had an equity investment was approximately $2,400. We also acquired intellectual property from Active IQ in April 2001 for approximately $706, which was capitalized and is being amortized over a three-year period.

At March 31, 2003 we held remaining investments in two non-public start-up technology companies, owning approximately 8% and 11% of these companies, and in a publicly traded technology company listed on Nasdaq, Active IQ, of which we owned 5.3%, excluding warrants. The value of these investments at March 31, 2003 is approximately $1.1 million. We wrote down to zero our investment in Active IQ during the March 2003 quarter. Certain officers and a director also held investment interests in Active IQ through February 2002 approximating 2%, excluding warrants, at which time those investments were sold.

In December 2001 and March 2003, we entered into software license agreements with H.B. Fuller Company for approximately $0.3 million and $0.4 million, respectively. H.B. Fuller's Chief Financial Officer is a member of our Board of Directors. The terms and conditions, including fees, with respect to the H.B. Fuller transactions were substantially similar to those with unaffiliated third parties negotiated at arms length.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the FASB issued FASB Interpretation Number (FIN) 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 addresses the disclosure requirements of a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. FIN 45 also requires a guarantor to recognize, at the inception of guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 were effective for our quarter ended December 31, 2002. The liability

recognition requirements are applicable to all guarantees issued or modified after December 31, 2002. Other than the additional disclosure requirements related to warranties and our indemnification obligations, this pronouncement is not anticipated to have a material effect on our consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS 148, Accounting for Stock-Based Compensation -- Transition and Disclosure: an amendment of FASB Statement 123 (SFAS 123). This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, the statement amends the disclosure requirements of SFAS 123, Accounting for Stock-Based Compensation, to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock based employee compensation and the effect of the method used on reported results. We utilize the intrinsic value method for stock-based employee compensation, and they elected not to adopt the transitional provision to the fair value method under SFAS 148; however, we did adopt the expanded annual disclosure provisions of SFAS 148 effective March 31, 2003. We will adopt the interim disclosure provisions of SFAS 148 during the first quarter of fiscal year 2004.

In November 2002, the FASB reached a consensus on EITF Issue No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. This EITF sets out criteria for whether revenue can be recognized separately from other deliverables in a multiple deliverable arrangement. The criteria considers

whether the delivered item has stand-alone value to the customer, whether the fair value of the delivered item can be reliably determined and the rights of returns for the delivered item. We are required to adopt this EITF beginning April 1, 2004. The adoption of this EITF is not anticipated to have a material effect on our consolidated financial statements.

In January 2003, the FASB issued FIN 46, Consolidation of Variable Interest Entities, which requires the assets, liabilities and results of operations of variable interest entities (VIE) be consolidated into the financial statements of the company that has controlling financial interest. FIN 46 is not anticipated to have a material effect on our consolidated financial statements.

RISK FACTORS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K for the fiscal year ended March 31, 2003 contains certain forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of our management as well as on assumptions made by, and information currently available to, us at the time such statements were made. When used in this Form 10-K, the words "anticipate", "believe", "estimate", "expect", "intend" and similar expressions, as they relate us, are intended to identify such forward-looking statements. Although we believe these statements are reasonable, readers of this Form 10-K should be aware that actual results could differ materially from those projected by such forward-looking statements as a result of the risk factors listed below. Readers of this Form 10-K should consider carefully the factors listed below, as well as the other information and data contained in this Form 10-K. We caution the reader, however, that such list of factors under the caption "Risk Factors" in our Form 10-K may not be exhaustive and that those or other factors, many of which are outside of our control, could have a material adverse effect on us and our results of operations. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth hereunder. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

FLUCTUATIONS IN OUR OPERATING RESULTS MAY MAKE IT DIFFICULT TO PREDICT OUR FUTURE PERFORMANCE.

While our products and services are not seasonal, our revenues and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. If our quarterly revenues or operating results fall below the expectations of investors or securities analysts, the price of our common stock could fall

substantially. A large part of our sales typically occurs in the last month of a quarter, frequently in the last week or even the last days of the quarter. If these sales were delayed from one quarter to the next for any reason, our operating results could fluctuate dramatically. In addition, our sales cycles may vary, making the timing of sales difficult to predict. Furthermore, our infrastructure costs are generally fixed. As a result, modest fluctuations in revenues between quarters may cause large fluctuations in operating results. These factors all tend to make the timing of revenues unpredictable and may lead to high period-to-period fluctuations in operating results.

Our quarterly revenues and operating results may fluctuate for several additional reasons, many of which are outside of our control, including the

following:

- demand for our products and services;
- the timing of new product introductions and sales of our products and services;
- unexpected delays in introducing new products and services;
- increased expenses, whether related to sales and marketing, research and development or administration;
- changes in the rapidly evolving market for Web content management solutions;
- the mix of revenues from product licenses and services, as well as the mix of products licensed;
- the mix of services provided and whether services are provided by our staff or third-party contractors;
- the mix of domestic and international sales;
- costs related to possible acquisitions of technology or businesses;
- general economic conditions; and
- public announcements by our competitors.

POTENTIAL ACQUISITIONS MAY BE DIFFICULT TO COMPLETE OR TO INTEGRATE AND MAY DIVERT MANAGEMENT'S ATTENTION.

We may seek to acquire or invest in businesses, products or technologies that are complementary to our business. If we identify an appropriate acquisition opportunity, we may be unable to negotiate favorable terms for that acquisition, successfully finance the acquisition or integrate the new business or products into our existing business and operations. In addition, the negotiation of potential acquisitions and the integration of acquired businesses or products may divert management time and resources from our existing business and operations. To finance acquisitions, we may use a substantial portion of our available cash or we may issue additional securities, which would cause dilution to our shareholders.

WE MAY NOT BE PROFITABLE IN THE FUTURE.

Our revenues may not grow in future periods and we may not achieve quarterly pro forma profitability. If we do not regain our pro forma profitability, the market price of our stock may fall. Our ability to regain our pro forma profitable operations depends upon many factors beyond our direct control. These factors include, but are not limited to:

- the demand for our products;
- our ability to quickly introduce new products;
- the level of product and price competition;
- our ability to control costs; and
- general economic conditions.

THE INTENSE COMPETITION IN OUR INDUSTRY MAY REDUCE OUR FUTURE SALES AND PROFITS.

The market for our products is highly competitive and is likely to become more competitive. We may not be able to compete successfully in our chosen marketplace, which may have a material adverse effect on our business, operating results and financial condition. Additional competition may cause pricing pressure, reduced sales and margins, or prevent our products from gaining and sustaining market acceptance. Many of our current and potential competitors have greater name recognition, access to larger customer bases, and substantially more resources than we have. Competitors with greater resources than ours may be able to respond more quickly than we can to new opportunities, changing technology, product standards or customer requirements.

WE DEPEND ON THE CONTINUED SERVICE OF OUR KEY PERSONNEL.

We are a small company and depend greatly on the knowledge and experience of our senior management team and other key personnel. If we lose any of these key personnel, our business, operating results and financial condition could be materially adversely affected. Our success will depend in part on our ability to attract and retain additional personnel with the highly specialized expertise necessary to generate revenue, engineer, design and support our products and services. Like other software companies, we face intense competition for qualified personnel. We may not be able to attract or retain such personnel.

WE HAVE RELIED AND EXPECT TO CONTINUE TO RELY ON SALES OF OUR UNIVERSAL CONTENT MANAGEMENT SOFTWARE AND CONTENT COMPONENT SOFTWARE PRODUCTS FOR OUR REVENUES.

We currently derive all of our revenues from product licenses and services associated with our system of content management and viewing software products. The market for content management and viewing software products is new and rapidly evolving. We cannot be certain that a viable market for our products will continue or that it will be sustainable. If we do not increase employee productivity and revenues related to our existing products or generate revenues from new products and services, our business, operating results and financial condition may be materially adversely affected. We will continue to depend on revenues related to new and enhanced versions of our software products for the foreseeable future. Our success will largely depend on our ability to increase sales from existing products and generate sales from product enhancements and new products. We cannot be certain that we will be successful in upgrading and marketing our existing products or that we will be successful in developing and marketing new products and services. The market for our products is highly competitive and subject to rapid technological change. Technological advances could make our products less attractive to customers and adversely affect our business. In addition, complex software product development involves certain inherent risks, including risks that errors may be found in a product enhancement or new product after its release, even after extensive testing, and the risk that discovered errors may not be corrected in a timely manner.

OUR SUCCESS DEPENDS ON OUR ABILITY TO PROTECT OUR PROPRIETARY TECHNOLOGY.

If we are unable to protect our intellectual property, or incur significant expense in doing so, our business, operating results and financial condition may be materially adversely affected. Any steps we take to protect our intellectual property may be inadequate, time consuming and expensive. We currently have no patents and one pending patent application. Without significant patent or copyright protection, we may be vulnerable to competitors who develop functionally equivalent products. We may also be subject to claims that our current products infringe on the intellectual property rights of others. Any such claim may have a material adverse effect on our business, operating results and financial condition.

We anticipate that software product developers will be increasingly subject to infringement claims due to growth in the number of products and competitors in our industry, and the overlap in functionality of products in different industries. Any infringement claim, regardless of its merit, could be time-consuming, expensive to

defend, or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements may not be available on commercially favorable terms, or at all. We are not currently involved in any intellectual property litigation.

We rely on trade secret protection, confidentiality procedures and contractual provisions to protect our proprietary information. Despite our attempts to protect our confidential and proprietary information, others may gain access to this information. Alternatively, other companies may independently develop substantially equivalent information.

OUR PRODUCTS MAY NOT BE COMPATIBLE WITH COMMERCIAL WEB BROWSERS AND OPERATING SYSTEMS.

Our products utilize interfaces that are compatible with commercial Web browsers. In addition, our Stellent Content Management System is a server-based system written in Java that functions in both Windows NT and UNIX environments. We must continually modify our products to conform to commercial Web browsers and operating systems. If our products were to become incompatible with commercial Web browsers and operating systems, our business would be harmed. In addition, uncertainty related to the timing and nature of product introductions or modifications by vendors of Web browsers and operating systems may have a material adverse effect on our business, operating results and financial condition.

WE COULD BE SUBJECT TO PRODUCT LIABILITY CLAIMS IF OUR PRODUCTS FAIL TO PERFORM TO SPECIFICATIONS.

If software errors or design defects in our products cause damage to customers' data and our agreements do not protect us from related product liability claims, our business, operating results and financial condition may be materially adversely affected. In addition, we could be subject to product liability claims if our security features fail to prevent unauthorized third parties from entering our customers' intranet, extranet or Internet Web sites. Our software products are complex and sophisticated and may contain design defects or software errors that are difficult to detect and correct. Errors, bugs or viruses spread by third parties may result in the loss of market acceptance or the loss of customer data. Our agreements with customers that attempt to limit our exposure to product liability claims may not be enforceable in certain jurisdictions where we operate.

FUTURE REGULATIONS COULD BE ADOPTED THAT RESTRICT OUR BUSINESS.

Federal, state or foreign agencies may adopt new legislation or regulations governing the use and quality of Web content. We cannot predict if or how any future laws or regulations would impact our business and operations. Even though these laws and regulations may not apply to our business directly, they could indirectly harm us to the extent that they impact our customers and potential customers.

SIGNIFICANT FLUCTUATION IN THE MARKET PRICE OF OUR COMMON STOCK COULD RESULT IN SECURITIES LITIGATION AGAINST US.

In the past, securities class action litigation has been brought against publicly held companies following periods of volatility in the price of their securities. If the we were subject to such litigation due to volatility in our stock price, we may incur substantial costs. Such litigation could divert the attention of our senior management away from our business, which could have a material adverse effect on our business, operating results and financial condition. The market price of our common stock has fluctuated significantly in the past and may do so in the future. The market price of our common stock may be affected by each of the following factors, many of which are outside of our control:

- variations in quarterly operating results;

- changes in estimates by securities analysts;

- changes in market valuations of companies in our industry;

- announcements of significant events, such as major sales;

- acquisitions of businesses or losses of major customers;

- additions or departures of key personnel; and

- sales of our equity securities.

OUR PERFORMANCE WILL DEPEND ON THE CONTINUING GROWTH AND ACCEPTANCE OF THE WEB.

Our products are designed to be used with intranets, extranets and the Internet. If the use of these methods of electronic communication does not grow, our business, operating results and financial condition may be materially adversely affected. Continued growth in the use of the Web will require ongoing and widespread interest in its capabilities for communication and commerce. Its growth will also require maintenance and expansion of the infrastructure supporting its use and the development of performance improvements, such as high speed modems. The Web infrastructure may not be able to support the demands placed on it by continued growth. The ongoing development of corporate intranets depends on continuation of the trend toward network-based computing and on the willingness of businesses to reengineer the processes used to create, store, manage and distribute their data. All of these factors are outside of our control.

OUR EXISTING SHAREHOLDERS HAVE SIGNIFICANT INFLUENCE OVER US.

As of March 31, 2003, Robert F. Olson, our President, Chief Executive Officer and the Chairman, of our Board of Directors holds approximately 10.0% of our outstanding common stock. Accordingly, Mr. Olson is able to exercise significant control over our affairs. As a group, our directors and executive officers beneficially own approximately 14.9% of our common stock. These persons have significant influence over our affairs, including approval of the acquisition or disposition of assets, future issuances of common stock or other securities and the authorization of dividends on our common stock. Our directors and executive officers could use their stock ownership to delay, defer or prevent a change in control of our company, depriving shareholders of the opportunity to sell their stock at a price in excess of the prevailing market price.

WE CAN ISSUE SHARES OF PREFERRED STOCK WITHOUT SHAREHOLDER APPROVAL, WHICH COULD ADVERSELY AFFECT THE RIGHTS OF COMMON SHAREHOLDERS.

Our Articles of Incorporation permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of unissued shares of our capital stock and to issue such shares without approval from our shareholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that may be issued in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

OUR SHAREHOLDER RIGHTS PLAN AND CERTAIN PROVISIONS OF MINNESOTA LAW MAY MAKE A TAKEOVER OF STELLENT DIFFICULT, DEPRIVING SHAREHOLDERS OF OPPORTUNITIES TO SELL SHARES AT ABOVE-MARKET PRICES.

Our shareholder rights plan and certain provisions of Minnesota law may have the effect of discouraging attempts to acquire Stellent without the approval of our Board of Directors. Consequently, our shareholders may lose opportunities to sell their stock for a price in excess of the prevailing market price.

PART IV

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

1. Financial Statements:

DESCRIPTION	PAGE NUMBER IN THIS ANNUAL REPORT
Audited Financial Statements:	
Report of Independent Auditors......................	F-2
Consolidated Balance Sheets.........................	F-3
Consolidated Statements of Operations...............	F-4
Consolidated Statements of Shareholders' Equity......	F-5
Consolidated Statements of Cash Flows...............	F-6
Notes to Financial Statements.......................	F-7

2. The following consolidated financial statement schedules of our company are included in Item 16(d):

Schedule II Valuation and Qualifying Accounts

3. See Item 16(c) below for a listing of exhibits filed as part of this Annual Report on Form 10K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed for the quarter ended March 31, 2003.

(c) Exhibits:

The following exhibits are filed as part of this Annual Report on Form 10-K for the year ended March 31, 2003.

EXHIBITS

FILE	DESCRIPTION	REFERENCE
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K dated August 29, 2001.
3.2	Bylaws	Incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-8, File No. 333-75828.
4.1	Share Rights Agreement between the Registrant and Wells Fargo Bank Minnesota, N.A., as Rights Agent, dated as of May 29, 2002	Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form 8-A12G, File No. 000-19817, filed June 3, 2002.
4.7	Warrant to purchase 225,000 shares of common stock to Merrill, Lynch, Pierce, Fenner & Smith dated February 22, 2000	Incorporated by reference to Exhibit 4.7 of the Registrant's form 10-K for the fiscal year ended March 31, 2001.
10.1	Stellent, Inc. 1994-1997 Stock Option and Compensation Plan*	Incorporated by reference to Exhibit A of the Registrant's Definitive Proxy Statement Schedule 14A, filed with the Securities and Exchange Commission July 28, 1998

FILE	DESCRIPTION	REFERENCE
10.2	InfoAccess, Inc. 1990 Stock Option Plan as amended September 29, 1999	Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-90843
10.3	InfoAccess, Inc. 1995 Stock Option Plan as amended September 29, 1999	Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-90843
10.5	Stellent, Inc. 1999 Employee Stock Option and Compensation Plan	Incorporated by reference to Exhibit 10.31 of the Registrant's Form 10-Q for the three months ended September 30, 1999
10.6	Stellent, Inc. 2000 Stock Incentive Plan*	Incorporated by reference to Exhibit B to the Registrant's Definitive Proxy statement on Schedule 14A, filed with the Securities and Exchange Commission on July 25, 2000
10.7	Stellent, Inc. amended and restated 2000 Employee Stock Incentive Plan*	Incorporated by reference to Exhibit 10.34 of the Registrant's Form 10-Q for the three months ended September 30, 2001
10.8	Stellent, Inc. Amended and Restated 1997 Directors Stock Option Plan*	Incorporated by reference to Exhibit B of the Registrant's Definitive Proxy Statement Schedule 14A, filed with the Securities and Exchange Commission July 26, 2002
10.9	Stellent, Inc. Employee Stock Purchase	Incorporated by reference to Exhibit A of

	Plan	the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission July 29, 1999
10.37	Employment Agreement Dated April 1, 2001, by and between the Registrant and Gregg A. Waldon*	Incorporated by reference to Exhibit 10.37 of the Registrant's Form 10-Q for the quarter ended June 30, 2001.
10.38	Employment Agreement Dated October 1, 2001, by and between the Registrant and Vernon J. Hanzlik*	Incorporated by reference to Exhibit 10.38 of the Registrant's Form 10-Q for the quarter ended September 30, 2001.
10.41	Employment Agreement Dated April 1, 2001 by and between the Registrant and Daniel Ryan *	Incorporated by reference to Exhibit 10.41 of the Registrant's Form 10-Q for the quarter ended September 30, 2001.
10.42	Employment Agreement Dated March 9, 2001 by and between the Registrant and Mitch Berg*	Incorporated by reference to Exhibit 10.42 of the Registrant's Form 10-Q for the quarter ended September 30, 2001.
10.43	Addendum to Employment Agreement dated March 27, 2002 by and between the Registrant and Gregg Waldon*	Incorporated by reference to Exhibit 10.43 of the Registrant's Form 10-K for the fiscal year ended March 31, 2002.
10.44	Addendum to Employment Agreement dated March 27, 2002 by and between the Registrant and Dan Ryan*	Incorporated by reference to Exhibit 10.44 of the Registrant's Form 10-K for the fiscal year ended March 31, 2002.
10.45	Addendum to Employment Agreement dated March 27, 2002 by and between the Registrant and Mitch Berg*	Incorporated by reference to Exhibit 10.45 of the Registrant's Form 10-K for the fiscal year ended March 31, 2002.
10.46	French Annex to the Stellent, Inc. 2000 Stock Incentive Plan	Incorporated by reference to Exhibit 10.46 of the Registrant's Form 10-K for the fiscal year ended March 31, 2002.

FILE	DESCRIPTION	REFERENCE
10.47	Transition Agreement Dated March 31, 2003 by and between the Registrant and Vernon J. Hanzlik*	Previously Filed
10.48	Employment Agreement Dated April 1, 2003 by and between the Registrant and Vernon J. Hanzlik*	Previously Filed
21	Subsidiaries of Registrant	Previously Filed
23	Consent of Grant Thornton LLP	Previously Filed
24	Power of Attorney	Previously Filed
31.1	Certification by Robert F. Olson, Chairman of the Board, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Electronic transmission
31.2	Certification by Gregg A. Waldon, Executive Vice President, Chief Financial Officer, Secretary and Treasurer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Electronic transmission
32.1	Certification by Robert F. Olson, Chairman of the Board, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Electronic transmission

32.2	Certification by Gregg A. Waldon, Executive Vice President, Chief Financial Officer, Secretary and Treasurer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Electronic transmission

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* Management contract, compensation plan or arrangement.

(d) Schedule Stellent, Inc and Subsidiaries

SCHEDULE II VALUATION OF QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D	CO
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	BAL E P
		(IN THOUSANDS)		
Deducted From Assets:				
Allowance for doubtful accounts:				
Year ended March 31, 2001	$ 530	$3,273*	$1,660	$
Year ended March 31, 2002	$2,143	$2,105	$2,911	$
Year ended March 31, 2003	$1,337	$3,679	$3,616	$

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* Includes $1,389 of additions resulting from the acquisition of CCD in July 2000, not recognized as expense, and a valuation allowance related to foreign currency transactions.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

To the Board of Directors and Shareholders
Stellent, Inc.

In connection with our audits of the consolidated financial statements of Stellent, Inc. and subsidiaries referred to in our report dated April 28, 2003, which is included in the Annual Report to Shareholders and incorporated by reference in Part II of this form, we have also audited Schedule II for each of the three years in the period ended March 31, 2003. In our opinion, this schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be set forth therein.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota
April 28, 2003

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to be signed on its behalf by the undersigned thereunto duly authorized, on April 28, 2004.

STELLENT, INC.

By: /s/ ROBERT F. OLSON

Robert F. Olson , Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amendment No. 2 has been signed by the following persons on behalf of the registrant and in the capacities indicated on April 28, 2004.

/s/ ROBERT F. OLSON

Robert F. Olson,
Chairman of the Board,
Chief Executive Officer and President
(Principal Executive Officer)

/s/ GREGG A. WALDON

Gregg A. Waldon,
Chief Financial Officer,
Secretary, Treasurer
(Principal Financial Officer
and Principal Accounting Officer)

*

Kenneth H. Holec, Director

*

Philip E. Soran, Director

*

Raymond A. Tucker, Director

*

Steven C. Waldron, Director

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* Gregg A. Waldon, by signing his name hereto, does hereby sign this document on behalf of each of the above-named officers and directors of the registrant

pursuant to powers of attorney duly executed by such persons.

By /s/ GREGG A. WALDON

Gregg A. Waldon
Attorney-in-Fact

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EXHIBITS

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10.4	Employment Agreement Dated August 1,1999, by and between the Registrant and Robert F. Olson*	Incorporated by reference to Exhibit 10.30 of the Registrant's Form 10-Q for the quarter ended September 30, 1999
10.5	Stellent, Inc. 1999 Employee Stock Option and Compensation Plan	Incorporated by reference to Exhibit 10.31 of the Registrant's Form 10-Q for the three months ended September 30, 1999
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10.7	Stellent, Inc. amended and restated 2000 Employee Stock Incentive Plan*	Incorporated by reference to Exhibit 10.34 of the Registrant's Form 10-Q for the three months ended September 30, 2001
10.8	Stellent, Inc. Amended and Restated 1997	Incorporated by reference to Exhibit B of

	Directors Stock Option Plan*	the Registrant's Definitive Proxy Statement Schedule 14A, filed with the Securities and Exchange Commission July 26, 2002
10.9	Stellent, Inc. Employee Stock Purchase Plan	Incorporated by reference to Exhibit A of the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission July 29, 1999
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	Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification by Gregg A. Waldon, Executive Vice President, Chief Financial Officer, Secretary and Treasurer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Electronic transmission

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* Management contract, compensation plan or arrangement.