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ISLAND PACIFIC INC
Form DEFR14A
July 27, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Amendment No. 1

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Materials Pursuant to ss.240.14a-12

ISLAND PACIFIC, INC.

Name of Registrant as Specified In Its Charter

N/A

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

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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July 15, 2004

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Island Pacific, Inc. (the "Company") on Wednesday, August 11, 2004 at 9:00 a.m., Pacific Daylight Time. The meeting will be held at the Company's office located at 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612.

The matters to be voted upon at the meeting will be:

- o To elect five directors;
- o To amend and restate the Company's Amended and Restated Certificate of Incorporation to increase the authorized shares of common stock from 100,000,000 to 250,000,000;
- o To adopt the 2004 Equity Incentive Plan ("2004 Plan");
- o To ratify the sale and issuance of a Secured Convertible Term Note and accompanying warrant to purchase shares of common stock to an institutional investor for \$7,000,000;
- o To ratify the appointment of Singer Lewak Greenbaum & Goldstein LLP as our independent public accountants for the year ending March 31, 2005.

Please complete and sign the enclosed proxy card and return it promptly. This will ensure that your shares are represented at the meeting even if you cannot attend. Returning your proxy card to us will not prevent you from voting in person at the meeting if you are present and wish to do so.

Thank you for your cooperation in returning your proxy card as promptly as possible. We hope to see many of you at our meeting in Irvine.

Very truly yours,

Michael Silverman
Chairman of the Board

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ISLAND PACIFIC, INC.
19800 MacArthur Boulevard
Irvine, CA 92612
(949) 476-2212

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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TO BE HELD ON AUGUST 11, 2004

TO ALL STOCKHOLDERS:

An annual meeting of the stockholders of Island Pacific, Inc. (the "Company") will be held on August 11, 2004 at 9:00 a.m., Pacific Daylight Time. The meeting will be held at 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612. The following items will be on the agenda:

1. To elect five directors to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified;
2. To amend and restate the Company's Amended and Restated Certificate of Incorporation to increase the authorized shares of common stock from 100,000,000 to 250,000,000;
3. To adopt the 2004 Equity Incentive Plan ("2004 Plan");
4. To ratify the sale and issuance of a Secured Convertible Term Note and accompanying warrant to purchase shares of common stock to a certain investor for \$7,000,000;
5. To ratify the appointment of Singer Lewak Greenbaum & Goldstein LLP as our independent public accountants for the fiscal year ended March 31, 2005; and
6. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on July 15, 2004 will be entitled to vote at this meeting.

Please execute and return the accompanying proxy card as soon as possible. Any stockholder who signs and returns the accompanying proxy may revoke it at any time before it is exercised.

By Order of the Board of Directors

Michael Silverman
Chairman of the Board

Irvine, California
July 15, 2004

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ISLAND PACIFIC, INC.
19800 MacArthur Boulevard
Irvine, CA 92612
(949) 476-2212

PROXY STATEMENT

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ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON AUGUST 11, 2004

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy is solicited on behalf of the Board of Directors of Island Pacific, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on August 11, 2004, at 9:00 a.m. local time (the "Annual Meeting"), or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612. The Company intends to mail this proxy statement and accompanying proxy card on or about July 26, 2004, to all stockholders entitled to vote at the Annual Meeting.

SOLICITATION

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of common stock beneficially owned by others to forward to such beneficial owners. The Company may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

VOTING RIGHTS AND OUTSTANDING SHARES

Only holders of record of common stock and Series B Convertible Preferred Stock ("Series B Preferred") at the close of business on July 15, 2004 will be entitled to notice of and to vote at the Annual Meeting. As of July 2, 2004 the Company had outstanding and entitled to vote 53,974,532 shares of common stock and 2,517,323 shares of Series B Preferred convertible into 7,551,699 shares of common stock. Each holder of record of common stock and Series B Preferred on July 15, 2004 will be entitled to one vote for each share held, with the Series B Preferred voting on an as converted basis, on all matters to be voted upon at the Annual Meeting.

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If the proxy is signed and returned without any direction given, shares will be voted in accordance with the Board of Directors' recommendations. All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will be counted towards the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether a matter has

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been approved.

REVOCABILITY OF PROXIES

Any stockholder granting a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. A proxy may be revoked by filing with the Company's Secretary at the Company's principal executive office, 19800 MacArthur Boulevard, Irvine, California 92612, a written revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

If a proxy is provided but no instructions are given, the proxy will be voted FOR each director nominated by management, FOR Proposal 2 relating to the increase in authorized shares of common stock, FOR Proposal 3 relating to adoption of 2004 Equity Incentive Plan, FOR Proposal 4 relating to the sale of the \$7,000,000 Secured Convertible Term Note and related warrant and FOR Proposal 5 relating to ratification Singer Lewak Greenbaum & Goldstein LLP as the Company's independent public accountants for the fiscal year ending March 31, 2005.

STOCKHOLDER PROPOSALS

Stockholder proposals for inclusion in the Company's proxy statement and form of proxy for the Company's 2005 Annual Meeting pursuant to Rule 14a-8 of the Securities and Exchange Commission must be received at the Company's principal executive office, 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612, by March 15, 2005.

Stockholders intending to present a proposal at the 2005 annual meeting, but not to include the proposal in our proxy statement, or to nominate a person for election as a director, must comply with the requirements set forth in our By-laws. The By-laws require, among other things, that the Company receive written notice from the record stockholder of intent to present such proposal or nomination no more than 120 days and no less than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered no more than 120 days and no less than 90 days prior to such annual meeting or 10 days following the day on which public announcement of the date of such meeting is first made. Therefore, the Company must receive notice of such a proposal or nomination for the 2005 annual meeting no earlier than April 13, 2005 and not later than May 13, 2005.

A stockholder's notice to the Company must include a full description of such proposal (including all information that would be required in connection with such proposal under the SEC's proxy rules if such proposal were the subject of a proxy solicitation and the written consent of each nominee for election to the Board of Directors named therein (if any) to serve if elected) and the name, address and number of shares of common stock held of record or beneficially as of the record date for such meeting by the person proposing to bring such proposal before the meeting.

Nothing in this section shall be interpreted or construed to require the inclusion of information about any stockholder proposal in the Company's proxy statement.

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PROPOSAL 1 ELECTION OF DIRECTORS

There are five nominees for the seven Board of Director positions as fixed by the Board of Directors, which will result in two vacancies on the Board of Directors. Two of the Company's former directors, Robert P. Wilkie and Ivan M. Epstein, both of whom were "independent" directors, resigned effective as of July 1, 2004. The Company is currently looking for two "independent" individuals to fill these vacancies. Each director to be elected will hold office until the next annual meeting of stockholders and until his successor is elected and has qualified, or until such director's earlier death, resignation or removal. Each nominee listed below is currently a director of the Company.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the five nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as management may propose. Each person nominated for election has agreed to serve if elected and management has no reason to believe that any nominee will be unable to serve.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF EACH NAMED NOMINEE.

NOMINEES

The names of the nominees and certain information about them are set forth:

| NAME | AGE | POSITION |
|-------------------|-----|---|
| Michael Silverman | 59 | Chairman of the Board |
| Michael Tomczak | 49 | President, Chief Operating Officer and Director |
| Donald Radcliffe | 59 | Director |
| Lawrence Page | 49 | Executive Vice President - Special Projects and Director |
| Ian Bonner | 49 | Director |

Michael Silverman became a director in January 2001 and Chairman in February 2004. Mr. Silverman founded Advanced Remote Communications Solutions, Inc. (formerly known as Boatracs, Inc.) in 1990 and serves on its board of directors. He previously served as its Chairman until May 2002, and as Chief Executive Officer and President until October 1997, and from November 1999 to May 2002. Mr. Silverman is a Chartered Accountant (South Africa) and has an M.B.A. from Stanford University. Mr. Silverman is a member of the Audit and Compensation Committees.

Michael Tomczak became our President, Chief Operating Officer and director in June 2004 after our acquisition of Retail Technologies International, Inc. ("RTI"). Mr. Tomczak served as RTI's CEO and President since December 2002 and its CFO for the previous two years. Mr. Tomczak has been an executive with high-growth firms for the past twelve years including having served as Chief Financial Officer of a publicly traded technology company. Previously, Mr. Tomczak served as head director of Ernst & Young's Sacramento office's Entrepreneurial Services Group. Mr. Tomczak holds a Bachelor of Science degree in business administration from Western Michigan University and is a Certified Public Accountant in both California and Michigan.

Donald S. Radcliffe served as a director from May 1998 until October 2003 and became a director again in July 2004. He has been President of Radcliffe & Associates since 1990. Radcliffe & Associates provides financial consulting services to public companies and has provided us financial advisory and public relations services. Since 1984 he has also been Executive Vice President and Chief Operating and Financial Officer of World Wide Business Centres, which is a privately held operator of shared office space facilities. Mr. Radcliffe is a director of Integrity Software, Inc. Mr. Radcliffe received a B.S. from Lehigh University and an M.B.A. from Dartmouth College. He is a certified public accountant.

Lawrence Page became a director in March 2004 after our acquisition of Page Digital Incorporated ("Page"). Mr. Page currently serves as Executive Vice President - Special Projects. He served as Chief Technology Officer from January 2004 to June 2004 and as Chief Operating Officer from February 2004 to June 2004. He is the former Chief Executive Officer and Chairman of the board of Page, which he founded in 1980. Mr. Page has over 25 years of direct commerce experience. Mr. Page attended the California Institute of Technology for three years, when he departed to pursue his business interests in the software industry.

Ian Bonner became a director in May 1998. He is President and Chief Executive Officer of Terraspring, Inc., a software and Internet infrastructure company. From 1993 until April 2001, he held various positions with IBM Corporation, including Vice President of Partner Marketing and Programs for the IBM/Lotus/Tivoli Software Group. His responsibilities included the development and implementation of marketing campaigns and programs designed to serve the business partners of IBM, Lotus and Tivoli, including major accounts, independent software vendors and global systems integrators. He also oversaw the IBM BESTeam and the Lotus Business Partner programs which are designed to provide enhanced opportunities, including education, marketing and training support, to qualified providers of IBM's and Lotus's portfolio of network solutions. Mr. Bonner received a Bachelor of Commerce from the University of the Witwatersrand in 1976 and a graduate degree in Marketing Management and Market Research and Advertising from the University of South Africa in 1978. Mr. Bonner is a member of the Audit and Compensation Committees.

There are no family relationships among the directors. There are no arrangements or understandings between any director and any other person pursuant to which that director was or is to be elected.

COMMITTEES AND MEETINGS

During fiscal year 2004, the Board of Directors met 6 times and acted by unanimous written consent 5 times. No director attended less than 75% of the total of Board of Directors and committee meetings held during the director's tenure on the Board of Directors and its committees. The Board of Directors has a Compensation Committee and an Audit Committee.

The Compensation Committee's primary function is to establish the compensation policies and recommend compensation arrangements for senior management and directors to the Board of Directors. The Compensation Committee also recommends the adoption of compensation plans, in which officers and directors are eligible to participate, and the granting of stock options or other benefits to executive officers. The Compensation Committee is composed entirely of independent directors (as "independence" is defined in Section 121(A) of the listing standards of the American Stock Exchange). Current members

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of the Compensation Committee are Ian Bonner and Michael Silverman. The Compensation Committee met 4 times during the fiscal year ended March 31, 2004.

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The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities for our financial reporting. The Audit Committee recommends the engagement and discharge of independent auditors, reviews the audit plan and the results of the audit with independent auditors, reviews the independence of the independent auditors, reviews internal accounting procedures and discharges such other duties as may from time to time be assigned to it by the Board of Directors. The Audit Committee is composed entirely of independent directors (as "independence" is defined in Section 121(A) of the listing standards of the American Stock Exchange). Current members of the Audit Committee are Ian Bonner and Michael Silverman. The Company is currently looking for two additional independent directors, one of whom will be appointed to the Audit Committee. The Audit Committee met 4 times during Fiscal 2004.

The Company does not have a policy that requires members of the Board of Directors to attend the Company's annual stockholders meeting. Four members of the Board of Directors attended the Company's last annual stockholders meeting.

DIRECTOR COMPENSATION

During Fiscal 2004, we issued the following options to purchase shares of our common stock to our directors: (a) Ian Bonner and Michael Silverman each 5,000 options at exercise price of \$2.55 per share, 5,000 options at \$2.17 per price, 5,000 options at \$2.23 per share, 5,000 options at \$1.34 per share and 5,000 options at \$0.92 per share, all vesting immediately; (b) Ivan Epstein 5,000 options at exercise price of \$2.55 per share, 5,000 options at \$2.17 per share and 5,000 options at \$0.92 per share, all vesting immediately; and (c) Robert Wilkie 5,000 options at exercise price of \$2.55 per share, 5,000 options at \$2.17 per share, 5,000 options at \$1.34 per share and 5,000 options at \$0.92 per share, all vesting immediately. We also paid cash compensation totaling \$154,000 to Barry Schechter, who served as the Chairman of the Board until July 2003.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that each of Messrs. Silverman and Bonner are "independent" directors, as that term is currently defined in the rules adopted by the Securities and Exchange Commission ("SEC") and the American Stock Exchange ("AMEX"). AMEX rules require that the majority of our Board of Directors be comprised of "independent" directors. Robert P. Wilkie and Ivan M. Epstein, both of whom were "independent directors," resigned from the Company's Board of Directors effective as of July 1, 2004. We are currently looking for two "independent" directors to fill the vacancies left by Mr. Wilkie's and Mr. Epstein's resignations.

COMMUNICATION WITH THE BOARD OF DIRECTORS

Stockholders may communicate with any of our directors by transmitting correspondence by mail, facsimile or e-mail, addressed as follows: Chairman of the Board of Directors, or Board of Directors c/o Corporate Secretary, Ran H. Furman, 19800 MacArthur Boulevard, Suite 1200, Irvine, CA 92612. Fax: (949) 476-2212. e-mail: directors@islandpacific.com.

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The communications will be transmitted to the identified director(s) as soon as practicable, unless our Corporate Secretary in consultation with our legal counsel determines there are safety or security concerns that mitigate against further transmission of the communication. The Board of Directors or identified director(s) shall be advised of any communication withheld for safety or security reasons as soon as practicable.

BOARD OF DIRECTORS NOMINATION POLICY

The Board of Directors does not have a nominating committee. Rather, the Board of Directors has adopted a formal written policy regarding the nomination process and such related matters as may be required under the federal securities laws. Under the nominating policy, the independent directors, meeting in executive session, are responsible for identifying, evaluating, and recommending individuals qualified to be appointed to the Board of Directors or to stand for election to the Board of Directors at a meeting of the stockholders.

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In evaluating candidates for nomination to the Board of Directors, the independent directors are to take into account the applicable requirements for directors under the AMEX rules as well as the standards for serving on the Audit Committee under the Securities Exchange Act of 1934 (the "Exchange Act"). The independent directors may take into consideration such other factors and criteria as they deem appropriate in evaluating a candidate, including his or her judgment, skill, integrity, diversity, and business or other experience. The independent directors may (but are not required to) consider candidates suggested by management or other members of the Board of Directors.

Generally, the independent directors will consider candidates who have experience as a board member or senior officer of a company or who are generally recognized in a relevant field as a well-regarded practitioner, faculty member or senior government officer. The independent directors will also evaluate whether the candidates' skills and experience are complementary to the existing Board of Directors members' skills and experience as well as the Board of Directors' need for operational, management, financial, international, technological or other expertise. The independent directors will interview candidates that meet the criteria and the independent directors will then select nominees that such independent directors believe best suit the Board of Directors' needs.

The independent directors will consider qualified candidates for director nominees suggested by stockholders. Stockholders can suggest qualified candidates for director nominees by writing to the Company's Corporate Secretary, Ran H. Furman, at 19800 MacArthur Boulevard, Suite 1200, Irvine, California 92612. Submissions that are received that meet the criteria described above will be forwarded to the independent directors for further review and consideration. The independent directors do not intend to evaluate candidates proposed by stockholders any differently than other candidates.

PROPOSAL 2 APPROVAL OF INCREASING AUTHORIZED SHARES

Currently, the Company's authorized capital stock under its Amended and Restated Certificate of Incorporation (the "Certificate") is 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of July 2, 2004, of the 100,000,000 shares of the Company's common stock presently authorized, 53,974,532 shares are issued and outstanding, 7,736,975 shares are reserved for

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issuance under outstanding options, 14,580,658 shares are reserved for issuance under outstanding warrants, 19,115,405 shares are reserved for issuance upon conversion of the Series A Convertible Preferred Stock ("Series A Preferred") and 2,272,727 shares are reserved for issuance upon conversion of outstanding debentures. As a result, there are now only 2,319,703 authorized shares of the Company's common stock that are not reserved and that may be issued for any future business purposes by the Company. In addition, the Company has contractual obligations to issue additional shares of common stock to holders of its Series A Preferred and Series B Preferred and to maintain sufficient shares of common stock available for future issuances on exercise of options to certain members of management pursuant to employment compensation arrangements, which are not currently reserved.

Accordingly, the Board of Directors has approved for submission to the Company's stockholders, and recommends that the Company's stockholders approve, an amendment to the Company's Certificate to increase the number of authorized shares of common stock from 100,000,000 to 250,000,000.

The additional 150,000,000 authorized shares of the Company's common stock (the "Additional Shares") may be issued for any proper corporate purpose approved by the Company's Board of Directors. The availability of additional authorized shares will enable the Company's Board of Directors to act with flexibility when and as the need arises to issue additional shares in the future without the delays necessitated by having to obtain a stockholder vote and to take advantage of changing market and financial conditions in a more timely manner. Among the reasons for issuing additional shares would be to increase the Company's capital through sales of the Company's common stock, to engage in acquisitions and to satisfy contractual commitments.

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The Additional Shares would also be used to satisfy contractual obligations to Laurus Master Funds, Ltd., a Cayman Islands company ("Laurus") to maintain sufficient shares for issuance upon conversion of Laurus' Secured Convertible Term Note (the "Note") and exercise of its Common Stock Purchase Warrant, both of which were issued pursuant to the Securities Purchase Agreement between the Company and Laurus dated July 12, 2004 (the "Purchase Agreement"). Pursuant to the Purchase Agreement the Company sold and issued the Note and Warrant to Laurus for \$7,000,000. The Note is convertible into an aggregate of 12,500,000 shares of common stock at a price of \$0.56 per share, which is 105% of the closing stock price of \$0.53 on July 9, 2004, the date immediately preceding the transaction. The Note matures on September 1, 2004; provided however, the maturity of the Note will be automatically extended upon the stockholders of the Company approving an amendment to the Company's Certificate increasing the authorized common stock to 250,000,000 shares and the Company filing an amendment to the Certificate to effect the increase with the Delaware Secretary of State by August 31, 2004. The warrant is exercisable for 3,750,000 shares of common stock at \$0.71 per share, which is 115% of the 10-day average closing price immediately preceding the transaction. For a further description of this transaction see Proposal 4 below - RATIFY THE SALE AND ISSUANCE OF NOTE AND WARRANT TO LAURUS.

The Company anticipates that it will require in the future a greater number of authorized shares of common stock than is currently available under its Certificate. The Company's management regularly reviews a range of possible financing transactions, including the issuance of the Company's common stock. Subject to market and other conditions, the Company may sell additional equity in fiscal 2005 or issue additional equity for strategic acquisitions. Any such

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equity sales may involve private placements, traditional underwritten offerings, continuous equity offerings or other transactions.

If the amendment to the Company's Certificate is approved, while the Company's Board of Directors generally may issue additional authorized shares of the Company's common stock without further stockholder approval, under the AMEX rules the Company may not effect certain transactions that could potentially result in the issuance of a number of shares that is more than 20% of the Company's currently outstanding shares of common stock without further stockholder approval. In particular, under the AMEX listing standards, the establishment or amendment of any option plan or arrangement governing option grants to officers, directors, employees or consultants, an acquisition or certain other corporate transactions involving the issuance or potential issuance of shares at a price below market require stockholder approval.

The Company's Board of Directors has not proposed the increase in the amount of authorized shares with the intention of discouraging tender offers or takeover attempts of the Company. However, the availability of additional authorized shares for issuance could render more difficult or discourage a merger, tender offer, proxy contest or other attempt to obtain control of the Company, which may adversely affect the ability of the Company's stockholders to obtain a premium for their shares of the Company's common stock. Other than as described in this proxy statement, the Company has no obligations to issue additional shares of common stock. However, any additional issuance could have a dilutive impact on the Company's existing stockholders.

VOTE REQUIRED

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting will be required to approve the amendment to Company's Certificate to increase the number of authorized shares to 250,000,000. Abstentions will be counted toward the tabulation of votes cast in proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL 2
- THE AMENDMENT OF THE COMPANY'S CERTIFICATE TO INCREASE THE NUMBER
OF AUTHORIZED SHARES OF COMMON STOCK OF THE COMPANY TO 250,000,000.

PROPOSAL 3 APPROVAL OF 2004 EQUITY INCENTIVE PLAN

The Compensation Committee has recommended and the Board of Directors has adopted, subject to stockholder approval, the 2004 Equity Incentive Plan, attached as Appendix A ("2004 Plan"), authorizing 10,000,000 shares of common stock that may be subject to options and stock bonuses (collectively, "Stock Awards").

REASONS FOR THE PROPOSAL

The Company had a 1998 Stock Incentive Plan (the "1998 Plan") in place until July 12, 2004. As of July 12, 2004 there were 7,365,872 shares reserved for issuance under the 1998 Plan and 4,182,783 options issued and outstanding. As of July 12, 2004 there were 1,381,886 issued and outstanding options under

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the RTI 2003 Stock Incentive Plan that the Company assumed in connection with its acquisition of RTI pursuant to the Amended and Restated Agreement of Merger and Plan of Reorganization dated June 1, 2004 between the Company, RTI, IPI Merger Sub, Inc., IPI Merger Sub II, Inc., Michael Tomczak and Jeffrey Boone. Pursuant to post effective amendment no. 1 filed on July 12, 2004 and post effective amendment no. 2 filed on July 14, 2004 to the registration statement on Form S-8 filed on September 12, 2003 (Registration No. 333-108747), the remaining 2,583,086 shares registered for issuance under the 1998 Plan were deregistered and the 1998 Plan was suspended. Following the acquisitions of Page in January 2004 and RTI in June 2004, the Company currently employs approximately 225 people. The Company believes that it needs to be able to issue options to provide incentives to new or existing employees, directors or consultants to exert maximum efforts for the success of the Company and that the remaining 2,583,086 shares available for issuance under the 1998 Plan are not sufficient. Accordingly, the Board of Directors has approved for submission to the Company's stockholders, and recommends that the Company's stockholders approve, the adoption of the new 2004 Plan to provide additional shares of common stock for new Stock Awards and replace the 1998 Plan with an updated plan.

The Company's common shares are listed on the AMEX. Under the AMEX rules, the Company generally must obtain stockholder approval as a condition to listing shares reserved for options granted or to be granted to officers, directors or key employees, subject to certain exceptions. The Company has historically complied with these rules by granting options to existing officers, directors and key employees under stockholder-approved plans. This strategy has permitted those persons who are employees to receive tax-preferred incentive stock options (see "Federal Income Tax Information" below), and has permitted the classification of such options as performance-based compensation under Section 162(m) of the Code where such grants were otherwise in compliance with such Code section.

If this Proposal 3 is not approved by the stockholders, the Company's ability to provide adequate equity incentives to current and future employees, directors and consultants of the Company in the most tax preferred manner may be jeopardized. In the event of non-approval, the Company will have to consider other means to provide adequate equity incentives.

VOTE REQUIRED

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting will be required to approve the 2004 Plan submitted for stockholder approval. Abstentions will be counted toward the tabulation of votes cast in proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

The essential features of the 2004 Plan are outlined below:

GENERAL

Employees, directors and consultants to the Company and its parents or subsidiaries (whether now or hereafter existing) are eligible to participate in the 2004 Plan. The purpose of the 2004 Plan is to give employees, directors and consultants of the Company and its subsidiaries an opportunity to benefit from increases in the value of the Company's common stock. The Company believes that the 2004 Plan will help the Company secure and retain the services of highly qualified individuals, and to provide incentives to eligible persons to exert maximum efforts toward the success of the Company.

The 2004 Plan provides for the granting of: (i) incentive stock options

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("ISOs") and nonqualified stock options ("NSOs"), (ii) stock purchase awards and (iii) stock bonuses (collectively, "Stock Awards"). Only employees are eligible to receive ISOs. All other Stock Awards may be awarded to employees, directors and consultants.

STOCK SUBJECT TO THE 2004 PLAN

An aggregate of 10,000,000 shares of common stock will be reserved for issuance under the 2004 Plan. The Company's closing stock price as reported on AMEX was \$0.56 per share on July 13, 2004.

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ADMINISTRATION

The Board of Directors will administer the 2004 Plan, but the Board of Directors may, in its discretion, delegate administration of the 2004 Plan to one or more committees of one or more members of the Board of Directors. Subject to the provisions of the 2004 Plan, the Board of Directors or such committee will have complete discretion in determining the recipients of, terms and conditions for, and number of Stock Awards granted under the 2004 Plan. The Board of Directors intends to delegate administration of the 2004 Plan to the Compensation Committee.

INCENTIVE AND NONQUALIFIED STOCK OPTIONS

ISOs granted under the 2004 Plan must be granted with an exercise price of at least 100% of the fair market value of the common stock on the date of grant. NSOs must have an exercise price of at least 50% of the fair market value of the common stock on the date of the grant. Options granted to the Ten Percent Stockholders (as defined below) of the Company must have an exercise price of at least 110% of the fair market value of the common stock. Under the 2004 Plan, "Ten Percent Stockholder" means a person who owns or is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its affiliates.

Options must have a term of ten years or less, except options granted to ten percent or greater stockholders must have a term of five years or less. Vesting provisions for options granted under the 2004 Plan may vary but in each case will provide for the vesting of at least 20% of the total number of shares subject to the option per year. Upon termination of the option holder's status as an employee, consultant or director of the Company, the holder may exercise his or her then vested options for a period after termination determined by the Board of Directors. The period must be at least three months (if the termination is not the result of the option holder's death or disability), but will not extend beyond the expiration date of the option; provided however that all NSOs will terminate immediately upon the option holder's termination for cause and to the extent permitted by applicable law all ISOs shall terminate or be converted to NSOs and then terminate if the option holder's continuous service is terminated for cause. If the termination is due to the death or disability of the option holder, the exercise period must be at least one year following death or disability, but will not extend beyond the expiration date of the option. The option holder may pay the exercise price for options in cash, or in the discretion of the Board of Directors, by any of the following methods:

- o Delivery of other shares of common stock of the Company.
- o According to a preferred payment schedule or other arrangement.

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- o Surrender of a sufficient number of options which have "built in gain" equal to the exercise price of the options exercised. Built in gain means the difference between the fair market value on the exercise date and the exercise price.
- o Any other legal form of payment approved by the Board of Directors.

Tax rules applicable to ISOs may limit the availability of some of these payment methods.

Options granted under the 2004 Plan are generally not transferable except upon death or as otherwise determined by the Board of Directors and set forth in the applicable option agreement.

The 2004 Plan allows option holders to satisfy tax withholding obligations relating to the exercise of an option, to the extent permitted by the option agreement, by paying the withholding tax in cash, by allowing the Company to withhold shares issuable upon exercise, or by delivering other unencumbered shares of common stock to the Company.

STOCK BONUSES AND STOCK PURCHASE AWARDS

The 2004 Plan also provides for the granting of stock bonuses and awards for the purchase of common stock. The Board of Directors or committee administering the 2004 Plan will establish the terms and conditions of these grants and purchases, subject to the following conditions.

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Stock Bonus Awards may be granted in consideration for past services rendered to the Company or any other form of legal consideration acceptable in the Board of Directors' discretion. Stock Purchase Awards may be granted in consideration for cash or any other form of legal consideration acceptable in the Board of Directors' discretion. In the event of the recipient's termination of status as an employee, director or consultant to the Company, the Company shall have the option to repurchase or otherwise reacquire all shares held by such recipient which have not vested at the date of termination.

FEDERAL INCOME TAX INFORMATION INCENTIVE STOCK OPTIONS

ISOs under the 2004 Plan are intended to be eligible for the favorable federal income tax treatment accorded "incentive stock options" under the Code.

There generally are no federal income tax consequences to the participant or the Company by reason of the grant or exercise of an ISO. However, the exercise of an ISO may increase the participant's alternative minimum tax liability.

If a participant holds stock acquired through exercise of an ISO for at least two years from the date on which the option is granted and at least one year from the date on which the shares are transferred to the participant upon exercise of the option, any gain or loss on a disposition of such stock will be a long-term capital gain or loss if the participant held the stock for more than one year.

Generally, if the participant disposes of the stock before the expiration of either of these holding periods (a "disqualifying disposition"),

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then at the time of disposition the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the participant's actual gain, if any, on the purchase and sale. The participant's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year.

To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, the Company will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

NONQUALIFIED STOCK OPTIONS AND STOCK BONUS AWARDS AND STOCK PURCHASE AWARDS

NSOs and Stock Bonus Awards and Stock Purchase Awards granted under the 2004 Plan generally have the following federal income tax consequences.

There are no tax consequences to the participant or the Company by reason of the grant. Upon acquisition of the stock, the participant normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. With respect to employees, the Company is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Upon disposition of the stock, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to participants who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Securities Exchange Act of 1934.

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POTENTIAL LIMITATION ON COMPANY DEDUCTIONS

Section 162(m) of the Code denies a deduction to any publicly-held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation to such covered employee exceeds \$1 million. It is possible that compensation attributable to stock awards, when combined with all other types of compensation received by a covered employee from the Company, may cause this limitation to be exceeded in any particular year.

Certain kinds of compensation, including qualified "performance-based compensation," are disregarded for purposes of the deduction limitation. In accordance with regulations issued under Section 162(m), compensation attributable to stock options and stock appreciation rights will qualify as

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performance-based compensation if the award is granted by a compensation committee comprised solely of "outside directors" and either (i) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders, and the exercise price of the award is no less than the fair market value of the stock on the date of grant, or (ii) the award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the award is approved by stockholders.

Compensation attributable to stock bonuses will qualify as performance-based compensation, provided that: (i) the award is granted by a compensation committee comprised solely of "outside directors" and (ii) the purchase price of the award is no less than the fair market value of the stock on the date of grant. Stock bonuses qualify as performance-based compensation under the Treasury regulations only if (i) the award is granted by a compensation committee comprised solely of "outside directors," (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied and (iv) prior to the granting (or exercisability) of the award, stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount or formula used to calculate the amount payable upon attainment of the performance goal).

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 3.

PROPOSAL 4 RATIFY THE SALE AND ISSUANCE OF THE NOTE AND WARRANT TO LAURUS

Pursuant to the Purchase Agreement dated July 12, 2004 between the Company and Laurus, the Company sold and issued the Note and Warrant to Laurus for \$7,000,000. Under the AMEX rules stockholder approval is required for any transaction that could result in the issuance of a number of shares of common stock that is greater than 20% of the Company's outstanding common stock at less than the market price. The shares issuable upon conversion of the Note are priced at \$0.56 (105% of the closing price on July 9, 2004 of \$0.53) and the shares issuable upon exercise of the Warrant have an exercise price of \$0.71 (115% of the 10-day average closing price immediately preceding the transaction). However, the conversion price under the Note is subject to adjustment if the Company issues additional shares of common stock at price below the then applicable conversion price under the Note, which could result in the issuance of more than 20% of the outstanding shares of common stock of the Company at a price below market. The Purchase Agreement provides that if conversion of the Note would result in the issuance of more than 20% of the outstanding shares of the common stock of the Company, the Company is required to promptly call a stockholders meeting to approve such issuance. The Company has determined it is in the best interests of the Company to have the Purchase Agreement, Note, Warrant and related agreements approved at the Annual Meeting rather than be obligated to call a meeting at some unspecified time in the future.

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The Note matures on September 1, 2004, provided however, the maturity of the Note will be automatically extended upon the stockholders of the Company approving an amendment to the Company's Certificate increasing the authorized common stock to 250,000,000 shares and the Company filing an amendment to the Certificate to effect the increase with the Delaware Secretary of State by August 31, 2004. The Note accrues interest at a rate per annum (the "Interest Rate") equal to the "prime rate" published in The Wall Street Journal from time to time, plus two percent (2.0%). Interest under the Note will be payable monthly in arrears commencing on August 1, 2004. The Interest Rate will be calculated on the last day of each month (the "Determination Date") and be subject to adjustment as follows: (1) if the shares issuable upon conversion of the Note or exercise of the Warrant have been registered with the SEC under the Securities Act of 1933, as amended (the "Securities Act") and the market price of the Company's common stock for the five trading days immediately preceding the Determination Date exceeds the then applicable conversion price for the Note by at least 25%, then the Interest Rate for the succeeding calendar month shall be reduced by 2% for each incremental 25% increase over the then applicable conversion price and (2) if all of the conditions set forth in subparagraph (1) have been satisfied except that the shares issuable upon conversion of the Note or exercise of Warrant have not been registered, then the Interest Rate for the succeeding calendar month shall be reduced by 1% for each incremental 25% increase over the then applicable conversion price.

The initial conversion price under the Note is \$0.56, subject to adjustment upon the Company's issuance of additional shares of common stock at a price that is less than the then current fixed conversion price, a stock split or combination, declaration of a dividend on the Company's common stock or reclassification of the Company's common stock. The Company has the option to redeem the Note by paying Laurus 125% of the principal amount due under the Note together with all accrued and unpaid interest.

The Company's obligations under the Note are secured by all of the assets of the Company. Page, IP Retail Technologies International, Inc. (formerly known as IPI Merger Sub II, Inc.) and Sabica Ventures, Inc., all wholly owned subsidiaries of the Company (collectively referred to herein as, the "Subsidiaries"), all guaranteed the Company's obligations under the Note. The Company also pledged all of its interests in the outstanding stock of the subsidiaries as security for its obligations under the Note.

The Warrant grants Laurus the right to purchase up to 3,750,000 shares of the Company's common stock at a price of \$0.71 per share. The Warrant is immediately exercisable and expires seven years after the date of grant. The Company shall have the right to require exercise of the Warrant in whole or in part if: (1) all of the obligations of the Company under the Note shall have been irrevocably paid in full, (2) the common stock underlying the Warrant has been registered on a registration statement declared effective by the SEC, and such registration statement remains effective, and (3) the average closing price of the common stock for the ten (10) trading days immediately prior to the proposed date of the mandatory exercise of the Warrant is greater than three hundred percent (300%) of the then applicable exercise price.

The Company is obligated to file a registration statement on Form S-3 (or if Form S-3 is not available another appropriate form) (the "Registration Statement") registering the shares of Company common stock issuable upon conversion of the Note or exercise of the Warrant (the "Underlying Shares") pursuant to the Registration Rights Agreement between the Company and Laurus dated July 12, 2004 (the "Registration Rights Agreement"). The Company is required to file the Registration Statement within 60 days of July 12, 2004 (the "Filing Date") and have the Registration Statement declared effective by the SEC no later than 90 days after it is filed (the "Effectiveness Date"). If the Registration Statement is not filed by the Filing Date, declared effective by the Effectiveness Date, ceases to be effective for more than 30 days in any

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calendar year or 10 consecutive calendar days or if the Company's common stock is not listed or traded or is suspended from trading for three consecutive trading days, the Company shall be required to pay Laurus liquidated damages equal to 2% of original principal balance on the Note for each 30 day period (with partial periods prorated) that such event continues. The Company is obligated to keep the Registration Statement effective until the earlier of when (1) all of the Underlying Shares have been sold or (2) such time as all of the Underlying Shares such can be sold without registration or volume restrictions under Rule 144(k) of the Securities Act (the "Effectiveness Period"). If there is not an effective Registration Statement covering the Underlying Shares at any time during the Effectiveness Period and the Company proposes to file a registration statement for its own account or the account of others, the Company will be obligated to include the Underlying Shares on that registration statement.

Neither Laurus nor any of its respective affiliates, maintains or has maintained in the past, any affiliation with the Company or its officers, directors or affiliates.

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VOTE REQUIRED

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the sale and issuance of the Note and Warrant to Laurus pursuant to the Purchase Agreement and documents referenced therein submitted for stockholder approval. Abstentions will be counted toward the tabulation of votes cast in proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 4

PROPOSAL 5 RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

We used Singer Lewak Greenbaum & Goldstein LLP ("Singer Lewak") as our principal independent public accounting firm during the year ended March 31, 2004. The Audit Committee, with the approval of the Board of Directors, has selected Singer Lewak as its independent public accountants for fiscal 2005. This appointment is being presented to the stockholders for ratification. Although the Company is not required to obtain stockholder ratification of the appointment of the independent auditors for the Company for the year ended March 31, 2005, the Company has elected to do so in order to provide the stockholders with an opportunity to participate in this decision. In the event that the stockholders do not ratify the appointment of Singer Lewak as the independent auditor of the Company, the Board of Directors will consider the retention of other independent auditors.

A representative of Singer Lewak is expected to attend the Annual Meeting for the purpose of responding to appropriate questions from stockholders and will be afforded an opportunity to make a statement if the representative desires to do so.

During fiscal years ended March 31, 2004 and 2003, we retained our principal auditors, Singer Lewak in several capacities. The fees for such

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retentions are as follows:

| | (in thousands): | |
|--------------------|-----------------|--------|
| | 2004 | 2003 |
| Audit fees | \$ 262 | \$ 84 |
| Audit-related fees | 308 | 6 |
| Tax fees | 31 | 16 |
| All other fees | 9 | -- |
| | ----- | ----- |
| Total | \$ 610 | \$ 106 |
| | ===== | ===== |

AUDIT FEES

Audit Fees represent aggregate fees billed, including out-of-pocket expenses, associated with the annual audits of our consolidated financial statements and review of consolidated financial statements included in our Forms 10-Q.

AUDIT-RELATED FEES

Audit-Related Fees represent fees billed, including out-of-pocket expenses, for services rendered during the fiscal years ended March 31, 2004 and 2003, for assistance with acquisitions and financing transactions and review of all other documents filed with the Securities and Exchange Commission.

TAX FEES

Tax fees represent amounts billed primarily for tax compliance services and include assistance with tax audits.

ALL OTHER FEES

All other fees represent the aggregate fees billed for services rendered by our principal auditors, other than "audit fees," "audit-related fees," and "tax fees," as defined above.

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All of the audit and non-audit services listed above under the categories "Audit Fees," "Audit-Related Fees," "Tax Fees" or "All Other Fees" were pre-approved by the Audit Committee for the fiscal year ended March 31, 2004. Because pre-approval of audit and permitted non-audit services of the independent auditor was a new requirement beginning in fiscal year 2004, none of the non-audit services listed above under the categories "Audit-Related Fees," "Tax Fees" or "All Other Fees" were pre-approved by the Audit Committee for the fiscal year ended March 31, 2003.

POLICY FOR APPROVING AUDIT AND PERMITTED NON-AUDIT SERVICES OF THE INDEPENDENT AUDITOR

The Audit Committee has established procedures to pre-approve all audit and permitted non-audit services provided by our independent auditor. These services may include audit services, audit-related services, certain tax services and other services. Under our policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Although the rules of the SEC permit de minimis exceptions, it

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is our policy to pre-approve all audit and permitted non-audit services performed by our independent auditor. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee when expedition of services is necessary and such service has not been previously pre-approved under our pre-approval policy or when, pursuant to our pre-approval policy, pre-approval is required on a case-by-case basis. The Chairman is required to report any such pre-approval decisions to the full Audit Committee at its next regularly scheduled meeting.

VOTE REQUIRED

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the ratification of the independent public accountants. Abstentions will be counted towards the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non votes are counted towards a quorum, but are not counted for any other purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 5.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows beneficial ownership of shares of our common stock as of June 30, 2004 (except as otherwise stated below) (i) by all persons known by us to beneficially own more than 5% of such stock, (ii) by each director, (iii) each of the named executive officers, and (iv) all directors and executive officers as a group. Except as otherwise specified, the address for each person is 19800 MacArthur Boulevard, 12th Floor, Irvine, California 92612. As of June 30, 2004, there were 53,974,532 shares of common stock outstanding. Each of the named persons has sole voting and investment power with respect to the shares shown (subject to community property laws), except as stated below.

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| Name and Address of Beneficial Owner (1) ----- | Amount and Nature of Beneficial Ownership ----- | Percent Of Class* |
|--|---|-------------------|
| The Sage Group plc Sage House Benton Park Road Newcastle upon Tyne NE7 7LZ, England | 28,013,752 (2) | 38.3% |
| ICM Asset Management, Inc. 601 W. Main Ave., Suite 600 Spokane, WA 99201 | 2,766,275 (3) | 5.0% |
| Omicron Master Trust c/o Omicron Capital L.P. 810 Seventh Avenue, 39th Floor New York, New York 10019 | 7,106,199 (4) | 11.6% |

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| | | |
|---|-----------------------------|------|
| Midsummer Investments, Ltd. 485 Madison Avenue 23rd Floor New York, NY 10022 | 5,255,937 (5) | 8.9% |
| Michael Tomczak Ran Furman | 3,775,848 (6) 37,306 (8) | 6.5% |