

EPIQ SYSTEMS INC

FORM 8-K/A

(Amended Current report filing)

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Address	501 KANSAS AVENUE KANSAS CITY, KS 66105-1309
Telephone	9136219500
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Symbol	EPIQ
SIC Code	7371 - Computer Programming Services
Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 26, 2009 (October 26, 2009)

Date of Report (Date of earliest event reported)

EPIQ SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction
of incorporation)

0-22081

(Commission File Number)

48-1056429

(IRS Employer
Identification Number)

501 Kansas Avenue

Kansas City, Kansas 66105

(Address of principal executive offices)

(913) 621-9500

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).
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Item 2.02. Results of Operations and Financial Condition.

Due to administrative error, the following language was excluded from Item 2.02 of the Company's 8-K filed on October 26, 2009.

On October 26, 2009, Epiq Systems, Inc. issued a press release announcing its financial results for the three and nine months ended September 30, 2009. A copy of the press release is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

The attached press release includes three non-GAAP financial measures that management uses and that the company believes may be useful to investors:

- Non-GAAP net income, calculated as net income adjusted for amortization of acquisition intangibles, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, acquisition expense, the effect of tax adjustments that are outside of the company's anticipated effective tax rate, and capitalized loan fee amortization, all net of tax;
- Non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis; and
- Non-GAAP adjusted EBITDA, calculated as net income adjusted for interest/financing, taxes, depreciation, amortization, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, and acquisition expense.

Reconciliations of each of these non-GAAP measures are included in schedules to the press release filed with this report. The press release also includes certain reconciliations of non-GAAP financial measures for the company's business segments.

These non-GAAP financial measures are intended to supplement the accounting principles generally accepted in the United States of America (GAAP) financial information included in the press release by providing management and investors with additional insight regarding results of operations.

Management uses non-GAAP net income (i) in its strategic planning for the company and (ii) in evaluating the results of operations of the company. Management believes the non-GAAP net income measure provides management with additional perspective when evaluating the results of operations and may be similarly useful to investors when evaluating financial results of the company for comparable periods for the following reasons:

- Certain of the adjusted items can fluctuate significantly from period-to-period due in part to the timing of completion of acquisitions or divestitures, the timing of refinancings (whether or not related to acquisitions) and similar events. Management believes the adjustments to net income may be useful to investors in comparing the results of operations of the company without the effect of those items;
- Certain of the adjusted items represent non-cash credits or charges to net income, which investors may find useful in excluding from operating results to evaluate comparable periods; and
- Mark-to-market adjustments represent non-cash credits or charges related to its convertible debt embedded option and interest rate floor options, adjusted to reflect realized cash gains.

Management also uses non-GAAP earnings per share, which is calculated as non-GAAP net income on a fully diluted per share basis. Management uses non-GAAP earnings per share for the same reasons that it uses non-GAAP net income and believes that non-GAAP earnings per share may be useful to investors for the same purposes as non-GAAP net income. The compensation committee has used non-GAAP earnings per share in evaluating the performance of management and in determining executive bonuses.

Management also uses non-GAAP adjusted EBITDA as a non-GAAP performance measure. Management regularly reviews non-GAAP adjusted EBITDA as it assesses its current and prospective operating results, and for assessing anticipated operating results for acquired businesses. Management uses non-GAAP adjusted EBITDA (i) in its strategic planning for the company and its business segments and (ii) in evaluating the results of operations of the company. The compensation committee has used non-GAAP adjusted EBITDA in evaluating the performance of management and in determining executive bonuses. Management believes non-GAAP adjusted EBITDA is useful to management and may be useful to investors in evaluating the results of operations when comparing financial results for comparable periods for the following reasons:

- Certain of the adjusted items can fluctuate significantly from period-to-period due in part to the timing of completion of acquisitions or divestitures, the timing of refinancings (whether or not related to acquisitions) and similar events. Management believes the adjustments to non-GAAP adjusted EBITDA may be useful to investors in comparing the results of operations of the company without the effect of those items; and
- Certain of the adjusted items represent non-cash credits or charges to net income, which investors may find useful in excluding from operating results to evaluate comparable periods; and

- Mark-to-market adjustments represent non-cash credits or charges related to its convertible debt embedded option and interest rate floor options, adjusted to reflect realized cash gains.

Management recognizes that its use of non-GAAP net income, non-GAAP earnings per share and non-GAAP adjusted EBITDA has various limitations, including the fact that the adjusted items may be a normally recurring expense or may involve the actual use of cash. Nonetheless, management believes that these non-GAAP financial measures provide additional insight for investors into the operating results and business trends of the company. Reconciliations of these non-GAAP financial measures are included in schedules to the press release filed with this report.

The information in Item 2.02 of this report and in the exhibit attached hereto is not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 or 12(a)(2) of the Securities Act of 1933, as amended. The information contained in this Item 2.02 and in the accompanying exhibit is not incorporated by reference into any filing with the SEC made by the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is filed as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Epiq Systems, Inc. Press Release issued October 26, 2009, reporting quarter ended September 30, 2009 financial results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EPIQ SYSTEMS, INC.

Date: February 9, 2010

By: /s/ Tom W. Olofson
Name: Tom W. Olofson
Title: Chairman of the Board
and Chief Executive Officer

Epiq Systems, Inc. Announces Third Quarter 2009 Results; Bankruptcy Segment Reports Second Consecutive Quarter of 93% Operating Revenue Growth

KANSAS CITY, Kan., Oct. 26, 2009 (GLOBE NEWSWIRE) -- Epiq Systems, Inc. (Nasdaq:EPIQ) today announced results of operations for the third quarter of 2009 with operating revenue (total revenue before operating revenue from reimbursed direct costs) of \$51.1 million compared to \$51.8 million for the same period last year. September 30, 2009 year-to-date operating revenue was \$160.9 million, up 5% compared to \$152.7 million for the prior year. Operating revenue reflects record Bankruptcy segment results, led by Chapter 11 year-to-date growth of 156% compared to the prior year, as well as the expected impact in the Settlement Administration segment of the wind down of the major analog-to-digital television conversion contract that was substantially completed during the second quarter of 2009.

Net income for the third quarter of 2009 was \$4.9 million, \$0.12 per share, up 22% compared to \$4.0 million, \$0.10 per share, for the year ago quarter. September 30, 2009 year-to-date net income was \$11.0 million, \$0.28 per share, up 13% compared to \$9.8 million, \$0.26 per share, for the prior year. Bankruptcy segment operating revenue, which carries the highest non-GAAP adjusted EBITDA margin of all segments at 52% year-to-date, increased to 42% of 2009 year-to-date operating revenue compared to 26% last year, resulting in higher profit levels and improved operating margins in 2009 versus the prior year.

Third quarter 2009 net cash provided by operating activities was \$6.5 million, up 123% compared to \$2.9 million for the year ago quarter. September 30, 2009 year-to-date net cash provided by operations was \$27.5 million, up 52% compared to \$18.1 million for the prior year. A condensed consolidated cash flow statement is attached.

Epiq Systems' management also evaluates the following non-GAAP financial measures: (i) non-GAAP net income (net income adjusted for amortization of acquisition intangibles, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, acquisition expense, the effect of tax adjustments that are outside of the company's anticipated effective tax rate, and capitalized loan fee amortization, all net of tax), (ii) non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis, and (iii) non-GAAP adjusted EBITDA (net income adjusted for interest/financing, taxes, depreciation, amortization, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, and acquisition expense). Reconciliation statements for non-GAAP financial measures are provided below.

Non-GAAP net income for the third quarter of 2009 was \$6.8 million, \$0.17 per share, up 16% compared to \$5.8 million, \$0.15 per share, for the year ago quarter. September 30, 2009 year-to-date non-GAAP net income was \$19.9 million, \$0.50 per share, up 16% compared to \$17.1 million, \$0.44 per share, for the prior year.

Third quarter 2009 non-GAAP adjusted EBITDA was \$16.1 million, up 10% compared to \$14.6 million for the year ago quarter. September 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$47.1 million, up 12% compared to \$42.1 million for the prior year.

Operating revenue for the Bankruptcy segment for the third quarter of 2009 was \$25.4 million, up 93% compared to \$13.2 million for the year ago quarter. September 30, 2009 year-to-date operating revenue was \$66.8 million, up 71% compared to \$39.0 million in the prior year. Non-GAAP adjusted EBITDA was \$13.8 million for the third quarter of 2009, up 106% compared to \$6.7 million for the year ago quarter. September 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$34.7 million, up 47% compared to \$23.6 million in the prior year, which included a \$3.5 million cash gain on interest rate floor options. Excluding the prior year one-time cash gain on interest rate floor options, year-to-date 2009 non-GAAP adjusted EBITDA increased 73% compared to the prior year. The strong financial results for the segment relate to an increase in Chapter 11 filings and retentions, which have generated a 156% year-to-date increase in corporate restructuring operating revenue compared to the prior year.

Operating revenue for the Electronic Discovery segment for the third quarter of 2009 was \$12.2 million compared to \$15.1 million for the year ago quarter. September 30, 2009 year-to-date operating revenue was \$40.5 million compared to \$44.6 million in the prior year. Third quarter 2009 non-GAAP adjusted EBITDA was \$3.3 million compared to \$6.7 million for the year ago quarter. September 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$12.6 million compared to \$21.1 million in the prior year. The quarter and year-to-date segment results include the effects of organic investment of new service offerings, geographic expansion into new markets, the impacts of the current economic conditions and pricing pressures in the industry. It is anticipated that as the global economy recovers, this market segment will experience increased case activity levels resulting in increased spending.

Operating revenue for the Settlement Administration segment for the third quarter of 2009 was \$13.6 million compared to \$23.5 million in the year ago quarter. September 30, 2009 year-to-date operating revenue was \$53.5 million compared to \$69.0 million in the prior year. Non-GAAP adjusted EBITDA was \$4.6 million for the third quarter of 2009 compared to \$6.7 million for the year ago quarter. September 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$16.6 million, compared to \$13.5 million in the prior year. The decline in third quarter operating revenue and non-GAAP adjusted EBITDA was related to the major analog-to-digital television conversion contract that was launched in the fourth quarter of 2007 and which, as expected, was substantially completed during the second quarter of 2009.

Tom W. Olofson, chairman and CEO, and Christopher E. Olofson, president and COO of Epiq Systems stated, "We continue to experience excellent growth in bankruptcy revenue, highlighted by major contributions from a significant portfolio of corporate restructuring Chapter 11 engagements. Third quarter 2009 Bankruptcy segment operating revenue set a new all-time record, surpassing the second quarter of 2009, which is now the second-strongest quarterly result. Chapter 11 corporate restructuring engagements are generally long-term, multi-year assignments that are characterized by a recurring revenue component and revenue visibility into future periods. In addition, Chapter 7

bankruptcy trustee services aggregate deposit balances continue to exhibit growth and strength, with a 26% year-to-date increase versus the prior year. As we consider these variables combined with continued strong bankruptcy filings and an anticipated future increase in short term interest rates, the Bankruptcy segment is poised for continued growth through the remainder of 2009 and in 2010."

Recent key events include:

- * Within the Bankruptcy segment, Chapter 11 operating revenue increased 156% during the first nine months of 2009 compared to the same period last year. New third quarter client retentions included companies such as Samsonite Company Stores, Bashas', Basin Water, Luna Innovations, Finlay Enterprises, and Holley Performance Products.
- * During the National Association of Bankruptcy Trustees Annual Seminar, we premiered the next generation version of TCMS(R), our comprehensive trustee case management system, which is scheduled for release in 2010. Utilizing the latest technology available, the new release of TCMS(R) will provide a modernized user interface and significant value-added features including customized one click buttons, advanced search capabilities and integration with Microsoft Outlook.
- * As reported by the Administrative Office of the U.S. Courts, bankruptcy filings totaled 1,306,315 for the 12 month period ended June 30, 2009, up 35% versus the same period in 2008. During this period, Chapter 7 filings were up 47%, Chapter 11 filings were up 91%, and Chapter 13 filings were up 12%. The quarter ending June 30, 2009 represented the highest quarterly filing period since the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 was enacted.
- * We launched IQ Review(TM), a revolutionary combination of new intelligent technology and expert services which incorporates new prioritization technology into DocuMatrix(TM), our flagship document management platform. With the ability to "learn" from a legal expert, IQ Review(TM) determines patterns in content across all data, rates each document, and fast tracks the most responsive documents to the beginning of the review -- the result is more cost effective prioritized reviews.

Conference Call

The company will host a conference call today at 3:30 p.m. Central time to discuss these results. The internet broadcast of the call can be accessed at <http://www.epiqsystems.com/>. To listen by phone, please call (888) 481-2845 before 3:30 p.m. central time. An archive of the internet broadcast will be available on the company's website until the next earnings update. A recording of the call will also be available through November 26, 2009 beginning approximately two hours after the call ends. To access the recording, please call (888) 203-1112 and enter passcode 7692044.

Company Description

Epiq Systems is a leading global provider of integrated technology solutions for the legal profession. Our solutions streamline the administration of bankruptcy, litigation, financial transactions and regulatory compliance matters. We offer innovative technology solutions for electronic discovery, document review, legal notification, claims administration and controlled disbursement of funds. Our clients include leading law firms, corporate legal departments, bankruptcy trustees, government agencies and other professional advisors who require innovative technology, responsive service and deep subject-matter expertise.

The Epiq Systems, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5250>

Forward-looking and Cautionary Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act, including those relating to the possible or assumed future results of our operations and financial condition. These forward-looking statements are based on our current expectations and may be identified by terms such as "believe," "expect," "anticipate,"

"should," "planned," "may," "estimated," "goal," "objective" and "potential." Because forward-looking statements involve future risks and uncertainties, listed below are a variety of factors that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These factors include (1) any material changes in our total number of client engagements and the volume associated with each engagement, (2) any material changes in our client's deposit portfolio or the services required or selected by our clients in engagements, (3) material changes in the number of bankruptcy filings, class action filings or mass tort actions each year, (4) risks associated with handling of confidential data and compliance with information privacy laws, (5) changes in or the effects of pricing structures and arrangements, (6) risks associated with the integration of acquisitions into our existing business operations, (7) risks associated with our indebtedness, (8) risks associated with foreign currency fluctuations, (9) risks associated with developing and providing software and internet-based technology solutions to our clients, and (10) other risks detailed from time to time in our SEC filings, including our annual report on Form 10-K. In addition, there may be other factors not included in our SEC filings that may cause actual results to differ materially from any forward-looking statements. We undertake no obligations to update publicly or revise any forward-looking statements contained herein to reflect future events or developments.

(Tables follow)

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
REVENUE:				
Case management services	\$33,356	\$33,576	\$103,702	\$ 98,300
Case management bundled products and services	3,877	4,488	10,680	14,242
Document management services	13,874	13,768	46,477	40,129
Operating revenue before reimbursed direct costs	51,107	51,832	160,859	152,671
Operating revenue from reimbursed direct costs	6,702	7,051	23,968	20,065
Total Revenue	57,809	58,883	184,827	172,736
OPERATING EXPENSES:				
Direct cost of services (exclusive of depreciation and amortization shown separately below)	17,966	19,526	57,359	62,791
Direct cost of bundled products and services (exclusive of depreciation and amortization shown separately below)	916	910	2,626	2,765
Reimbursed direct costs	6,660	6,986	23,742	19,988
General and administrative	18,197	17,865	60,348	51,165
Depreciation and software and leasehold amortization	4,763	4,273	13,829	11,836
Amortization of identifiable intangible assets	1,828	2,271	5,582	6,874
Other operating expense (income)	127	1	611	(1,511)
Total Operating Expenses	50,457	51,832	164,097	153,908
INCOME FROM OPERATIONS	7,352	7,051	20,730	18,828
INTEREST EXPENSE (INCOME):				

Interest expense	339	406	1,077	1,338
Interest income	(56)	(39)	(107)	(219)
	-----	-----	-----	-----
Net Interest Expense	283	367	970	1,119
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	7,069	6,684	19,760	17,709
PROVISION FOR INCOME TAXES	2,200	2,690	8,727	7,904
	-----	-----	-----	-----
NET INCOME	\$ 4,869	\$ 3,994	\$ 11,033	\$ 9,805
	=====	=====	=====	=====
NET INCOME PER SHARE				
INFORMATION:				
Net income per share - Diluted	\$ 0.12	\$ 0.10	\$ 0.28	\$ 0.26
WEIGHTED AVERAGE COMMON SHARES				
OUTSTANDING - DILUTED	41,938	41,120	41,909	41,368

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	Sept. 30, 2009	Dec. 31, 2008
	-----	-----
	(Unaudited)	
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 28,260	\$ 19,006
Trade accounts receivable, net	52,364	48,540
Property and equipment, net	37,527	39,951
Goodwill	264,237	263,871
Other intangibles, net	21,347	26,851
Other	24,395	20,727
	-----	-----
TOTAL ASSETS	\$428,130	\$418,946
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 6,872	\$ 12,781
Indebtedness	55,120	61,222
Other liabilities	45,975	44,448
STOCKHOLDERS' EQUITY	320,163	300,495
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$428,130	\$418,946
	=====	=====

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Three months ended Sept. 30,	Nine months ended Sept. 30,
-----	-----

	2009	2008	2009	2008
	-----	-----	-----	-----
CASH FLOWS FROM OPERATING				
ACTIVITIES:				
Net income	\$ 4,869	\$ 3,994	\$ 11,033	\$ 9,805
Non-cash adjustments to net income:				
Depreciation and amortization	6,591	6,544	19,411	18,710
Other, net	4,892	1,102	9,886	2,579
Changes in operating assets and liabilities, net	(9,807)	(8,705)	(12,795)	(13,026)
	-----	-----	-----	-----
Net cash provided by operating activities	6,545	2,935	27,535	18,068
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING				
ACTIVITIES:				
Cash paid for business combinations, net	--	(50)	--	(4,762)
Property and equipment, software and other	(4,368)	(6,027)	(14,661)	(17,468)
	-----	-----	-----	-----
Net cash used in investing activities	(4,368)	(6,077)	(14,661)	(22,230)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING				
ACTIVITIES:				
Net payments on indebtedness	(1,721)	(767)	(5,040)	(3,389)
Other	(511)	(402)	1,354	1,054
	-----	-----	-----	-----
Net cash used in financing activities	(2,232)	(1,169)	(3,686)	(2,335)
	-----	-----	-----	-----
Effect of exchange rate changes on cash	100	(102)	66	(102)
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 45	\$ (4,413)	\$ 9,254	\$ (6,599)
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
RECONCILIATION OF NET INCOME TO
NON-GAAP ADJUSTED EBITDA
(In thousands)
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
NET INCOME	\$ 4,869	\$ 3,994	\$11,033	\$ 9,805
Plus:				
Depreciation and amortization	6,591	6,544	19,411	18,710
Share-based compensation	2,048	1,043	6,304	2,439
Acquisition expense	127	1	634	860
Expenses related to				

financing, net	283	367	970	1,119
Realized gain on interest rate floors	--	--	--	1,273
Provision for income taxes	2,200	2,690	8,727	7,904
	-----	-----	-----	-----
	11,249	10,645	36,046	32,305
	-----	-----	-----	-----
NON-GAAP ADJUSTED EBITDA	\$16,118	\$14,639	\$47,079	\$42,110
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
BANKRUPTCY SEGMENT
RECONCILIATION OF SEGMENT PERFORMANCE MEASURE TO
NON-GAAP ADJUSTED EBITDA
(In thousands)
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
SEGMENT PERFORMANCE MEASURE	\$13,813	\$ 6,691	\$34,735	\$20,129
Realized gain on interest rate floors	--	--	--	3,465
	-----	-----	-----	-----
NON-GAAP ADJUSTED EBITDA	\$13,813	\$ 6,691	\$34,735	\$23,594
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
RECONCILIATION OF NET INCOME TO
NON-GAAP NET INCOME
(In thousands)
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
NET INCOME	\$4,869	\$3,994	\$11,033	\$ 9,805
Plus (net of tax):				
Amortization of acquisition intangibles	1,106	1,374	3,377	4,159
Share-based compensation	1,576	643	4,877	1,534
Acquisition expense	77	1	384	520
Effective tax rate	(628)	16	823	820
Loan fee amortization	52	62	156	223
Mark-to-market adjustments	(244)	(244)	(731)	(731)
Realized gain on interest rate floors	--	--	--	770
	-----	-----	-----	-----
	1,939	1,852	8,886	7,295
	-----	-----	-----	-----
NON-GAAP NET INCOME	\$6,808	\$5,846	\$19,919	\$17,100
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
RECONCILIATION OF EPS TO
NON-GAAP EPS
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
EPS (on a diluted basis)	\$ 0.12	\$ 0.10	\$ 0.28	\$ 0.26
Plus (net of tax):				
Amortization of acquisition intangibles	0.03	0.04	0.08	0.11
Share-based compensation	0.04	0.02	0.12	0.04
Acquisition expense	--	--	0.01	0.01
Effective tax rate	(0.01)	--	0.02	0.02
Loan fee amortization	--	--	--	--
Mark-to-market adjustments	(0.01)	(0.01)	(0.01)	(0.02)
Realized gain on interest rate floors	--	--	--	0.02
	-----	-----	-----	-----
	0.05	0.05	0.22	0.18
	-----	-----	-----	-----
NON-GAAP EPS (on a diluted basis)	\$ 0.17	\$ 0.15	\$ 0.50	\$ 0.44
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
EPS CALCULATION
(In thousands, except per share data)
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2009	2008	2009	2008
NET INCOME	\$ 4,869	\$ 3,994	\$11,033	\$ 9,805
Interest expense adjustment for convertible debt	305	305	904	908
Net income re-allocated to nonvested shares	(21)	--	(56)	--
	-----	-----	-----	-----
NET INCOME ADJUSTED FOR DILUTED CALCULATION	\$ 5,153	\$ 4,299	\$11,881	\$10,713
	=====	=====	=====	=====
NON-GAAP NET INCOME	\$ 6,808	\$ 5,846	\$19,919	\$17,100
Interest expense adjustment for convertible debt	305	305	904	908
Net income re-allocated to nonvested shares	(21)	--	(56)	--
	-----	-----	-----	-----
NON- GAAP NET INCOME ADJUSTED FOR DILUTED CALCULATION	\$ 7,092	\$ 6,151	\$20,767	\$18,008
	=====	=====	=====	=====
BASIC WEIGHTED AVERAGE SHARES	35,917	35,512	35,793	35,409
Adjustment to reflect share-based awards	1,738	1,322	1,831	1,673

Adjustment to reflect convertible debt shares	4,283	4,286	4,285	4,286
	-----	-----	-----	-----
DILUTED WEIGHTED AVERAGE SHARES	41,938	41,120	41,909	41,368
	=====	=====	=====	=====
NET INCOME PER SHARE - DILUTED	\$ 0.12	\$ 0.10	\$ 0.28	\$ 0.26
	=====	=====	=====	=====
NON-GAAP NET INCOME PER SHARE - DILUTED	\$ 0.17	\$ 0.15	\$ 0.50	\$ 0.44
	=====	=====	=====	=====

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