

AGILYSYS INC  
Form DEF 14A  
October 17, 2013

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

**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant ☒ x

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 Material Pursuant to Section 240.14a-11c or Section 240.14a-12  
**AGILYSYS, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement)**

Payment of Filing Fee (Check the appropriate box):

☒ 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:

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☐ 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 the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form of Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**NOTICE OF 2013 ANNUAL MEETING OF SHAREHOLDERS**

**To be held on November 20, 2013**

Please join us for the Agilysys, Inc. 2013 annual meeting of shareholders to be held on Wednesday, November 20, 2013, at 8:30 a.m., local time, at the Breakers Palm Beach, One South County Road, Palm Beach, Florida 33480.

The purposes of the annual meeting are:

1. To elect four Class A members of the board of directors to hold office for a two-year term expiring at the 2015 annual meeting of shareholders;
2. To vote, on a non-binding advisory basis, to approve the compensation of our named executive officers set forth in the attached Proxy Statement;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2014; and

4. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

Shareholders of record at the close of business on October 10, 2013 are entitled to vote at the annual meeting. It is important to vote your shares at the annual meeting, regardless of whether you plan to attend. In addition to voting by mail, you may vote by telephone or Internet. Please refer to your enclosed proxy card and the Proxy Statement for information regarding how to vote by telephone or Internet. If you choose to vote by mail, please sign, date, and promptly return your proxy card in the enclosed envelope.

By Order of the Board of Directors,

Keith M. Kolerus

*Chairman of the Board of Directors*

October 17, 2013

**Important Notice Regarding the Availability of Proxy Materials  
for the Annual Meeting of Shareholders to be held on November 20, 2013.**

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The Proxy Statement and our Annual Report on Form 10-K for the  
fiscal year ended March 31, 2013 are available at [www.agilysys.com](http://www.agilysys.com).

**PROXY STATEMENT**

**2013 ANNUAL MEETING OF SHAREHOLDERS**

**November 20, 2013**

**ANNUAL MEETING INFORMATION**

**General Information**

This Proxy Statement and the enclosed proxy card are being provided in connection with the solicitation by the board of directors of Agilysys, Inc., an Ohio Corporation ( Agilysys, the Company, we, our, or us ), to be used at the annual meeting of shareholders to be held on November 20, 2013, and any adjournments of the annual meeting. The annual meeting will be held at 8:30 a.m., local time, at the Breakers Palm Beach, One South County Road, Palm Beach, Florida 33480. Our principal executive office is located at 425 Walnut Street, Suite 1800, Cincinnati, Ohio 45202. The purposes of the annual meeting are stated in the accompanying notice. This Proxy Statement, the enclosed proxy card, and our Annual Report on Form 10-K for the fiscal year ended March 31, 2013 ( 2013 Annual Report ) are first being mailed to shareholders and made available electronically on our website at [www.agilysys.com](http://www.agilysys.com) beginning on or about October 17, 2013.

**Record Date, Voting Shares, and Quorum**

Shareholders of record of our common shares at the close of business on October 10, 2013, the Record Date, are entitled to notice of and to vote their shares at the annual meeting, or any adjournment of the annual meeting. On the Record Date, there were 22,440,187 common shares outstanding and entitled to vote at the annual meeting. Each share is entitled to one vote. The presence at the annual meeting, in person or by proxy, of the holders of a majority of the common shares outstanding at the close of business on the Record Date will constitute a quorum for the transaction of business at the annual meeting. We will include abstentions and broker non-votes in the number of common shares present at the annual meeting for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares. Our common shares are listed on the NASDAQ Global Select Market under the symbol AGYS. References within this Proxy Statement to our common shares or shares refer to our common shares, without par value, the only class of securities entitled to vote at the annual meeting.

**How to Vote**

If you are the record holder of common shares, you or your duly authorized agent may vote by completing and returning the enclosed proxy card in the envelope provided. You may also vote by telephone or Internet. Telephone and Internet voting information is provided on your proxy card. A control number, located on the proxy card, is designed to verify your identity, allow you to vote your shares, and confirm that your voting instructions have been properly recorded. Please note the deadlines for voting by telephone, the Internet, and proxy card as set forth on the proxy card. If you vote by telephone or Internet, you need not return your proxy card. You may also attend the annual meeting and vote in person; however, we encourage you to vote your shares in advance of the annual meeting even if you plan on attending. If your common shares are held by a bank or broker, or any other nominee, you must follow the voting instructions provided to you by the bank, broker, or nominee. Although most banks and brokers offer voting by mail, telephone, and the Internet, availability and specific procedures will depend on their voting arrangements.

Unless revoked, common shares represented by a properly signed and returned proxy card (or other valid form of proxy), or as instructed via telephone or Internet, received in time for voting will be voted as instructed. If your proxy card is signed and returned with no instructions given, the persons designated as proxy holders on the proxy card will vote as follows:

FOR the election of each director nominee (proposal 1);

FOR the approval, on a non-binding advisory basis, of the compensation of our named executive officers (proposal 2); and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (proposal 3).

The Company knows of no other matters scheduled to come before the annual meeting. If any other business is properly brought before the annual meeting, your proxy gives discretionary authority to the proxy holders with respect to such business, and the proxy holders intend to vote the proxy as recommended by our board of directors with regard to any such business, or, if no such recommendation is given, the proxy holders will vote in their own discretion.

### **Revocability of Proxies**

You may revoke or change your vote at any time before the final vote on the matter is taken at the annual meeting by submitting to our Secretary a notice of revocation or by timely delivery of a valid, later-dated, duly executed proxy by mail, telephone, or Internet. You may also revoke or change your vote by attending the annual meeting and voting in person. If your shares are held by a bank, broker, or other nominee, you must contact the bank, broker, or nominee and follow their instructions for revoking or changing your vote.

### **Vote Required, Abstentions, and Broker Non-Votes**

If a quorum is present at the annual meeting, for proposal 1 (election of directors), the nominees for election as directors will be elected if they receive the greatest number of votes cast at the annual meeting present in person or represented by proxy and entitled to vote. Abstentions will have no effect on the election of directors. For proposal 2 (advisory vote on named executive officer compensation) and proposal 3 (ratification of independent registered public accounting firm), if a quorum is present, the affirmative vote of the holders of shares representing a majority of the common shares present in person or represented by proxy and entitled to vote will be required to approve each proposal. The effect of an abstention is the same as a vote against each proposal. If you hold your shares in street name and do not give your broker or nominee instruction as to how to vote your shares with respect to proposals 1 and 2, your broker or nominee will not have discretionary authority to vote your shares on proposals 1 and 2. These broker non-votes will have no effect on these proposals.

### **Cumulative Voting**

Each shareholder has the right to vote cumulatively in the election of directors if the shareholder gives written notice not less than 48 hours before the annual meeting commences to our Chief Executive Officer or Secretary that he, she, or it wants its voting for the election of directors to be cumulative. In such event, the shareholder giving notice, or a representative of such shareholder, the Chairman, or the Secretary, will make an announcement about such notice at the start of the annual meeting. Cumulative voting means that the shareholder may cumulate his, her, or its voting power for the election of directors by distributing a number of votes, determined by multiplying the number of directors to be elected at the annual meeting times the number of such shareholder's shares. The shareholder may distribute all of the votes to one individual director nominee or distribute the votes among two or more director nominees, as the shareholder chooses.

### **Proxy Solicitation**

The cost of solicitation of proxies, including the cost of preparing, assembling, and mailing the notice, Proxy Statement, and proxy card, will be borne by us. In addition to solicitation by mail, arrangements may be made

with brokerage houses and other custodians, nominees, and fiduciaries to send proxy materials to their principals, and we may reimburse them for their expenses in so doing. Our officers, directors, and employees may, without additional compensation, personally or by other appropriate means request the return of proxies.

### **Attending the Annual Meeting**

All holders of our common shares at the close of business on the Record Date, or their duly appointed proxies, are authorized to attend the annual meeting. Cameras, recording devices, and other electronic devices will not be permitted at the annual meeting. If you hold your common shares through a bank, broker, or other nominee, you will need to bring a copy of the brokerage statement reflecting your share ownership as of the Record Date, or a legal proxy from your bank or broker, to attend the meeting.

### **Voting Results**

Preliminary voting results will be announced at the annual meeting. Within four business days following the annual meeting, final results, or preliminary results if final results are unknown, will be announced on a Form 8-K filed with the Securities and Exchange Commission ( SEC ). If preliminary results are announced, final results will be announced on a Form 8-K filed with the SEC within four business days after the final results are known.

### **Company Information**

Our 2013 Annual Report is being mailed with this Proxy Statement. These documents also are available electronically on our website at [www.agilysys.com](http://www.agilysys.com), under Investor Relations. Our 2013 Annual Report is not incorporated into this Proxy Statement and is not to be considered proxy solicitation material. If you wish to have additional copies of our 2013 Annual Report, we will mail copies to you without charge. Requests may be sent to our corporate services office at: Agilysys, Inc., Attn: Investor Relations, 1000 Woodward Concourse, Suite 250, Alpharetta, Georgia 30005, or you may request copies through our website, under Investor Relations. These documents have been filed with SEC and also may be accessed from the SEC's website at [www.sec.gov](http://www.sec.gov). If you have any questions about the annual meeting or these proxy materials, please contact Investor Relations by telephone at 770-810-7948, or by email at [investorrelations@agilysys.com](mailto:investorrelations@agilysys.com), or through our website, under Investor Relations.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Guidelines**

The Corporate Governance Guidelines (the Guidelines ) adopted by our board of directors provide a sound framework to assist the board of directors in fulfilling its responsibilities to shareholders. Under the Guidelines, the board of directors exercises its role in overseeing the Company by electing qualified and competent officers and by monitoring the performance of the Company. The Guidelines state that the board of directors and its committees exercise oversight of executive officer compensation and director compensation, succession planning, director nominations, corporate governance, financial accounting and reporting, internal controls, strategic and operational issues, and compliance with laws and regulations. The Guidelines also state the board of directors' policy regarding eligibility for the board of directors, including director independence and qualifications for director candidates, events that require resignation from the board of directors, service on other public company boards of directors, and stock ownership guidelines. The Nominating and Corporate Governance Committee annually reviews the Guidelines and makes recommendations for changes to the board of directors. The Guidelines are available on our website at [www.agilysys.com](http://www.agilysys.com), under Investor Relations.

### **Code of Business Conduct**

The Code of Business Conduct adopted by our board of directors applies to all directors, officers, and employees of the Company and incorporates additional ethics standards applicable to our Chief Executive Officer,



Chief Financial Officer, and other senior financial officers of the Company, and any person performing a similar function. The Code of Business Conduct is reviewed annually by the Audit Committee, and recommendations for change are submitted to the board of directors for approval. The Code of Business Conduct is available on our website at [www.agilysys.com](http://www.agilysys.com), under Investor Relations. The Company has in place a hotline available for use by all employees, as described in the Code of Business Conduct. Any employee can anonymously report potential violations of the Code of Business Conduct through the hotline, which is managed by an independent third party. Reported violations are promptly reported to and investigated by the Company. Reported violations are addressed by the Company and, if related to accounting, internal accounting controls, or auditing matters, the Audit Committee. In addition, we intend to post on our website all disclosures that are required by law or NASDAQ listing standards concerning any amendments to, or waivers from, any provision of the Code of Business Conduct.

#### **Director Independence**

NASDAQ listing standards provide that at least a majority of the members of the board of directors must be independent, meaning free of any material relationship with the Company, other than his relationship as a director. The Guidelines state that the board of directors should consist of a substantial majority of independent directors. A director is not independent if he fails to satisfy the standards for director independence under NASDAQ listing standards, the rules of the SEC, and any other applicable laws, rules, and regulations. During the board of directors annual review of director independence, the board of directors considers transactions, relationships, and arrangements, if any, between each director or a director's immediate family members and the Company or its management. In June 2013, the board of directors performed its annual director independence review and as a result of such review determined that each of R. Andrew Cueva, Jerry Jones, Keith M. Kolerus, Robert A. Lauer, Robert G. McCreary, III, and John Mutch qualify as independent directors. Mr. Dennedy is not independent because of his service as President and CEO of the Company.

#### **Director Attendance**

The board of directors held five meetings during fiscal year 2013, and no director attended less than 75% of the aggregate of the total number of board of director meetings and meetings held by committees of the board of directors on which he served. Independent directors meet regularly in executive session at board of director and committee meetings, and executive sessions are chaired by the chairman of the board or by the appropriate committee chairman. It is the board of directors' policy that all of its members attend the annual meeting of shareholders absent exceptional cause. All of the directors were in attendance at the 2012 annual meeting.

#### **Shareholder Communication with Directors**

Shareholders and others who wish to communicate with the board of directors as a whole, or with any individual director, may do so by sending a written communication to such director(s) in care of our Secretary at our Alpharetta, Georgia office address, and our Secretary will forward the communication to the specified director(s).

## Committees of the Board

During fiscal year 2013, the board of directors had three standing committees: the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The members and chairman of each committee were as follows:

Director	Audit	Compensation	Nominating and Corporate Governance
R. Andrew Cueva		Chairman	X
James H. Dennedy			
Jerry C. Jones	X		Chairman
Keith M. Kolerus		X	X
Robert A. Lauer (1)	Chairman	X	
Robert G. McCreary, III			X
John Mutch (1)	X	X	

(1) Qualifies as an Audit Committee Financial Expert.

**Committee Charters.** The board of directors has adopted a charter for each committee, and each committee is responsible for the annual review of its respective charter. Charters for each committee are available on our website at [www.agilysys.com](http://www.agilysys.com), under Investor Relations.

**Audit Committee.** The Audit Committee held eight meetings during fiscal year 2013. The Audit Committee reviews with our independent registered public accounting firm the proposed scope of our annual audits and audit results, as well as interim reviews of quarterly reports; reviews the adequacy of internal financial controls; reviews internal audit functions; is directly responsible for the appointment, determination of compensation, retention, and general oversight of our independent registered public accounting firm; reviews related person transactions; oversees the Company's implementation of its Code of Business Conduct; and reviews any concerns identified by either the internal or external auditors. The board of directors determined that all Audit Committee members are financially literate and independent under NASDAQ listing standards for audit committee members. The board of directors also determined that Messrs. Lauer and Mutch each qualify as an audit committee financial expert under SEC rules.

**Compensation Committee.** The Compensation Committee held six meetings during fiscal year 2013. The purpose of the Compensation Committee is to enhance shareholder value by ensuring that pay available to the board of directors, Chief Executive Officer, and other executive officers enables us to attract and retain high-quality leadership and is consistent with our executive pay philosophy. As part of its responsibility, the Compensation Committee oversees our pay plans and policies; annually reviews and determines all pay, including base salary, annual cash incentive, long-term equity incentive, and retirement and perquisite plans; administers our incentive programs, including establishing performance goals, determining the extent to which performance goals are achieved, and determining awards; administers our equity pay plans, including making grants to our executive officers; and regularly evaluates the effectiveness of the overall executive pay program and evaluates our incentive plans to determine if the plans' measures or goals encourage inappropriate risk-taking by our employees. A more complete description of the Compensation Committee's functions is found in the Compensation Committee Charter.

Our Legal and Human Resources Departments support the Compensation Committee in its work and, in some cases, as a result of delegation of authority by the Compensation Committee, fulfill various functions in administering our pay programs. In addition, the Compensation Committee has the authority to engage the services of outside consultants and advisers to assist it. In fiscal year 2013, the Compensation Committee relied on information provided by Towers Watson, its compensation consultant, regarding competitive market assessments of compensation for the Company's executive officers and non-employee Directors.

While the Compensation Committee directly retained Towers Watson, in carrying out its assignments, Towers Watson also interacted with our executive officers when necessary and appropriate, including our Chief Executive Officer, Chief Financial Officer, and our General Counsel, who provided data and insight on our compensation programs and business strategies. These executive officers attend Compensation Committee meetings when executive compensation, Company performance, and individual performance are discussed and evaluated by Compensation Committee members, and they provide their thoughts and recommendations on executive pay issues during these meetings and provide updates on financial performance, industry status, and other factors that may impact executive compensation. Decisions regarding the Chief Executive Officer's compensation were based solely on the Compensation Committee's deliberations, while compensation decisions regarding other executive officers took into consideration recommendations from the Chief Executive Officer. Only Compensation Committee members make decisions on executive officer compensation and approve all outcomes.

***Nominating and Corporate Governance Committee.*** The Nominating and Corporate Governance Committee ( Nominating Committee ) held six meetings during fiscal year 2013. The Nominating Committee assists the board of directors in finding and nominating qualified people for election to the Board; reviewing shareholder-recommended nominees; assessing and evaluating the board of directors' effectiveness; and establishing, implementing, and overseeing our governance programs and policies. The Nominating Committee is responsible for reviewing the qualifications of, and recommending to the board of directors, individuals to be nominated for membership on the board of directors. The board of directors has adopted Guidelines for Qualifications and Nomination of Director Candidates ( Nominating Guidelines ), and the Nominating Committee considers nominees using the criteria set forth in the Nominating Guidelines. At a minimum, a director nominee must:

- Be of proven integrity with a record of substantial achievement;
- Have demonstrated ability and sound business judgment based on broad experience;
- Be able and willing to devote the required amount of time to the Company's affairs, including attendance at board of director and committee meetings;
- Be analytical and constructive in the objective appraisal of management's plans and programs;
- Be committed to maximizing shareholder value and building a sound company, long-term;
- Be able to develop a professional working relationship with other directors and contribute to the board or directors' working relationship with senior management of the Company;
- Be able to exercise independent and objective judgment and be free of any conflicts of interest with the Company; and
- Be able to maintain the highest level of confidentiality.

The Nominating Committee considers the foregoing factors, among others, in identifying nominees; however, there is no policy requiring the Nominating Committee to consider the impact of any one factor by itself. The Nominating Committee also will consider the board of directors' current and anticipated needs in terms of number, diversity, specific qualities, expertise, skills, experience, and background. In addition, the Corporate Governance Guidelines state that the board of directors should have a balanced membership, with diverse representation of relevant areas of experience, expertise, and backgrounds. The Nominating Committee seeks nominees that collectively will build a capable, responsive, and effective board of directors, prepared to address strategic, oversight, and governance challenges. The Nominating Committee believes that the backgrounds and qualifications of the directors as a group should provide a significant mix of experience, knowledge, and abilities that will enable the board of directors to fulfill its responsibilities.

The Nominating Committee will consider shareholder-recommended nominees for membership on the board of directors. For a shareholder to properly nominate a candidate for election as a director at a meeting of the shareholders, the shareholder must be a shareholder of record at the time the notice of the nomination is given and at the time of the meeting, be entitled to vote at the meeting in the election of directors, and have given timely written notice of the nomination to the Secretary. To be timely, notice must be received by the Secretary, in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the anniversary of the

previous year's annual meeting; provided, however, that if 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 must be delivered not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> calendar day following the day on which public disclosure of the date of such annual meeting is first made. In the case of a special meeting, timely notice must be received by the Secretary not later than the close of business on the 10<sup>th</sup> day after the date of such meeting is first publicly disclosed. A shareholder's notice must set forth, as to each candidate:

Name, age, business address, and residence address of the candidate;

Principal occupation or employment of the candidate;

Class and number of shares that are owned of record or beneficially by the candidate;

Information about the candidate required to be disclosed in a proxy statement complying with the rules and regulations of the SEC;

Written consent of the candidate to serve as a director if elected and a representation that the candidate does not and will not have any undisclosed voting arrangements with respect to his actions as a director, will comply with the Company's Regulations and all other publicly disclosed corporate governance, conflict of interest, confidentiality, and share ownership and trading policies and Company guidelines;

Name and address of the shareholder making such nomination and of the beneficial owner, if any, on whose behalf the nomination is made;

Class and number of shares that are owned of record or beneficially by the shareholder and by any such beneficial owner as of the date of the notice;

Representation that the shareholder or any such beneficial owner is a holder of record or beneficially of the shares entitled to vote at the meeting and intends to remain so through the date of the meeting;

Description of any agreement, arrangement, or understanding between or among the shareholder and any such beneficial owner and any other persons (including their names) with respect to such nomination;

Description of any agreement, arrangement, or understanding in effect as of the date of the shareholder's notice pursuant to which the shareholder, any such beneficial owner, or any other person directly or indirectly has other economic interests in the shares of the Company;

Representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and

Representation whether the shareholder intends to deliver a proxy statement and/or form of proxy to holders of outstanding common shares and/or otherwise to solicit proxies in support of the nomination.

The Nominating Committee may request additional information from such nominee to assist in its evaluation. The Nominating Committee will evaluate any shareholder-recommended nominees in the same way it evaluates nominees recommended by other sources, as described above.

## Board Leadership

The board of directors determined that having an independent director serve as Chairman of the Board is in the best interest of shareholders at this time. The structure ensures a greater role for our independent directors in the oversight of the Company and the active participation in setting agendas and establishing priorities and procedures for the board of directors. Pursuant to the board of directors' Corporate Governance Guidelines, it is our policy that the positions of Chairman of the Board and Chief Executive Officer be held by different individuals, except as otherwise determined by the board of directors.

## Risk Oversight

Management is responsible for the day-to-day management of risks facing the Company, while the board of directors, as a whole and through its committees, is actively involved in the oversight of such risks. The board of directors' role in risk oversight includes regular reports at board of director and Audit Committee meetings from members of senior management on areas of material risk to the Company, including strategic, financial, operational,

and legal and regulatory compliance risks. Management regularly identifies and updates, among other items, the population of possible risks for the Company, assigns risk ratings, prioritizes the risks, assesses likelihood of risk occurrence, develops risk mitigation plans for prioritized risks, and assigns roles and responsibilities to implement mitigation plans. Risks are ranked by evaluating each risk's likelihood of occurrence and magnitude. The board of directors' Compensation Committee, in consultation with management, evaluates our incentive plans to determine if the plans' measures or goals encourage inappropriate risk-taking by our employees. As part of its evaluation, the Compensation Committee determined that the performance measures and goals were tied to our business, financial, and strategic objectives. As such, the incentive plans are believed not to encourage risk-taking outside of the range of risks contemplated by the Company's business plan.

#### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee during fiscal year 2013 or as of the date of this Proxy Statement is or has been an officer or employee of the Company, and none of our executive officers served on the compensation committee (or other committee serving an equivalent function) or board of any company that employed any member of our Compensation Committee or our directors.

#### **DIRECTOR COMPENSATION**

During fiscal year 2013, compensation for non-employee directors consisted of the following:

- \$25,000 annual cash retainer for each non-employee director;
- \$35,000 additional cash retainer for the chairman of the board;
- \$7,500 additional cash retainer for the chairmen of each of the Compensation and Nominating & Corporate Governance Committees;
- \$10,000 additional cash retainer for the chairman of the Audit Committee;
- \$10,000 additional cash retainer for each member of the Audit, Nominating & Corporate Governance, and Compensation Committees, including each chairman; and

An award of restricted shares to each non-employee director valued at \$70,000 on the grant date.

We also reimburse our directors for reasonable out-of-pocket expenses in connection with attendance at board of directors and committee meetings.

The fiscal year 2013 equity award for each director, other than Mr. Jones, consisted of 9,383 restricted shares, based on a \$7.46 grant date price, and was granted under the 2011 Stock Incentive Plan. The restricted shares vested on March 31, 2013 and provided for pro-rata vesting upon retirement prior to March 31, 2013. The grant was made in June 2012, to the then current non-employee directors; however, Mr. Cueva declined the award given the significant ownership in the Company by his firm, MAK Capital. The award for Mr. Jones consisted of 8,055 restricted shares, based on an \$8.69 grant date price, and was made in July 2012 at the time of his first election to the board. Mr. Jones' restricted shares also vested on March 31, 2013.

Our directors are subject to share ownership guidelines that require ownership of either (i) three times the director's respective annual cash retainer within two years of service and six times the director's respective annual cash retainer within four years of service; or (ii) 15,000 shares within the first two years following the director's election to the board of directors and 45,000 shares within four years of election. We pay no additional fees for board of director or committee meeting attendance. Mr. Dennedy ceased receiving compensation for his service as a director upon his appointment as an executive officer in July 2011, and all compensation received by Mr. Dennedy thereafter was for his service as an executive officer.

**Director Compensation for Fiscal Year 2013**

<b>Director</b>	<b>Fees Earned or Paid in Cash (\$)(1)</b>	<b>Stock Awards (\$)(2)</b>	<b>Total (\$)</b>
R. Andrew Cueva	50,000		50,000
Jerry Jones	35,000	70,000	105,000
Keith M. Kolerus	82,500	70,000	152,500
Robert A. Lauer	55,000	70,000	125,000
Robert G. McCreary, III	35,000	70,000	105,000
John Mutch	47,500	70,000	117,500

(1) Fees are paid quarterly.

(2) Amounts in this column represent the grant date fair value of the restricted shares computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718. As of March 31, 2013, the aggregate number of unexercised stock options held by each non-employee director was as follows: Mr. Kolerus, 22,500; Mr. Lauer, 22,500; and Mr. McCreary, 22,500.

**PROPOSAL 1****ELECTION OF DIRECTORS**

At the annual meeting, shareholders will elect four Class A Directors for a term expiring at the 2015 Annual Meeting. The board of directors nominees for election are Max Carnecchia, R. Andrew Cueva, Keith M. Kolerus, and Peter F. Sinisgalli. Messrs. Carnecchia and Sinisgalli are first-time nominees to the Board.

On July 12, 2013, Robert G. McCreary III, who has served as a member of our board of directors since 2001, announced his intention not to stand for re-election to the board of directors when his term expires at the annual meeting. As a result of this announcement, the Nominating Committee of the board of directors initiated a search for potential director candidates to replace Mr. McCreary, and the Nominating Committee ultimately identified several candidates who it deemed suitable for nomination for election as directors, including Messrs. Carnecchia and Sinisgalli. On October 10, 2013, at a combined Nominating Committee and board of directors meeting to discuss these candidates, Robert A. Lauer, who has served as a member of our board of directors since 2001, confirmed he also would not seek re-election and would retire from the board of directors effective at the annual meeting. Accordingly, the Nominating Committee recommended for nomination, and the board of directors nominated, both Messrs. Carnecchia and Sinisgalli for election to the board of directors.

Each nominee has indicated his willingness to serve as a director, if elected. A biography for each director nominee and our continuing directors follows and, if applicable, arrangements under which a director was appointed to the board of directors or information regarding any involvement in certain legal or administrative proceedings is provided. Additional information about the experiences, qualifications, attributes, or skills of each director and director nominee in support of his service on the board of directors is also provided.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF MESSRS. CARNECCHIA, CUEVA, KOLERUS AND SINISGALLI. PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED FOR THE ELECTION OF MESSRS. CARNECCHIA, CUEVA, KOLERUS AND SINISGALLI UNLESS THE SHAREHOLDER SPECIFIES OTHERWISE ON THE PROXY CARD.**

**DIRECTOR NOMINEES**

**(Class A Term to Expire in 2015)**

**Max Carnecchia**

Age 50

President and Chief Executive Officer and a member of the board of directors of Accelrys, Inc., a provider of scientific business intelligence software, since June 2009. Prior to joining Accelrys, Mr. Carnecchia served as President of Interwoven, Inc., a content management software company, which was acquired by Autonomy Corporation plc in January 2009. Prior to joining Interwoven, Mr. Carnecchia served as Vice President of Global Sales of Xoriant Corporation, a software product development company, from April 2000 to January 2001 and as Vice President of Sales and Services of SmartDB Corporation, a provider of data integration toolkits for systems integrators and IT organizations, from September 1996 to February 2000. Mr. Carnecchia's more than two decades of high technology experience allows him to bring to the board of directors a broad understanding of the operational and strategic issues facing the Company. The board of directors has determined that Mr. Carnecchia would qualify as an independent director if elected at the annual meeting.

**R. Andrew Cueva**

Age 43

Director since 2008

Managing Director of MAK Capital Fund, L.P., a value-oriented hedge fund, since 2005. Portfolio manager and analyst at Green Cay Asset Management from 2002 to 2004. As Managing Director of MAK Capital, the Company's largest shareholder, Mr. Cueva is uniquely qualified to represent the interests of the Company's shareholders. Additionally, Mr. Cueva's qualifications and experience include capital markets, investment strategy, and financial management.

**Keith M. Kolerus**

Age 67

Director since 1998

Chairman of the Board of Directors of the Company since October 2008. Retired Vice President, American Division, National Semiconductor, a producer of semiconductors and a leader in analog power management technology, from 1996 to February 1998. Mr. Kolerus served as Chairman of the Board of Directors of National Semiconductor Japan Ltd., from 1995 to 1998, and Chairman of the Board of Directors of ACI Electronics, LLC, from 2004 to 2008. Mr. Kolerus has extensive experience in engineering, global operations, private and public companies, software and hardware technology companies, government contracting, capital markets, financial management, and the technology industry. Mr. Kolerus' prior experiences as a board chairman uniquely qualify him to lead the board of directors as its Chairman.

**Peter F. Sinisgalli**

Age 57

Member of the board of directors of Manhattan Associates, a provider of supply chain management software, since March 2004. Mr. Sinisgalli served as Manhattan Associates' president and chief executive officer from 2004 to 2012. Before joining Manhattan Associates, Mr. Sinisgalli spent a year at NewRoads, Inc., a privately held third-party fulfillment provider, where he held the position of president and chief executive officer. Prior to that, Mr. Sinisgalli spent six years at CheckFree Corporation, a Nasdaq-listed global leader in outsourced electronic processing services. His last position at CheckFree was president and chief operating officer. Mr. Sinisgalli spent 14 years at The Dun & Bradstreet Corporation where his last position was executive vice president and chief financial officer for Dun & Bradstreet Software. Mr. Sinisgalli's experience in senior management positions at various technology companies allows him to bring beneficial leadership and operational experience to our board of directors. The board of directors has determined that Mr. Sinisgalli would qualify as an independent director if elected at the annual meeting.

**CONTINUING DIRECTORS**

**(Class B Term to Expire in 2014)**

<b>James H. Dennedy</b>	Age 47	Director since 2009
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President and Chief Executive Officer of the Company since October 2011. Interim President and Chief Executive Officer since May 2011. Principal and Chief Investment Officer with Arcadia Capital Advisors, LLC, an investment management company making active investments in public companies, from April 2008 to May 2011. President and Chief Executive Officer of Engyro Corporation, an enterprise software company offering solutions in systems management, from January 2005 to August 2007. Previously a director of Entrust, Inc., I-many, Inc., and NaviSite, Inc. As a former President of a division of a publicly-held software company and as a Chief Executive Officer of a private software company, Mr. Dennedy has experience in the technology industry. In addition, Mr. Dennedy has extensive experience in investment strategy, capital structure, financial strategy, mergers and acquisitions, and significant public company leadership and board experience.

<b>John Mutch</b>	Age 56	Director since 2009
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Executive Chairman of the Board of Beyondtrust, a security software company, and previously Chief Executive Officer of Beyondtrust from October 2008 to August 2013. Founder and a Managing Partner of MV Advisors, LLC, a strategic block investment firm that provides focused investment and strategic guidance to small and mid-cap technology companies, from 2006. Previously, President and Chief Executive Officer of Peregrine Systems from July 2003 to December 2005, and President and Chief Executive Officer of HNC Software from August 1999 to August 2002. Director of Steel Excel Inc., and previously Director of Phoenix Technologies, Edgar Online, Inc. and Brio Software. Mr. Mutch has been an operating executive and investor in the technology industry for over 25 years and has a long, sustained track record of creating shareholder value through both activities. As a Chief Executive Officer of an information technology company, Mr. Mutch has extensive experience in the technology industry, restructuring, financial management and strategy, capital markets, sales management, and marketing.

<b>Jerry C. Jones</b>	Age 57	Director since 2012
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Chief Ethics and Legal Officer, Executive Vice-President of Acxiom Corporation, a marketing technology and services company, since 1999. Prior to joining Acxiom, Mr. Jones was a partner with the Rose Law Firm in Little Rock, Arkansas, where he specialized in problem solving and business litigation for 19 years, representing a broad range of business interests. Previously he was a director of Entrust, Inc. He is a 1980 graduate of the University of Arkansas School of Law and holds a bachelor's degree in public administration from the University of Arkansas. As the Chief Legal Officer of a technology company, Mr. Jones has extensive experience with legal, privacy, and security matters. He has also led the strategy and execution of mergers and alliances and international expansion efforts.



**EXECUTIVE OFFICERS**

The following are biographies for each of our current, non-director executive officers. The biography for Mr. Dennedy, our President and Chief Executive Officer, and a director, is provided above.

<b>Name</b>	<b>Age</b>	<b>Current Position</b>	<b>Previous Positions</b>
Janine K. Seebeck	37	Senior Vice President, Chief Financial Officer and Treasurer since August 2013.	Vice President and Controller November 2011 to August 2013. Vice President of Finance, Asia Pacific, at Premiere Global Services, Inc. from 2008 to April 2011. Vice President, Corporate Controller at Premiere from 2002 to 2008.
Kyle C. Badger	45	Senior Vice President, General Counsel and Secretary since October 2011.	Executive Vice President, General Counsel and Secretary at Richardson Electronics, Ltd. from 2007 to October 2011. Senior Counsel at Ice Miller LLP from 2006 to 2007. Partner at McDermott, Will & Emery LLP from 2003 to 2006.
Larry Steinberg	45	Senior Vice President and Chief Technology Officer since June 2012.	Principal Development Manager, Microsoft Corporation from August 2009 to present, and Principal Architect from June 2007 to July 2009; Founder and Chief Technology Officer of Engyro Corporation from March 1995 to May 2007.

**BENEFICIAL OWNERSHIP OF COMMON SHARES**

The following table shows the number of common shares beneficially owned as of October 1, 2013 by (i) each current director; (ii) our Named Executive Officers; (iii) all directors and executive officers as a group; and (iv) each person who is known by us to beneficially own more than 5% of our common shares.

Name	Common Shares	Shares Subject to Restricted		Total Shares Beneficially Owned (1)	Percent of Class (2)
		Exercisable Options	Shares (1)		
Directors and Nominees					
Max Carnecchia	1,377			1,377	*
R. Andrew Cueva (3)	5,284,648			5,284,648	23.6
Jerry C. Jones	9,055		5,654	14,709	*
Keith M. Kolerus	112,348	22,500	5,654	140,502	*
Robert A. Lauer	69,441	22,500	5,654	97,595	*
Robert G. McCreary, III	48,599	22,500	5,654	76,753	*
John Mutch	43,433		5,654	49,087	*
Peter F. Sinisgalli					*
Named Executive Officers					
Kyle C. Badger	24,063	11,757	16,411	52,231	
Paul A. Civils	37,071			37,071	*
James H. Denny	151,932	26,116	66,269	218,201	1.1
Robert R. Ellis	34,446			34,446	*
Larry Steinberg	11,366	5,837	68,283	79,649	*
All directors and executive officers	5,840,948	114,709	188,448	6,138,880	27.3
Other Beneficial Owners					
MAK Capital One, LLC et al					
590 Madison Avenue, 9 <sup>th</sup> Floor	7,056,934 (4)				31.5
New York, New York 10022					
Dimensional Fund Advisors LP					
6300 Bee Cave Road Palisades					
	1,846,222 (5)				8.2
West, Building One					
Austin, Texas 78746					
The Vanguard Group, Inc.					
100 Vanguard Boulevard	1,150,798 (6)				5.1
Malvern, Pennsylvania 19355					
Black Rock, Inc.					
40 East 52 <sup>nd</sup> Street	1,222,240 (7)				5.5
New York, New York 10022					

(1) Beneficial ownership of the shares comprises both sole voting and dispositive power, or voting and dispositive power that is shared with a spouse, except for restricted shares for which individual has sole voting power but no dispositive power until such shares vest.

(2) \* indicates beneficial ownership of less than 1% on October 1, 2013.

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- (3) Comprised entirely of shares beneficially owned by MAK Capital Fund L.P. and excludes shares beneficially owned by Paloma International L.P. Mr. Cueva may be deemed to share beneficial ownership in shares that MAK Capital Fund L.P. may be deemed to beneficially own; however, Mr. Cueva disclaims beneficial ownership of the shares, except to the extent of his pecuniary interest in MAK Capital Fund L.P.'s interest in such shares. The inclusion in this table of the shares beneficially owned by MAK Capital Fund L.P. shall not be deemed an admission by Mr. Cueva of beneficial ownership of all of the reported shares.
- (4) As reported on a Schedule 13D/A dated May 31, 2011. MAK Capital One LLC has shared voting and dispositive power with respect to all of the shares. MAK Capital One LLC serves as the investment manager of MAK Capital Fund LP ( MAK Fund ). MAK GP LLC is the general partner of MAK Fund. Michael A. Kaufman, managing

member and controlling person of MAK GP LLC and MAK Capital One LLC, has shared voting and dispositive power with respect to all of the shares. MAK Fund and R. Andrew Cueva have shared voting and dispositive power with respect to 5,284,648 shares. Paloma International L.P. ( Paloma ), through its subsidiary Sunrise Partners Limited Partnership, and S. Donald Sussman, controlling person of Paloma, have shared voting and dispositive power with respect to 1,772,286 shares. The principal business address of MAK Capital One LLC, MAK GP LLC and Messrs. Kaufman and Cueva is 590 Madison Avenue, 9<sup>th</sup> Floor, New York, New York 10022. The principal address of MAK Fund is c/o Dundee Leeds Management Services Ltd., 129 Front Street, Hamilton, HM 12, Bermuda. The principal address of Paloma and Sunrise Partners Limited Partnership is Two America Lane, Greenwich, Connecticut 06836-2571. The principal business address for Mr. Sussman is 6100 Red Hook Quarters, Suites C1-C6, St. Thomas, US Virgin Islands 00802-1348.

On May 31, 2011, MAK Fund, Paloma and Computershare Trust Company, N.A. (the Trustee ) entered into an Amended and Restated Voting Trust Agreement (the Revised Voting Trust Agreement ) to clarify the effect on the voting trust created by the Voting Trust Agreement dated as of December 31, 2009, were the reporting persons (named above) to beneficially own one-third or more of the Company s outstanding voting securities as a result of a decrease in the total number of voting securities outstanding. In such event, regardless of the reporting persons economic interest in the Company, its voting power will be effectively limited to no more than 23% or 27% of the voting securities in the event of a shareholder vote on (i) a merger, consolidation, conversion, sale or disposition of stock or assets or other business combination which requires approval of two-thirds of the Company s voting power (a Strategic Transaction ) or (ii) a transaction other than a Strategic Transaction which requires approval of two-thirds of the Company s voting power (an Other Transaction ), respectively. In connection with a Strategic Transaction or Other Transaction, the reporting persons would continue to possess the total voting power only over a number of voting securities that would equal the total voting power it would possess were it to hold only one-third of the voting securities. The Revised Voting Trust Agreement will become effective if and when the number of shares owned by the reporting persons equals or exceeds one-third of the voting securities then outstanding as a result of a decrease in the total number of voting securities outstanding. Until such time, the Voting Trust Agreement will remain in full force and effect.

The Voting Trust Agreement provides that, for transactions requiring at least two-thirds of the voting power to approve, Trustee will vote shares as follows: (i) for a Strategic Transaction, vote shares that exceed 20% of the outstanding shares in favor of, against, or abstaining from voting in the same proportion as all other shares voted by shareholders (including reporting persons shares that do not exceed the 20% threshold); and (ii) for Other Transactions, vote shares that exceed 25% of the outstanding shares in favor of, against, or abstaining from voting in the same proportion as all other shares voted by shareholders (including reporting persons shares that do not exceed the 25% threshold). The Voting Trust Agreement terminates (i) if the vote necessary to approve all forms of transactions is lowered to the affirmative vote of holders of shares entitling them to exercise at least a majority of the voting power on the proposal to approve such transactions (from two-thirds); (ii) if MAK Fund and Paloma are no longer members of a group for purposes of Section 13(d) of the Securities Exchange Act, then the Voting Trust Agreement terminates with respect to any of MAK Fund and Paloma that beneficially owns not more than 20% of the outstanding shares; (iii) on February 18, 2020, or February 18, 2025 if MAK Fund continues to hold 20% of the outstanding shares; or (v) if another person or entity holds greater than 20% of the outstanding shares that are not subject to a similar voting agreement.

- (5) As reported on a Schedule 13G/A dated February 8, 2013. Dimensional Fund Advisors LP has sole voting power with respect to 1,819,350 shares and sole dispositive power with respect to 1,846,222 shares.
- (6) As reported on a Schedule 13G/A dated February 20, 2013. The Vanguard Group, Inc. has sole voting and shared dispositive power with respect to 31,558 shares and sole dispositive power with respect to 1,119,240 shares.
- (7) As reported on a Schedule 13G/A dated February 4, 2013. BlackRock, Inc. has sole voting and dispositive power with respect to all of the shares.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act requires the Company's directors and certain of its executive officers and persons who beneficially own more than 10% of the Company's common shares to file reports of and changes in ownership with the SEC. Based solely on the Company's review of copies of SEC filings it has received or filed, the Company believes that each of its directors, executive officers, and beneficial owners of more than 10% of the shares satisfied the Section 16(a) filing requirements during fiscal year 2013, with one exception: on July 31, 2012, Mr. Jones was granted 8,055 shares of restricted stock following his election to the board of directors. The Form 4 to report such grant was inadvertently filed one day late on August 3, 2012.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis (the "CD&A") describes our executive compensation philosophy and programs during fiscal year 2013. Executive compensation arrangements with our Named Executive Officers are governed by the Compensation Committee (the "Committee"). In this CD&A, you will find detailed compensation information for our Named Executive Officers, which consist of our Chief Executive Officer ("CEO"), our Chief Financial Officer ("CFO"), and our three other most highly compensated executive officers during fiscal year 2013, as listed below:

James Dennedy, President and Chief Executive Officer  
Robert Ellis, Senior Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer  
Kyle Badger, Senior Vice President, General Counsel and Secretary  
Paul Civils, Senior Vice President, General Manager, Retail Solutions Group ("RSG")  
Larry Steinberg, Senior Vice President, Chief Technology Officer

Mr. Ellis' employment with the Company ended on August 6, 2013. Mr. Civils' employment with the Company ended on July 1, 2013, upon the completion of the sale of the Retail Solutions Group to Kyrus Solutions, Inc.

As discussed in the CD&A contained in the Proxy Statement for our 2012 Annual Meeting of Shareholders, in fiscal year 2012 the Company substantially reduced compensation costs for key executive positions following the sale of its Technology Services Group business unit ("TSG") in August 2011, which resulted in a smaller, refocused Company and new leadership in key executive positions with comparatively lower compensation arrangements to reflect the smaller, refocused Company. In fiscal year 2013, the Committee continued the compensation programs put in place in fiscal year 2012 with even more emphasis on pay for financial performance for the CEO and CFO.

### Compensation Highlights

**Compensation Focus for Fiscal Year 2013.** In response to current executive compensation trends, and after considering the results of our 2012 vote on Named Executive Officer compensation, which confirmed the Company's philosophy and objectives relative to our executive compensation program, the Compensation Committee continued efforts to maintain reduced compensation expense and link executive pay to performance by:

Establishing minimal base salary increases;  
Focusing annual incentive on significant improvements over fiscal year 2012 results; and  
Structuring long-term incentives to reward increases in shareholder value.

**Performance Linked Compensation.** Our Compensation Committee set fiscal year 2013 compensation, including financial and business targets for performance-based compensation, for our Named Executive Officers to continue to emphasize pay for performance by comprising the fiscal year's total compensation opportunity of 22%, on average, of annual cash incentive based on goals focused on significant improvements over fiscal year 2012 results for revenue, gross profit and adjusted operating income.

Our CEO's targeted pay was approximately 74% performance-based, and between 50% and 60% for each of our other Named Executive Officers. Targeted pay was performance-based, tied directly to annual goals or long-term equity awards, the value of which is tied directly to an increase in share price. As discussed below, targeted annual goals were primarily based on improvements over fiscal year 2012 results for revenue, gross profit and adjusted operating income, and, for Mr. Civils, significant business unit improvements.

Our operating results for fiscal year 2013 significantly outperformed our plan. Total net revenue increased 13%, and adjusted operating income increased \$15.6 million year over year to \$7.6 million from an adjusted operating loss of \$7.9 million in fiscal year 2012. As a result, annual incentive payouts ranged from 123% to 146% of target for the Named Executive Officers.

**Chief Executive Officer Compensation.** Mr. Dennedy became our CEO in May 2011 with a compensation package that included a base salary that was set significantly lower, 26%, than his predecessor's salary and an annual incentive target that was set at a significantly higher percentage, at 100% percent of salary versus 85%. His compensation remained unchanged in fiscal year 2012.

Mr. Dennedy's compensation package for fiscal year 2013 continued to reflect the Compensation Committee's ongoing commitment to link pay to performance and to maintain reduced compensation costs, as evidenced by the following for Mr. Dennedy:

- Base salary was increased by 14% over the prior year's base salary;
- Annual incentive was set at a lower percentage, 88% of salary versus 100% in the prior year;
- 50% of long-term incentive award, granted as stock-settled appreciation rights, is based entirely on share price improvement, and the balance, granted as restricted stock, is tied to share price;
- Annual incentive payout of 146% of targeted payout was earned based on the Company's results; and
- 74% of targeted compensation was variable pay, tied either to performance or share price improvement.

**Chief Financial Officer Compensation.** Mr. Ellis was appointed our CFO during fiscal year 2012 and his initial compensation package was similarly set to achieve the Compensation Committee's goals of reducing compensation cost and emphasizing pay for performance with a base salary that was set 8% lower than his predecessor's salary and an annual incentive target that was set at a higher percentage, 60% percent of salary versus 50%. In October 2012, Mr. Ellis was appointed to the additional office of Chief Operating Officer, and the Compensation Committee increased his base salary and target annual incentive to reflect his additional responsibilities.

Mr. Ellis' compensation package for fiscal year 2013, including the compensation related to his additional role as Chief Operating Officer, continued to reflect the Compensation Committee's ongoing commitment to link pay to performance and to maintain reduced compensation costs, as evidenced by the following for Mr. Ellis:

- Base salary was increased by 9% over the prior year's base salary, primarily due to his increased responsibilities as Chief Operating Officer;
- Annual incentive was set at a higher percentage, 75% of salary versus 60% in the prior year after his appointment to the additional office of Chief Operating Officer;
- 50% of long-term incentive award, granted as stock-settled appreciation rights, is based entirely on share price improvement, and the balance, granted as restricted stock, is tied to share price;
- Annual incentive payout of 146% of targeted payout was earned based on the Company's results; and 57% of targeted compensation was variable pay, tied either to performance or share price improvement.

#### **Compensation Philosophy, Objectives, and Structure**

Our Compensation Committee adopted its pay philosophy, objectives, and structure for Named Executive Officers to achieve financial and business goals and create long-term shareholder value. Our Compensation Committee reaffirmed the pay philosophy, objectives, and structure for fiscal year 2013.

**Compensation Philosophy and Objectives.** Our Compensation Committee's pay philosophy is to pay a base salary and provide target annual cash incentives and long-term equity incentives, each at the 50th percentile of comparative peer group compensation, and to annually review these compensation components based on peer group comparisons and tie compensation to our business strategy. The Compensation Committee's objective is to establish an overall compensation package to:

- Reward the achievement of business objectives approved by our board of directors;
- Tie a significant portion of compensation to the long-term performance of our common shares;
- Provide a rational, consistent, and competitive executive compensation program that is well understood by those to whom it applies; and
- Attract, retain, and motivate executives who can significantly contribute to our success.

**Compensation Structure.** Our compensation structure is comprised of:

**Base Salary** Base salary provides fixed pay levels aimed to attract and retain executive talent. Variations in salary levels among Named Executive Officers are based on each executive's roles and responsibilities, experience, functional expertise, relation to peer pay levels, competitive assessments, individual performance, and changes in salaries in the overall general market and for all employees of the Company. Salaries are reviewed annually by our Compensation Committee, and changes in salary are based on these factors and input from our CEO, other than for himself. None of the factors are weighted according to any specific formula. New salaries generally are based on the Compensation Committee's discretion and judgment but may be based on any of the above-mentioned relevant factors.

**Annual Incentives** Annual incentives provide cash variable pay for achievement of the Company's financial, strategic, and operational goals and individual goals, with target incentives set as a percentage of salary, designed to reward achievement of goals with an annual cash payment. Variations in incentive components and mix among Named Executive Officers are determined by our Compensation Committee and based on each executive's respective business unit or corporate goals and each executive's individual goals and corporate-wide initiatives, as well as market data, length of time in current role or similar role at another company, and recommendations from our CEO, other than for himself.

**Long-Term Incentives** Long-term incentives are variable, equity incentives designed to drive improvements in performance that build wealth and create long-term shareholder value by tying the value of earned incentives to the long-term performance of our common shares. Target incentives are set as a percentage of salary. Variations in awards among Named Executive Officers are determined by our Compensation Committee after a review of various factors, including recommendations based on market data, individual ability to influence results, length of time in current role or similar role at another company, and recommendations from our CEO, other than for himself.

**Compensation Key Considerations**

**Annual Goal Setting.** Annual goals for our Named Executive Officers are tied to our financial, strategic, and operational goals and include business specific financial targets relating to our goals. Each Named Executive Officer's annual incentive goals are established by our Compensation Committee, with input from our CEO (other than for himself). At fiscal year-end, the Compensation Committee evaluates the performance of each Named Executive Officer and determines an appropriate award based on established goals, with input from our CEO (other than for himself) on individual goals. Our Compensation Committee establishes our CEO's annual incentive goals and determines his appropriate award based on established goals.



**Variable Pay at Risk.** Our philosophy drives the provision of greater at-risk pay to our Named Executive Officers, and variable pay at risk comprised approximately 74% of target annual compensation for our CEO and between 50% and 60% for other Named Executive Officers. Our Named Executive Officers have significant opportunities for long-term, equity-based incentive compensation, higher than for annual cash incentive compensation in most cases, as our philosophy is to tie a significant portion of compensation to the long-term performance of our common shares. As a result, significant emphasis is placed on long-term shareholder value creation, thereby minimizing excessive risk taking by our executives.

**Competitive Market Assessments.** During fiscal year 2012, Towers Watson provided the Compensation Committee with two competitive market assessments, one in March and one in August, which updated the March assessment to adjust for expected revenues of the smaller Company after the closing of the TSG sale. The assessments evaluated compensation levels for the Company's top eight executive positions, including the Named Executive Officers. The assessments compared published survey compensation data for both general industry and the high technology services industry to current compensation levels for the Company's executives. Competitive compensation levels in these industries were gathered for base salary, annual incentive, total cash compensation, long-term incentive, and total direct compensation. The purpose of the assessments was to compare current market data to our current compensation, which was based on prior benchmarking performed by the Company, where compensation levels were benchmarked to separate, defined peer group companies for corporate executives and each business unit executive. Towers advised that an assessment using the general and high technology services industries data provides more representative and relevant comparisons given the size of the Company. As further detailed below, the assessments showed that all elements of the Company's overall compensation fell between the 25<sup>th</sup> and 50<sup>th</sup> percentiles within both the general and high technology services industries. Typically, an individual position is considered to be paid at market if it is within 15% (above or below) the competitive median and the assessments showed that the Company had individuals above, within, and below that range.

During fiscal year 2013, the Compensation Committee believed that the Towers Watson assessments performed in fiscal year 2012, without any update, remained useful for purposes of determining Named Executive Officer compensation, and, as a result, the Compensation Committee did not request or review any additional assessments in fiscal year 2013.

**Tally Sheets.** Our Compensation Committee analyzes tally sheets at the beginning of the fiscal year to review overall compensation and pay mix for each Named Executive Officer. Tally sheets include a three-year look-back of total compensation, including annual cash compensation, long-term incentive awards granted and earned, and benefits and perquisites. Tally sheets also include a cumulative inventory of equity grants by fiscal year, including the value of outstanding equity at the Company's current stock price and the value received for prior vesting and exercises of equity. The tally sheets bring together, in one place, all elements of Named Executive Officers' actual compensation and information about wealth accumulation so that our Compensation Committee can analyze the individual elements and mix of compensation and the aggregate total amount of annual and accumulated compensation. Tally sheets are also used by the Compensation Committee to evaluate internal pay equity among the Named Executive Officers and to determine the impact of employment termination or change of control events. In support of the philosophy of rewarding future performance, the Compensation Committee does not consider prior pay outcomes in setting future pay levels. Rather, tally sheets are used by the Compensation Committee to review compensation as compared to expectations, and our Compensation Committee determined that annual compensation set for our Named Executive Officers for fiscal year 2013 was consistent with expectations and with the established compensation philosophy and pay mix guidelines driven by that philosophy.

### **Fiscal Year 2013 Compensation**

**Salary.** For fiscal year 2013, salary comprised 27% of total target compensation for our CEO and between 40% and 50% for our other Named Executive Officers. Since all of the Named Executive Officers, other than Mr. Dennedy and Mr. Civils, had been first hired by the Company during fiscal year 2012 or 2013, the Compensation Committee considered the competitive market assessments provided by Towers Watson in fiscal year 2012 in determining the initial salaries for the newly hired Named Executive Officers, as well as their previous salary levels and prior experience. The Compensation Committee further considered the competitive market assessments provided by Towers Watson in determining fiscal year 2013 salaries for all the Named Executive Officers. For purposes of the assessments, Mr. Civils was matched to survey benchmarks based upon responsibilities, and market-competitive salaries were determined by regressing the benchmark to Mr. Civils' business unit revenue responsibilities.

The survey data included values at the 25<sup>th</sup>, 50<sup>th</sup> (market median), and 75<sup>th</sup> percentiles. Based on the assessment, at the beginning of fiscal year, salaries for the Named Executive Officers ranged between 27% below and 2% above median, which was considered competitive. As such, salary increases for fiscal year 2013 were made based on individual responsibilities and performance, and increases averaged 6%, ranging from 2% to 14%.

Mr. Ellis' annual salary was increased from \$285,000 to \$300,000 in November 2012 following his appointment to the additional office of Chief Operating Officer based on the Compensation Committee's assessment of the additional responsibilities required by his new position.

**Annual Incentives.** For fiscal year 2013, annual goals were set at the beginning of the fiscal year. The discussion below, which specifically relates to the table below under "Fiscal Year 2013 Payouts," provides details regarding fiscal year 2013 annual incentive performance metrics, levels, and payouts for the Named Executive Officers. As discussed below, annual goals for Mr. Civils were changed during the fiscal year as a result of the Company's decision to sell the RSG business.

**Performance Metrics.** The Compensation Committee set corporate performance metrics for fiscal year 2013 annual incentives to require target level improvements over fiscal year 2012 results of 138% for adjusted operating income, 3.4% for gross profit and 8.2% for revenue. These levels were set based on the Company's overall operating plan and expected growth and operating improvements in the two business units. Target level improvements for RSG, which Mr. Civils managed, were set at 64% for adjusted operating income. Target level improvements over fiscal year 2012 results for adjusted operating income were significant because the Company had negative adjusted operating income in fiscal year 2012. Adjusted operating income is calculated as operating income excluding amortization of intangibles, stock based compensation expense and non-recurring charges. The Company believes adjusted operating income is a profitability measure and a key driver of value, focusing on sales, product mix, margins, and expense management. Adjusted operating income was selected as an annual goal component for all Named Executive Officers given the desire to balance sales and margins, as both are manageable by our Named Executive Officers, and replaced the EBITDA component used in prior fiscal years.

For the corporate Named Executive Officers, including Messrs. Dennedy, Ellis, Badger and Steinberg, adjusted operating income goals related to the consolidated Company results, and for Mr. Civils, the adjusted operating income goal related to RSG. The Compensation Committee believed that revenue and gross profit goals were less important for Mr. Civils as long as the adjusted operating income goal was achieved, and, accordingly, Mr. Civils only performance metric was achievement of targeted adjusted operating income for RSG.

Performance percentages for payouts (with proportionate payouts between the target and maximum achievement levels) were based on varying levels of achievement of fiscal year 2013 budgeted results, as set forth below. Additional detail about threshold and maximum incentives are disclosed in the Grants of Plan-Based Awards for Fiscal Year 2013 table.

Component	Threshold		Maximum	
	Payout	Required Achievement of Performance Measures (%)	Payout	Required Achievement of Performance Measures (%)
	(% of target incentive)		(% of target incentive)	
Revenue	90	97.7	150	108.3
Gross Profit	90	92.6	150	101.9
Adjusted Operating Income	90	83.3	150	283.3
Adjusted Operating Income-RSG	90	83.3	150	283.3

The Compensation Committee believed that the plan involved moderate difficulty at the threshold level, a high degree of difficulty at the 100% target level, given continuing competition and pricing pressure in the market, and significant difficulty at the maximum level, requiring significant improvement over fiscal year 2012 results, in each case relative to future expectations at the time the levels were set. Threshold levels were based on achievement necessary to successfully execute a minimum level of the operating plan.

**MBOs.** In addition to objective performance metrics, management by objective goals (MBOs) comprised from 25% to 50% of the annual incentive of Named Executive Officers other than Messrs. Dennedy and Ellis. However, MBOs could only be earned in the event that threshold adjusted operating income targets were achieved in order to place greater weight on objective performance metrics. MBOs represent individual performance-based goals, with both quantitative and qualitative measures, relative to individual responsibilities and emphasize the importance of specific tasks and company-wide initiatives. The Compensation Committee believed that MBOs were appropriate for executives whose impact on shareholder value was less direct than the CEO and CFO. The Compensation Committee has discretion in deciding whether each MBO was achieved and in determining the level of achievement, and thus payout, for the MBO components. Achievement of MBOs results in a payout ranging from a minimum of 80% for partial achievement to 100% for maximum achievement,

and Named Executive Officers are eligible for proportionate payouts between the minimum and maximum achievement levels, and there is no payout for MBOs below the minimum achievement level. Consistent with the other elements of compensation, MBOs were established at the beginning of year when the outcome for the fiscal year was substantially uncertain. Fiscal year 2013 MBO goals and payout allocations for the Named Executive Officers were as follows:

Executive	MBO	% of MBOs
Kyle C. Badger	Process improvements and efficiency gains with respect to customer contract creation and review process	20
	Review, update and implement the Company's records retention policy	20
	Review and update the Company's intellectual property strategy	20
	Complete new master agreements for certain major customers	20
	Complete new agreements for certain key vendors	20
Paul A. Civils	Cooperate with the RSG sale process	100
Larry Steinberg	Accomplish development objectives for property management system (PMS) software	26
	Remain within PMS software development budget	26
	Meet product development schedule for certain point of sale product improvements	20
	Improve in-market product quality by establishing a new product engineering process	18
	Implement customer advisory boards for certain products	10

Weight differences between initiatives among the Named Executive Officers corresponded to importance of each initiative in respect of the overall Company operating plan.

Mr. Civils' MBOs were changed during the fiscal year when the Company decided to implement a process to sell the RSG business. Given the significant amount of time and effort required by Mr. Civils in connection with the sale of RSG, the Compensation Committee concluded that it was in the Company's best interest to focus his incentives towards successful completion of the sale.

**Annual Incentive Levels.** For all Named Executive Officers, fiscal year 2013 target annual incentives were set as a percentage of salary, with the percentage correlating to the overall competitive total target compensation level for each executive. Target annual incentives were set at 88% of salary for Mister. Dennedy and 75% for Mr. Ellis, as opposed to approximately 50-75% of salary for other executives, to increase the performance-based nature of their total compensation due to their greater ability to influence corporate goals and initiatives. Annual incentives comprised 23% of total target compensation for Mr. Dennedy and 32% for Mr. Ellis, and approximately 25% for our other Named Executive Officers. As with salaries, the Compensation Committee considered the competitive market assessments provided by Towers Watson in fiscal year 2012 in evaluating current annual incentive levels and for determining fiscal year 2013 levels. Target levels were based on survey data from companies of comparable revenue and were interpolated for each executive based on calculated competitive salaries, as described above.

The survey data included values at the 25<sup>th</sup>, 50<sup>th</sup> (market median), and 75<sup>th</sup> percentiles and, on average, current target annual incentive percentages of salary were aligned with market median, and total target cash compensation (salary and annual incentive) was in the competitive range for the positions evaluated, ranging from 21% below to 16% above market median. As such, increased annual incentive opportunities for Named Executive Officers other than Messrs. Dennedy and Ellis were a factor of increased salary, as discussed above, as annual incentives as a percentage of salary approximated current levels. Mr. Dennedy's annual incentive as a percentage of salary was reduced from 100% to 88% to set his total target cash compensation in line with market median. Mr. Ellis' annual incentive as a percentage of salary was set higher than market median to heavily weight performance, given his ability to influence corporate goals and initiatives.

Mr. Ellis target annual incentive as a percentage of his salary was increased from 60% to 75% in October 2012 when he was appointed to the additional office of Chief Operating Officer based on the Compensation Committee's assessment of the scope and amount of additional responsibilities required by his new position and to further weight performance given his additional ability to influence corporate goals and initiatives.

**Fiscal Year 2013 Payouts.** The chart below sets forth the fiscal year 2013 annual incentive opportunity for each Named Executive and the components, weightings, and actual annual incentive payouts based on the Compensation Committee's review of the achievement of the performance measures. At the corporate level, target levels of revenue, gross profit and adjusted operating income were substantially exceeded, resulting in corresponding payouts for those components. At the business segment level, Mr. Civils exceeded the target levels of adjusted operating income. The attainment by each Named Executive Officer of their respective MBOs is reflected in the table below.

Target Incentive as a % of salary	Performance Metrics			Annual Incentive		
	Component	Weight	Target	Actual	Target (1)	Payout (1)
James H. Dennedy 88%	Revenue: AGYS	25%	\$216.0M	\$234.2M	\$87,500	\$131,250
	Gross Profit: AGYS	40%	\$86.4M	\$89.3M	\$140,000	\$210,000
	AOI: AGYS	35%	\$3.0M	\$6.6M	\$122,500	\$168,534
Total					\$350,000	\$509,784
Robert R. Ellis 75%	Revenue: AGYS	25%	\$216.0M	\$234.2M	\$56,250	\$84,375
	Gross Profit: AGYS	40%	\$86.4M	\$89.3M	\$90,000	\$135,000
	AOI: AGYS	35%	\$3.0M	\$6.6M	\$78,750	\$108,343
Total					\$225,000	\$327,718
Kyle C. Badger 50%	Revenue: AGYS	15%	\$216.0M	\$234.2M	\$18,750	\$28,125
	Gross Profit: AGYS	20%	\$86.4M	\$89.3M	\$25,000	\$37,500
	AOI: AGYS	15%	\$3.0M	\$6.6M	\$18,750	\$25,796
	MBO	50%			\$62,500	\$62,500
Total					\$125,000	\$153,921
Paul A. Civils 55%	AOI: RSG	75%	\$11.0M	\$11.0M	\$107,250	\$144,720
	MBO	25%			\$35,750	\$35,750
Total					\$143,000	\$180,470
Larry Steinberg 60%	Revenue: AGYS	15%	\$216.0M	\$234.2M	\$18,147	\$27,221
	Gross Profit: AGYS	20%	\$86.4M	\$89.3M	\$24,196	\$36,294
	AOI: AGYS	15%	\$3.0M	\$6.6M	\$18,147	\$24,967
	MBO	50%			\$60,490	\$60,490
Total					\$120,980	\$148,972

(1) Pro-rated from hire date for Mr. Steinberg. See Grants of Plan-Based Awards table for annualized award amounts.

**Long-Term Incentives.** As with the annual incentives, the Compensation Committee approved fiscal year 2013 long-term incentive ( LTI ) awards at the beginning of year when the outcome for the fiscal year was substantially uncertain. LTI awards to Named Executive Officers

consisted of stock-settled appreciation rights ( SSARs ) and restricted shares, both with three-year vesting schedules, pursuant to the Company's shareholder-

approved 2011 Stock Incentive Plan. The Committee considered various LTI award alternatives. While annual incentives targeted specific performance goals, the focus on LTI awards was to link compensation directly to shareholder gains and to improve retention of key management during the Company's time of transition. SSARs provided the direct link between compensation and shareholder gains in a less dilutive manner than with stock options, and the three-year vesting schedule also enhances retention. Restricted shares also tie compensation to shareholder gains and highly bolster retention over the vesting period.

LTI awards comprised 50% of total target compensation for Mr. Dennedy to directly link a significant portion of his pay, when combined with his annual incentive, to performance and comprised between 25% and 35% for our other Named Executive. As with salaries and annual incentives, the Compensation Committee considered the competitive market assessments provided by Towers Watson in fiscal year 2012 in evaluating current LTI levels and for determining fiscal year 2013 LTI levels. The Compensation Committee also received input and recommendations from our CEO regarding each Named Executive Officer's relative ability to influence results in a business segment or in the corporate office. Target levels were based on survey data from companies of comparable revenue, as described above. The data included LTI values at the 25<sup>th</sup>, market median, and 75<sup>th</sup> percentiles, and LTI's as a percentage of base salary at those values. Other than for the CEO, current LTI values and as a percentage of salary were in the competitive range for the positions evaluated, ranging from 8% below to 15% above market median. Mr. Dennedy's LTI as a percentage of base salary was 25% lower than market, which the Compensation Committee viewed as outside the competitive range and inconsistent with our goal to heavily link Mr. Dennedy's compensation to shareholder gains. In addition, Mr. Dennedy's total target compensation, having been largely determined at the time of his prior appointment as interim CEO, was below the market median, and thus the Committee increased Mr. Dennedy's LTI as a percentage of salary to overweight his LTI but still keep his total target compensation at the market median.

The Compensation Committee also set Mr. Steinberg's LTI as a percentage of salary higher than the market median in order to place significant emphasis on long-term shareholder value creation given his role as Chief Technology Officer in developing the Company's next generation of products and solutions.

Based on the competitive assessments, input and recommendations, the Compensation Committee set the 2013 LTI awards for each Named Executive Officer as follows:

Name	Percent of	Total LTIP	SSARs	Restricted Shares
	Salary (%)	Value (\$)	Granted (#)	Granted (#)
James H. Dennedy	190	760,000	78,350	50,938
Robert R. Ellis	60	171,000	17,628	11,461
Kyle C. Badger	50	125,000	12,886	8,378
Paul A. Civils	65	169,000	17,422	11,327
Larry Steinberg	85	191,279	17,513	11,067

All SSARs and restricted shares vest in one-third increments on March 31, 2013, 2014 and 2015. The SSARs were granted at an exercise price \$7.46 per share, and \$8.64 for Mr. Steinberg (the closing price of the common shares on the grant date), have a seven-year term, and are settled in common shares upon exercise.

In addition to the restricted shares granted to Mr. Steinberg as part of his annual compensation, upon his initial hiring by the Company in May 2012, Mr. Steinberg received additional grants of 55,455 shares of restricted stock as a sign-on bonus and to replace unvested equity lost by him upon leaving his prior employer. 20,000 of such shares vest in one-third increments on March 31, 2013, 2014 and 2015; 16,840 of such share vest on the second anniversary of his date of hire; 887 of such shares vest on the third anniversary of his date of hire; and 17,728 of such shares vest upon the successful development and sale of our next generation property management system.

**Additional Compensation Executive Benefits.** We provide executive benefits to our Named Executive Officers including additional life and long-term disability insurance plans. From time to time, Named Executive Officers also may participate in supplier sponsored events. Executive benefits are further described in the Summary Compensation Table. We believe these benefits enhance the competitiveness of our overall executive compensation package. We have, however, limited executive benefits offered to reduce compensation costs. Additionally, welfare benefits offered to our Named Executive Officers are the same level of benefits offered to all Company employees, except that we pay for the cost of physicals to promote the health and well-being of our executives.

### **Employment Agreements and Change of Control**

The material termination and change of control provisions of various agreements are summarized below for each Named Executive Officer and are covered in more detail in the Termination and Change of Control table and accompanying discussion.

**Employment Agreements.** All of the Named Executive Officers entered into an employment agreement with the Company, all with substantially the same terms except as described below. Upon termination without cause, we must pay severance equal to one year's salary and target annual incentive, and continue health benefits for the severance period. If the executive's position is changed such that his or her responsibilities are substantially lessened or, for Mr. Civils, if the executive is required to relocate to a facility more than 50 miles away (a change in position), the executive may terminate his or her employment within 30 days of the change in position, and the termination will be deemed to be a termination without cause and the executive is entitled to his or her severance benefits. None of the Named Executive Officers is entitled to excise tax gross-up payments. In consideration of the severance benefits, each employment agreement contains a 12-month non-solicitation provision, an indefinite confidentiality provision, and a 12-month non-compete provision that is automatically triggered if termination is for cause or voluntary and may be enforced by the Company if termination is without cause or for a change in position. Our Compensation Committee believes that the terms of these employment agreements enhance our ability to retain our executives and contain severance costs by providing reasonable severance benefits competitive with market practice. Severance costs are contained by limiting pay to one year, limiting personal benefits, not providing accelerated vesting for awards under the agreements, and narrowly defining a voluntary termination that triggers severance benefits. Additionally, the Company benefits greatly from the non-competition, non-disclosure, and non-solicitation clauses contained in the employment agreements. Except for Messrs. Dennedy and Badger, the employment agreements do not contain a change of control provision. For each of Messrs. Dennedy and Badger, if there is a change of control within two years after April 1, 2012, and October 31, 2011, respectively, (the dates of their employment agreements), and within the same two-year period his employment with the Company or its successor is terminated without cause, then he will be paid severance equal to two years of each of his base salary and target annual incentive. This change in control benefit enhances our ability to maintain a shareholder focused approach to change of control situations and provides these executives reasonable support following both a change of control and termination (commonly called a double trigger requirement). The Compensation Committee believes these payments are reasonable, particularly in light of the double trigger requirement, and consistent with market practice for such positions.

**Accelerated Vesting.** None of the employment agreements discussed above provide for accelerated vesting of equity. Under our 2011 Stock Incentive Plan, the only plan for which any of the Named Executive Officers have unvested equity, vesting is accelerated upon the actual occurrence of a change in control for all stock options, SSARs, and restricted shares (including performance shares). The Compensation Committee believes that during a change of control situation, a stable business environment is in the shareholders' best interests, and accelerated vesting provisions provide stability. The accelerated vesting provisions are applicable to all employees who receive equity awards, not just executive management.



## Additional Compensation Policies

**Clawback Recoupment of Bonuses, Incentives, and Gains.** Under the Company's clawback policy, if the board of directors determines that our financial statements are restated due directly or indirectly to fraud, ethical misconduct, intentional misconduct, or a breach of fiduciary duty by one or more executive officers or vice presidents, then the board of directors will have the sole discretion to cancel any stock-based awards granted and to take such action, as permitted by law, as it deems necessary to recover all or a portion of any bonus or incentive compensation paid and recoup any gains realized in respect of equity-based awards, provided recoveries cannot extend back more than three years. Additionally, under Section 304 of the Sarbanes-Oxley Act, if we are required to restate our financial statements due to material noncompliance with any financial reporting requirements as a result of misconduct, our CEO and CFO must reimburse us for any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and any profits realized from the sale of our securities during those 12 months.

**Stock Ownership Guidelines.** To underscore the importance of strong alignment between the interests of management and shareholders, the board of directors approved stock ownership guidelines for directors and executives, with our CEO having the highest ownership requirement. Director and executive compensation is designed to provide a significant opportunity to tie individual rewards to long-term Company performance. The objective of our stock ownership guidelines is to support this overall philosophy of alignment and to send a positive message to our shareholders, customers, suppliers, and employees of our commitment to shareholder value. Each director and executive officer is expected to maintain minimum share ownership of either: (i) a multiple of base salary or director annual retainer listed below, or (ii) the number of shares listed below:

Title	Multiple of Director Annual Retainer and Executive Base Salary		Number of Shares	
	2 Years	4 Years	2 Years	4 Years
Director	3x	6x	15,000	45,000
CEO	2.5x	5x	125,000	250,000
Senior Vice President	0.5x	2x	15,000	75,000
LTIP Participants		0.5x	2,500	15,000

Stock ownership that is included toward attainment of the guidelines includes (i) shares held of record or beneficially owned, either directly or indirectly; (ii) shares acquired upon exercise of stock options or SSARs; (iii) vested restricted or deferred shares; (iv) phantom or deferred share units held in a deferred compensation plan; and (v) shares or deferred shares acquired by dividend reinvestment. Directors and executives are expected to attain the specified target ownership levels within both two and four years from the later of the effective date of this policy or becoming a director or an executive, and remain at or above that level until retirement. Annually, the board of directors reviews progress toward achieving these ownership levels. Director and executives who have not attained the specified ownership guidelines will be required to hold 75% of shares acquired upon exercise of stock options and SSARs or vesting of performance or restricted shares until they meet their target ownership level. If ownership guidelines are not met within two and four years, our Compensation Committee has the right to pay an executive's annual incentives in shares until ownership guidelines are achieved.

**Impact of Tax and Accounting Considerations.** In general, the Compensation Committee considers the various tax and accounting implications of the pay mechanisms used to provide pay to our Named Executive Officers, including the accounting cost associated with long-term incentive grants, when determining compensation. Section 162(m) of the Internal Revenue Code generally prohibits any publicly held corporation from taking a federal income tax deduction for pay to the chief executive officer and the three other highest compensated executive officers (other than the chief financial officer) in excess of \$1 million in any taxable year. Exceptions are made for certain qualified performance-based pay. It is the Compensation Committee's objective

to maximize the effectiveness of our executive pay plans in this regard. The pay instruments used, including salaries, annual incentives, and equity, are tax deductible to the extent that they are performance-based or less than \$1 million for such Named Executive Officer in a given year.

#### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Company's management. Based on that review and discussion, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company's 2013 Annual Report on Form 10-K for the fiscal year ended March 31, 2013 and the Proxy Statement for its 2013 Annual Meeting of Shareholders.

#### **The Compensation Committee of the Board of Directors**

**R. Andrew Cueva, Chairman**

**Keith M. Kolerus**

**Robert A. Lauer**

**John Mutch**

#### **RELATIONSHIP WITH COMPENSATION COMMITTEE CONSULTANT**

During fiscal year 2012, the Compensation Committee retained Towers Watson as compensation consultant for executive compensation matters. All fees paid to Towers Watson in fiscal year 2012 were for executive compensation consultation. The Compensation Committee did not retain a compensation consultant for fiscal year 2013.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table and related notes provide information regarding fiscal year 2013 compensation for our Named Executive Officers, including our CEO and CFO and the other three most highly compensated executive officers whose total compensation exceeded \$100,000 for fiscal year 2013.

## Summary Compensation Table for Fiscal Year 2013

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Incentive Plan Compensation Earnings	Change in Pension Value and Non-Equity Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
							(\$)	(\$)(5)	
James H. Dennedy President and Chief Executive Officer	FY13	400,000		379,997	380,309	509,784		20,481	1,690,571
	FY12	309,928		311,640		369,045		10,780	1,001,393
Robert R. Ellis Senior Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer	FY13	290,934		85,499	85,566	327,718		11,186	800,903
	FY12	131,705		123,199	81,335	88,591		3,520	428,350
Kyle C. Badger Senior Vice President, General Counsel and Secretary	FY13	250,000		62,500	62,548	153,921		37,796	566,765
Paul A. Civils Senior Vice President and General Manager	FY13	260,000		84,499	84,566	180,470		21,319	630,854
	FY12	255,000		82,874	82,877	129,082		22,656	572,489
Larry Steinberg	FY13	201,511	39,550	574,750	95,660	148,972		7,646	1,068,089

Senior Vice President, Chief  
Technology Officer

- (1) For Mr. Steinberg, salary is from start date through March 31, 2013.
- (2) For Mr. Steinberg, amount consists of hiring bonus.
- (3) Stock Awards include grants of restricted shares and performance shares. Option Awards include SSAR grants. Amounts disclosed do not represent the economic value received by the Named Executive Officers. The value, if any, recognized upon the exercise of a SSAR will depend upon the market price of the shares on the date the SSAR is exercised. The value, if any, recognized for restricted and performance shares will depend upon the market price of the shares upon vesting. In accordance with SEC rules, the values for restricted and performance shares and SSARs are equal to the aggregate grant date fair value for each award computed in accordance with FASB ASC Topic 718. The values for restricted and performance shares are based on the closing price on the grant date. The values for SSARs are based on the Black-Scholes option pricing model. A discussion of the assumptions used in determining these valuations is set forth in Note 14 of the Notes to Consolidated Financial Statements of the Company's 2013 Annual Report. For Stock Awards, the amounts shown represent grants of restricted shares to each Named Executive Officer as part of the executive's annual long-term equity grant and for Mr. Steinberg includes grants of restricted shares as a long-term inducement award upon his hire.

- (4) Amounts represent annual incentive payments received in 2013 and 2012 based on pre-set incentive goals established at the beginning of each fiscal year and tied to the Company's financial, strategic, and operational goals.
- (5) All other compensation includes the following compensation, calculated based on the aggregate incremental cost to the Company of the benefits noted:

#### All Other Compensation for Fiscal Year 2013

Name	401(k)	Executive					Total (\$)
	Company	Life	Relocation	Severance	Gross-ups	All Other	
	Match (\$)	Insurance (\$)	\$(a)	(\$)	(\$)	\$(b)	
J. Dennedy	9,139	1,654	7,755			1,933	20,481
R. Ellis	8,931	754				1,501	11,186
K. Badger	8,891	909	27,149			847	37,796
P. Civils	6,514	6,295				8,510	21,319
L. Steinberg	5,771	993				882	7,646

- (a) Messrs. Dennedy and Badger received travel and relocation assistance during their transition to the Company's corporate offices, including expenses for travel, temporary housing, car rental, moving, and incidentals. Amount disclosed represents actual cost to the Company, or amount reimbursed to the executive officer, for such expenses.
- (b) Includes executive long-term disability coverage for each executive and an auto allowance for Mr. Civils.

#### Grants of Plan-Based Awards

The following table and related notes summarize grants of equity and non-equity incentive compensation awards to our Named Executive Officers for fiscal year 2013. All equity awards were made under the Company's 2011 Stock Incentive Plan.

#### Grants of Plan-Based Awards for Fiscal Year 2013

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)(1)				Estimated Future Payouts Under Equity Incentive Plan Awards (\$)				All Other		
		Threshold	Target	Maximum	Threshold	Target	Maximum	All Other Stock Awards Number of Shares of Stock	Option Awards:			
									Number of Securities	Exercise or Base Price	Grant Date of Stock	
Options	Awards	Awards										
(#)(3)	(\$/share)	(\$)(4)										
James H. Dennedy	6/12/12							50,938	78,350	7.46	760,306	
	3/20/12	315,000	350,000	525,000								
Robert R. Ellis	6/12/12							11,461	17,628	7.46	171,065	
	3/20/12	153,900	171,000	256,500								
	11/8/12	202,500	225,000	337,500								

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Kyle C. Badger	6/12/12						8,378	12,886	7.46	125,048
	3/20/12	112,500	125,000	187,500						
Paul A. Civils	6/12/12						11,327	17,422	7.46	169,065
	3/20/12	128,700	143,000	214,500						
Larry Steinberg (5)	5/9/12						48,794	17,513	8.64	670,410
	5/9/12	108,882	120,980	181,470	17,728	17,728				

(1) Amounts shown in the columns under Estimated Future Payouts Under Non-Equity Incentive Plan Awards represent fiscal year 2013 annual threshold, target, and maximum cash-based annual incentives granted under the annual incentive plan. Total threshold,

target, and maximum payouts were conditioned on achievement of weighted goals based on revenue, gross profit, adjusted operating income, and achievement of individual MBOs as applicable for each Named Executive Officer. For Mr. Ellis, the non-equity incentive award on November 8, 2012 replaced the award of March 20, 2012, upon his being appointed to the additional office of Chief Operating Officer. Fiscal year 2013 payouts for each Named Executive Officer pursuant to these awards are shown in the Summary Compensation Table above in the column titled Non-Equity Incentive Plan Compensation. Threshold, target, and maximum amounts represent annualized award amounts. Actual payouts for fiscal year 2013 for Mr. Steinberg were pro-rated based on his hire date. Further explanation of potential and actual payouts by component is set forth in the Compensation Discussion and Analysis Annual Incentives.

- (2) The share amounts shown represent grants of restricted shares to each Named Executive Officer as part of the executive's annual long-term equity grant and for Mr. Steinberg includes grants of restricted shares as a long-term inducement award upon his hire.
- (3) The share amounts represent SSARs granted at the fair market value of the shares on the grant date as fiscal year 2013 long-term incentive awards. The SSARs are exercisable in thirds beginning on March 31, 2013. All SSARs have a seven-year term.
- (4) The dollar amount shown for each equity grant represents the grant date fair value of the SSARs and restricted shares, calculated in accordance with FASB ASC Topic 718. The actual value, if any, recognized upon the exercise of a SSAR or vesting of restricted shares will depend upon the market price of the shares on the date the SSAR is exercised or restricted shares vest.
- (5) For Mr. Steinberg, grants were approved on March 29, 2012, effective as of his date of hire on May 9, 2012.

#### Outstanding Equity Awards

The following table and related notes summarize the outstanding equity awards held by the Named Executive Officers as of March 31, 2013.

#### Outstanding Equity Awards at 2013 Fiscal Year-End

Name (1)	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#)		Option Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not	Market Value of Shares of Stock That Have Not
		Exercisable	Unexercisable (2)			Vested (#)(3)	Vested (\$)(4)
James H. Dennedy	6/12/2012	26,116	52,234 (a)	7.46	6/12/2019	33,959 (e)	337,552
Robert R. Ellis	10/10/2011	10,700	5,350 (b)	8.14	10/10/2018	5,379 (f)	53,467
	6/12/2012	5,876	11,752 (b)	7.46	06/12/2019	7,641 (f)	75,952
Kyle C. Badger	10/31/2011	7,462	3,732 (c)	8.49	10/31/2018	3,556 (g)	35,347
	6/12/2012	4,295	8,591 (c)	7.46	6/12/2019	5,586 (g)	55,525
Paul A. Civils	7/28/2006	8,000		15.85	7/28/2016		
	5/21/2007	12,000		22.21	5/21/2017		
	5/23/2008	12,000		9.82	5/23/2018		
	11/13/2008	40,000		2.51	11/13/2018		
	5/22/2009	15,700		6.83	5/22/2016		
	6/7/2010	40,000		6.20	6/7/2017		
	8/11/2011	11,882	5,941	7.42	8/11/2018	3723	37,007
	6/12/2012	5,807	11,615	7.46	6/12/2019	7,552	75,067

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Larry Steinberg	5/9/2012	5,837	11,676 (d)	8.64	5/9/2019	56,167 (h)	558,300
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(1) For Messrs. Civils and Ellis, all unvested SSARs were forfeited upon separation, and unexercised SSARs expired 90 days after separation.



- (2) As of March 31, 2013, the vesting schedule for the time-vested SSARs was as follows:
- (a) 26,117 on March 31, 2014 and 2015
  - (b) 11,226 on March 31, 2014 and 5,876 on March 31, 2015
  - (c) 8,027 on March 31, 2014 and 4,296 on March 31, 2015
  - (d) 5,838 on March 31, 2014 and 2015
- (3) As of March 31, 2013, the vesting schedule for the time-vested stock awards was as follows:
- (a) 16,979 on March 31, 2014 and 16,980 March 31, 2015
  - (b) 9,199 on March 31, 2014 and 3,821 on March 31, 2015
  - (c) 6,349 on March 31, 2014 and 2,793 on March 31, 2015
  - (d) 10,356 on March 31, 2014, 16,840 on May 9, 2014, 10,356 on March 31, 2015; 887 on May 9, 2015; and 17,728 upon the successful development and sale of our next generation property management system.
- (4) Calculated based on the closing price of the shares on March 28, 2013 of \$9.94 per share.

#### Option Exercises and Stock Vested

The following table and related notes summarize the exercise of stock options and/or SSARs and the vesting of other stock awards by the Named Executive Officers during fiscal year 2013.

#### Option Exercises and Stock Vested for Fiscal Year 2013

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on	Value Realized on Exercise	Number of Shares Acquired on	Value Realized on Vesting
	Exercise (#)	(\$)	Vesting (#)(1)	(\$)(2)
James H. Dennedy			23,979	224,911
Robert R. Ellis			9,198	91,428
Kyle C. Badger			6,348	63,099
Paul A. Civils			7,498	74,350
Larry Steinberg			10,355	102,929

- (1) Includes partial vesting of time-vested restricted shares granted in 2012 and 2013.
- (2) The value realized on vesting of stock awards is determined by multiplying the number of shares underlying the stock awards by the closing price of the shares on the vesting date of the awards.

#### Termination and Change of Control

The following table and discussion summarize certain information related to the total potential payments which would have been made to the Named Executive Officers in the event of termination of their employment with the Company, including in the event of a change of control, effective March 31, 2013, the last business day of fiscal year 2013.

**Employment Agreements – Fiscal Year 2013 Active Named Executive Officers.** The Named Executive Officers are each a party to an employment agreement with the Company. If we terminate any of the Named Executive Officers employment without cause, he will receive his base salary and applicable health benefits for 12 months and his target annual incentive following termination. If the Company changes his position such that his compensation or responsibilities are substantially lessened, or, for Mr. Civils, if he is required to relocate more than 50 miles away, he may terminate his employment within 30 days of the change in position and will receive his severance benefits. If he is terminated for cause or voluntarily terminates his employment for any reason other than a change in position, he is prohibited for a one-year period following termination (the Noncompetition Period) from being employed by, owning, operating, controlling, or being connected with any

business that competes with the Company. If any of these executives is terminated without cause or terminates his employment due to change in position, we may, in our sole discretion, elect to pay his severance benefits for all or any part of the Noncompetition Period, which payments are in lieu of the severance payments and benefits coverage described above and, so long as we make such payments, he will be bound by the non-competition provisions described above. Each executive's agreement also contains an indefinite non-disclosure provision for the protection of the Company's confidential information and one-year non-solicitation and non-compete provisions. For each of Messrs. Dennedy and Badger, if there is a change of control within two years after April 1, 2012, and October 31, 2011, respectively, (the dates of their employment agreement), and within the same two-year period his employment with the Company or its successor is terminated without cause, then he will be paid severance equal to two years of each of his base salary and target annual incentive.

### Termination and Change of Control

	James	Robert	Kyle	Paul	Larry
<b>Voluntary Termination or Termination for Cause \$(1)</b>	<b>Dennedy</b>	<b>Ellis</b>	<b>Badger</b>	<b>Civils</b>	<b>Steinberg</b>
Base and Incentive					
Accelerated Vesting					
<b>Termination without Cause or by Employee for Change in Position \$(1)</b>					
Base & Incentive	750,000	525,000	375,000	403,000	360,000
Health Insurance (2)	12,955	13,149	12,955	8,714	11,015
Accelerated Vesting					
Total	762,955	538,149	387,955	411,714	371,015
<b>Change of Control \$(3)</b>					
Base & Incentive	1,500,000		750,000		
Health Insurance					
Accelerated Vesting/SSARs (4)	129,540	38,775	26,717	43,777	15,179
Accelerated Vesting/Stock (4)	337,552	129,419	90,871	112,074	558,300
Total	1,967,092	168,194	867,588	155,851	573,479
<b>Death or Disability \$(5)</b>					
Accelerated Vesting/SSARs (4)	129,540	38,775	26,717	43,777	15,179
Accelerated Vesting/Stock (4)	337,552	129,419	90,871	112,074	558,300
Total	467,092	168,194	117,588	155,851	573,479

- (1) Cause is defined as (i) breach of employment agreement or any other duty to the Company, (ii) dishonesty, fraud, or failure to abide by the published ethical standards, conflicts of interest, or material breach of Company policy, (iii) conviction of a felony crime or crime involving misappropriation of money or other Company property, (iv) misconduct, malfeasance, or insubordination, or (v) gross failure to perform (not including failure to achieve quantitative targets). Mr. Dennedy has 30 days to cure a breach of his employment agreement, any duty to the Company, or a material breach of Company policy. A change in position is the substantial lessening of compensation or responsibilities or, for Mr. Civils, the requirement to relocate to a facility more than 50 miles away. After a change in position, the executive has 30 days to notify the Company of his termination of employment. A voluntary termination includes death, disability, or legal incompetence.
- (2) Health Insurance consists of health care and dental care benefits. The amount reflects 12 months of benefits for the Named Executive Officers that participate in the Company's plans. These benefits have been calculated based on actual cost to us for fiscal year 2013.
- (3) Messrs. Dennedy and Badger are the only Named Executive Officers with change of control provisions.
- (4) SSARs and restricted shares vest upon a change of control. For SSARs (except as qualified below) the value of accelerated vesting is calculated using the closing price of \$9.94 per share on March 28, 2013 less the exercise price per share for the total number of SSARs accelerated. The potential payment from the

accelerated SSARs includes only the proceeds from the exercise of SSARs with an exercise price less than \$9.94 since there would be no proceeds upon the exercise of underwater SSARs. The value of restricted shares upon vesting reflects that same \$9.94 closing price. Values represent potential vesting under a hypothetical change of control situation on March 31, 2013.

(5) All SSARs and restricted shares vest upon death or disability.

## PROPOSAL 2

### ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and SEC rules require us to allow our shareholders to vote, on a non-binding, advisory basis, on whether to approve the compensation of our Named Executive Officers as disclosed in this Proxy Statement, in accordance with the SEC's compensation disclosure rules. As described more fully in our CD&A section of this Proxy Statement, our compensation programs applicable to our Named Executive Officers are designed to retain executives who can significantly contribute to our success, reward the achievement of specific annual and long-term goals and strategic objectives, and tie a significant portion of compensation to the long-term performance of our shares to align executive pay and shareholders' interests. The Compensation Committee continually reviews the compensation programs for our Named Executive Officers to ensure the alignment of our executive compensation structure with our shareholders' interests and market practices. As a result of this review, the Compensation Committee:

Established minimal base salary increases for fiscal year 2013;

Focused annual incentives on significant improvements over fiscal year 2012 results; and

Structured long-term incentives to reward increases in shareholder value.

We are asking shareholders to approve our Named Executive Officers' compensation as described in this Proxy Statement. Currently, we ask shareholders to vote on such compensation annually. This vote is not intended to address any specific item of compensation, but rather the overall compensation, and the philosophy, objectives, and structure applicable to such compensation. This advisory vote is not binding on the Company, the Compensation Committee, or our board of directors; however, we value the opinions of our shareholders and to the extent there is any significant vote against this proposal, we will consider our shareholders' concerns and evaluate whether any actions are necessary to address those concerns. Accordingly, we are asking our shareholders to vote **FOR** the following resolution at the annual meeting:

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis and the discussion under Executive Compensation, including the 2013 compensation tables and the related disclosure and narratives to those tables.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR PROPOSAL 2. PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED FOR PROPOSAL 2 UNLESS THE SHAREHOLDER SPECIFIES OTHERWISE ON THE PROXY CARD.**

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of March 31, 2013.

	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</b>
Equity compensation plans approved by shareholders (2000 Stock Option Plan for Outside Directors and 2000, 2006, and 2011 Stock Incentive Plans)	1,432,619	\$ 10.92	3,004,302
Equity compensation plans not approved by shareholders			
Total	1,432,619	\$ 10.92	3,004,302

**AUDIT COMMITTEE REPORT**

The Audit Committee oversees the Company's financial reporting process on behalf of the board of directors. The Audit Committee's activities are governed by a written charter adopted by the board of directors, the Amended and Restated Audit Committee Charter, which is available at the Company's website [www.agilysys.com](http://www.agilysys.com). The Audit Committee currently consists of three directors, all of whom are independent in accordance with the rules of the NASDAQ Stock Market, Section 10A(m) of the Securities Exchange Act of 1934, and the rules and regulations of the SEC. The Board has determined that Directors Robert A. Lauer and John Mutch each qualify as an audit committee financial expert as defined by the SEC.

Management has the primary responsibility for the Company's financial statements and the reporting process, including the system of internal controls over financial reporting. PricewaterhouseCoopers LLP (PwC), the Company's independent registered public accounting firm, audits the annual financial statements prepared by management and expresses an opinion on whether those financial statements conform with United States generally accepted accounting principles, and also audits the internal controls over financial reporting and management's assessment of those controls. The Audit Committee hires the Company's independent registered public accounting firm and monitors these processes.

In carrying out its responsibilities, the Audit Committee has reviewed and has discussed with the Company's management the Company's 2013 audited financial statements. Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with United States generally accepted accounting principles. In addition, the Audit Committee discussed with the Company's financial management and independent registered public accounting firm the overall scope and plans for the audit. The Audit Committee also met with the independent registered public accounting firm, with and without management present, to discuss the results of the audit, their evaluation of the Company's internal controls over financial reporting, including both the design and usefulness of such internal controls, and the overall quality of the Company's financial reporting.

The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor's Communication With Those Charged With Governance.

The Audit Committee has also received annual written disclosures from PwC regarding their independence from the Company and its management as required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee.

concerning independence, has discussed with the independent registered public accounting firm their independence, and has considered the compatibility of non-audit services with the registered public accounting firm's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the board of directors that the Company's 2013 audited financial statements be included in the Company's 2013 Annual Report and Form 10-K for the fiscal year ended March 31, 2013.

**Submitted by the Audit Committee of the Board of Directors as of June 4, 2013**

**Robert A. Lauer, Chairman**

**Jerry Jones**

**John Mutch**

### **PROPOSAL 3**

#### **RATIFICATION OF APPOINTMENT OF**

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

By NASDAQ and SEC rules, appointment of the Company's independent registered public accounting firm (Independent Accountant) is the direct responsibility of the Audit Committee, and the Audit Committee has appointed PwC as our Independent Accountant for the fiscal year ending March 31, 2014.

Shareholder ratification of the selection of PwC as our Independent Accountant is not required by our Amended Code of Regulations or otherwise; however, the board of directors has determined to seek shareholder ratification of that selection to provide shareholders an avenue to express their views on this important matter. If our shareholders fail to ratify the selection, the Audit Committee will seek to understand the reasons for the vote against ratification and will take those views into account in this and future appointments. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different Independent Accountant at any time during the year if it is determined that such a change would be in the best interests of the Company and our shareholders. Representatives of PwC are expected to be present at the Annual Meeting and be available to respond to appropriate questions.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF PWC AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED FOR PROPOSAL 3 UNLESS THE SHAREHOLDER SPECIFIES OTHERWISE ON THE PROXY CARD.**

The Audit Committee reviewed the fees of Ernst & Young LLP (E&Y), our Independent Accountant for first two quarters of fiscal year 2012, and of PwC, our Independent Accountant for fiscal year 2013 and the third quarter and year-end of fiscal year 2012. Fees for services rendered by E&Y and PwC for fiscal years 2013 and 2012 were:

	<b>Audit</b>	<b>Audit-Related</b>	<b>Tax</b>	<b>All Other</b>
<b>Fiscal Year</b>	<b>Fees (\$)</b>	<b>Fees (\$)</b>	<b>Fees (\$)</b>	<b>Fees (\$)</b>
2013	633,400	103,000		
2012	1,166,869	151,530	46,239	

Audit Fees consist of fees billed for professional services provided for the annual audit of our financial statements, annual audit of internal control over financial reporting, review of the interim financial statements included in quarterly reports, and services that are normally provided in connection with statutory and regulatory filings. Audit-Related Fees generally include fees for employee benefits plan audits, business acquisitions, and accounting consultations. Tax Fees include tax compliance and tax advice services. All Other Fees generally relate to services provided in connection with non-audit acquisition activities.

The Audit Committee adopted an Audit and Non-Audit Services Pre-Approval Policy (the Policy) to ensure compliance with SEC and other rules and regulations relating to auditor independence, with the goal of safeguarding the continued independence of our independent registered public accounting firm (Independent Accountant). The Policy sets forth the procedures and conditions pursuant to which audit, review, and attest services and non-audit services to be provided to the Company by the our Independent Accountant may be pre-approved. The Audit Committee is required to pre-approve the audit and non-audit services performed by our Independent Accountant to assure that the provision of such services does not impair independence. Unless a type of service to be provided has received pre-approval as set forth in the Policy, it will require separate pre-approval by the Audit Committee before commencement of the engagement. Any proposed service that has received pre-approval but which will exceed pre-approved cost limits will require separate pre-approval by the Audit Committee. All audit, non-audit, and tax services were pre-approved by the Audit Committee during fiscal years 2013 and 2012.

#### **RELATED PERSON TRANSACTIONS**

All related person transactions with the Company require the prior approval of or ratification by our Audit Committee. The board of directors adopted Related Person Transaction Procedures to formalize the procedures by which our Audit Committee reviews and approves or ratifies related person transactions. The procedures set forth the scope of transactions covered, the process for reporting such transactions, and the review process. Covered transactions include any transaction, arrangement, or relationship with the Company in which any director, executive officer, or other related person has a direct or indirect material interest, except for business travel and expense payments, share ownership, and executive compensation approved by the board of directors. Transactions are reportable to the Company's General Counsel, who will oversee the initial review of the reported transaction and notify the Audit Committee of transactions within the scope of the procedures, and the Audit Committee will determine whether to approve or ratify the transaction. Through our Nominating Committee, we make a formal yearly inquiry of all of our executive officers and directors for purposes of disclosure of related person transactions, and any such newly revealed related person transactions are conveyed to the Audit Committee. All officers and directors are charged with updating this information with our internal legal counsel.

#### **OTHER MATTERS**

The Board is not aware of any matter to come before the annual meeting of shareholders other than those mentioned in the accompanying Notice. If other matters properly come before the annual meeting, the persons named in the accompanying proxy card intend, to the extent permitted by law, to vote using their best judgment on such matters.

#### **SHAREHOLDER PROPOSALS**

Shareholders who, in accordance with SEC Rule 14a-8, wish to present proposals for inclusion in the proxy materials to be distributed in connection with the 2014 Annual Meeting of Shareholders must submit their proposals so that they are received by our Secretary at our Alpharetta office, located at 1000 Windward Concourse, Suite 250, Alpharetta, Georgia 30005, no later than the close of business on June 19, 2014. However, we intend to hold our 2014 Annual Meeting in July 2014, and we expect to publish in a forthcoming Quarterly Report on Form 10-Q a new deadline for the receipt of shareholder proposals that will be a reasonable time before we begin to print and send our proxy materials for the 2014 Annual Meeting. Each proposal submitted should be accompanied by the name and address of the shareholder submitting the proposal and the number of common shares owned. If the proponent is not a shareholder of record, proof of beneficial ownership should also be submitted. All proposals must be a proper subject for action and comply with the proxy rules of the SEC.

In order for a shareholder to bring a matter properly before the 2014 Annual Meeting present (other than a matter brought pursuant to SEC Rule 14a-8), the shareholder must comply with the requirements set forth in our Regulations, including: (i) be a shareholder of record at the time notice of the matter is given and at the time of

the meeting, (ii) be entitled to vote at the meeting, and (iii) have given timely written notice of the matter to the Secretary. A shareholder's notice of a matter the shareholder wishes to present at the 2014 Annual Meeting (other than a matter brought pursuant to SEC Rule 14a-8), must be received by our Secretary at our Alpharetta office, located at 1000 Windward Concourse, Suite 250, Alpharetta, Georgia 30005, no earlier than June 17, 2014, and no later than July 19, 2014. However, if we advance the date of the 2014 Annual Meeting more than thirty (30) days prior to the anniversary of the 2013 Annual Meeting, then, to be timely, a shareholder's notice must be received not later than the close of business on the later of the ninetieth (90th) day prior to the 2014 Annual Meeting or the tenth calendar day following the day on which public disclosure of the date of the 2014 Annual Meeting is first made. For example, if we hold our 2014 Annual Meeting on July 30, 2014, and publicly disclose this date in February 2014, any notice given by a shareholder pursuant to our Regulations (and not pursuant to SEC Rule 14a-8) must be received no later than May 1, 2014.

**Any shareholder entitled to vote at the Annual Meeting on November 20, 2013 may make a request in writing and we will mail, at no charge, a copy of our 2013 Annual Report, including the financial statements and schedules required to be filed with the SEC pursuant to Rule 13a-1 under the Exchange Act, for the most recent fiscal year. Written requests should be directed to Agilysys, Inc., Attn: Investor Relations, 1000 Windward Concourse, Suite 250, Alpharetta, Georgia 30005.**

**Please sign and return your proxy card promptly, or vote via the Internet or telephone. For your convenience a return envelope is enclosed requiring no additional postage if mailed in the United States.**

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Proxy Statement and other publicly available documents, including the documents incorporated herein and therein by reference, contain, and our officers and representatives may from time to time make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: anticipate, intend, plan, goal, seek, believe, project, estimate, expect, strategy, future, likely, may, should, will and similar references to future events or results. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions, or beliefs and are subject to a number of factors, assumptions, and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include the risk factors set forth in Item 1A of our Annual Report for the fiscal year ended March 31, 2013. We undertake no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events, or otherwise.

## Electronic Voting Instructions

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 am Eastern Time on November 20th, 2013.**

### Vote by Internet

Go to [www.investorvote.com/AGYS](http://www.investorvote.com/AGYS)

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

### Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas.

X

q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

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**Proposals** The Board of Directors recommends a vote FOR all the nominees listed in Proposal 1 and FOR Proposals 2 and 3.

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## Edgar Filing: AGILYSYS INC - Form DEF 14A

If cumulative voting is in effect, the Proxy holders intend to cumulate votes for the election of all or any one or more of the Board of Directors nominees, Max Carnecchia, R. Andrew Cueva, Keith M. Kolerus and Peter F. Sinisgalli. THIS PROXY CARD GIVES THE PROXY HOLDERS FULL DISCRETIONARY AUTHORITY TO VOTE CUMULATIVELY AND TO ALLOCATE VOTES AMONG MESSRS. CARNECCHIA, CUEVA, KOLERUS AND SINISGALLI, UNLESS AUTHORITY TO VOTE FOR ANY OF THEM IS WITHHELD, IN WHICH CASE NO VOTES REPRESENTED BY THIS PROXY CARD WILL BE CAST FOR ANY DIRECTOR FOR WHOM AUTHORITY TO VOTE IS SO WITHHELD.

### 1. ELECTION OF FOUR CLASS A MEMBERS OF THE BOARD OF DIRECTORS TO HOLD OFFICE FOR A TWO-YEAR TERM EXPIRING AT THE 2015 ANNUAL MEETING;

01 Max Carnecchia	02 R. Andrew Cueva	03 Keith M. Kolerus	04 Peter F. Sinisgalli	<b>For    Against    Abstain</b>
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.. Mark here to **WITHHOLD** vote from all nominees.

2. Approval, on a non-binding advisory basis, the compensation of our named executive officers set forth in the attached Proxy Statement.

..      ..      ..

\*\* Mark here to vote **FOR** all nominees.

..      ..      ..

.. **For All Nominees EXCEPT** - To withhold a vote for one or more nominees, mark the box to the left and the numbered box(es) to the right corresponding to the director(s) listed above.

..    ..    ..    ..

3. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2014.

4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournments thereof.

### **B** Non-Voting Items

**Change of Address** Please print new address below.

### **C** Authorized Signatures    This section must be completed for your vote to be counted.    Date and Sign Below

Please sign exactly as your name appears above. If signing as attorney, executor, administrator, trustee or guardian, please give full title as such; and if signing for a corporation, please give your title. When shares are in the names of more than one person, each must sign.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

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q PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

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**Proxy Card   Agilysys, Inc.   Annual Meeting of Shareholders   November 20, 2013**

**This proxy is solicited on behalf of the Board of Directors**

The undersigned hereby appoints James H. Dennedy, Keith M. Kolerus and Kyle C. Badger, and each of them, as proxy holders and attorneys, with full power of substitution, to appear and vote all of the Common Shares of Agilysys, Inc. which the undersigned shall be entitled to vote at the Annual Meeting of Shareholders of Agilysys, to be held on Wednesday, November 20, 2013 at the Breakers Palm Beach, One South County Road, Palm Beach, Florida 33480 at 8:30 a.m., local time, and at any adjournments thereof, hereby revoking any and all proxies heretofore given.

**When properly executed, this proxy will be voted in the manner directed by the signed shareholder(s); if no direction is made, this proxy will be voted FOR all nominees in proposal 1 and FOR proposals 2 and 3.**

**PLEASE COMPLETE, DATE AND SIGN THIS PROXY CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to be held on November 20, 2013:** The Notice of Annual Meeting of Shareholders and Proxy Statement are available on our website at [www.agilysys.com](http://www.agilysys.com).

**(Continued and to be signed on reverse side)**