AGILYSYS INC
Form PRER14A
February 10, 2009

Table of Contents

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 (Amendment No. 1)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

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

þ No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Table of Contents

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AGILYSYS, INC.

28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

February , 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Agilysys, Inc., which will be held at 8:00 a.m., local time, on Thursday, March 26, 2009, at the Company s headquarters at 28925 Fountain Parkway, Solon, Ohio 44139. Your Board of Directors and management look forward to greeting personally those shareholders able to attend.

The matters to be addressed at the meeting include the election of three Class B Directors and ratification of the appointment of Ernst & Young LLP by the Company as its independent registered public accounting firm.

It is important that your shares are represented and voted at the meeting, whether or not you plan to attend. Accordingly, please sign, date and mail the enclosed WHITE proxy card, in the envelope provided, at your earliest convenience.

Thank you for your cooperation and continued support.

/s/ KEITH M. KOLERUS
Keith M. Kolerus
Chairman of the Board

Preliminary Copy

TABLE OF CONTENTS

Table of Contents

AGILYSYS, INC.

28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders (the Annual Meeting) of Agilysys Inc. (the Company), will be held at the Company s headquarters at 28925 Fountain Parkway, Solon, Ohio, 44139, on Thursday March 26, 2009, at 8:00 a.m., local time, for the following purposes:

1. To elect three Class B members of the Board of Directors of the Company to hold office for a term expiring in 2011;

2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm; and

3. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Only shareholders of record at the close of business on February , 2009 are entitled to notice of the Annual Meeting and to vote at the Annual Meeting.

The Board of Directors intends to nominate for election as Directors the three (3) persons named in Proposal No. 1 in the Proxy Statement accompanying this Notice, each of whom is currently serving as a Director of the Company. Please note that certain entities affiliated with Ramius Advisors, LLC (the Ramius Group) have provided notice that they intend to nominate their own slate of three (3) nominees for election as Directors at the Annual Meeting and solicit proxies for use at the Annual Meeting to vote in favor of their own slate in opposition to all of the nominees named in Proposal No. 1. We do not endorse the election of any of the Ramius Group s nominees as Director. You may receive proxy solicitation materials from the Ramius Group or other persons or entities affiliated with them, including an opposition proxy statement and proxy card. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD S NOMINEES ON THE ENCLOSED WHITE PROXY CARD, AND URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE RAMIUS GROUP. Even if you have previously signed a proxy card sent by the Ramius Group, you have the right to change your vote by using the enclosed WHITE proxy card to vote by telephone, by Internet or by signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope provided. Only the latest dated proxy you submit will be counted. We urge you to disregard any proxy card sent to you by the Ramius Group or any person other than Agilysys, Inc.

By Order of the Board of Directors.

Lawrence N. Schultz
Secretary
February , 2009

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on March 26, 2009.

The Proxy Statement and Annual Report to Shareholders are available at
http://www.Agilysys.com/ProxyMaterials.

Preliminary Copy

AGILYSYS, INC.

28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

Mailed to Shareholders on or about February , 2009

PROXY STATEMENT

Annual Meeting of Shareholders to be held on March 26, 2009

The WHITE proxy card enclosed with this Proxy Statement is solicited by the Board of Directors of Agilysys, Inc. (the Company), and is to be used at the Annual Meeting of Shareholders (the Annual Meeting) to be held on March 26, 2009, and any adjournments of the Annual Meeting. The time, place and purposes of the Annual Meeting are stated in the Notice of Annual Meeting of Shareholders which is provided with this Proxy Statement. Without affecting any vote previously taken, a shareholder may revoke his, her or its Proxy by giving notice to the Company in writing at any time before the Proxy s exercise or in the open meeting. Unless so revoked, shares represented by a valid Proxy (in the form enclosed and properly signed) received in time for voting will be voted according to the directions given in the Proxy.

The holders of Common Shares of the Company (the only class of shares outstanding) can vote at the Annual Meeting. At the close of business on February , 2009 the date fixed for purpose of determining which shareholders can vote there were [22,672,040] Common Shares outstanding and entitled to vote at the Annual Meeting, each share being entitled to one vote. Under Ohio law and the Company s Amended Code of Regulations, if a quorum is present at the Annual Meeting, the three nominees for election as Directors will be elected as Directors if they receive the greatest number of votes cast for the election of Directors at the Annual Meeting by the holders of Common Shares present in person or represented by Proxy and entitled to vote (Proposal 1). Abstentions and broker non-votes will count as votes present for purposes of determining whether a quorum is present at the Annual Meeting. Abstentions and broker non-votes will have no effect on Proposal 1. By Nasdaq and SEC rule, appointment of the Company s independent auditor is the direct responsibility of the Company s Audit Committee. The Company s Board of Directors has determined, however, to seek shareholder ratification of that selection as a good practice to provide shareholders an avenue to express their views on this important matter. If the affirmative vote of a majority of the shareholders voting fail to ratify the appointment by the Company of Ernst & Young LLP (Proposal 2), the Audit Committee will seek to understand the reasons for such failure and will take those views into account in this and future appointments. Even if the current selection is ratified by shareholders, the Audit Committee reserves to itself the right to appoint a different independent auditor at any time during the year if the Audit Committee determines that such change would be in the best interests of the Company and its shareholders.

If not less than 48 hours before the start time of the Annual Meeting any shareholder gives written notice to the Chief Executive Officer, a Senior Vice President or the Secretary of the Company that he, she or it wants the voting for the election of Directors to be cumulative, the shareholder giving notice or a representative of that shareholder, the Chairman or the Secretary will make an announcement about such notice at the start of the Annual Meeting. Cumulative voting means that each shareholder may cumulate his, her or its voting power for the election by distributing a number of votes, determined by multiplying the number of Directors to be elected in this meeting times the number of the shareholder s Common Shares. The shareholder may distribute all of the votes to one individual

Director nominee, or distribute his, her or its votes among two or more Director nominees, as the shareholder chooses. As of the date of this Proxy Statement, neither the Ramius Group (as hereinafter defined) nor any other shareholder has notified us of its intention for voting to be cumulative. The Ramius Group has indicated, however, in its revised preliminary proxy statement relating to the Annual Meeting that it intends to give notice that it wants cumulative voting used at the Annual Meeting for the election of Directors. If the Company receives such a notice, it will advise shareholders that cumulative voting will be in effect for the Annual Meeting.

The Company has received notice from certain entities affiliated with Ramius Advisors, LLC, namely, Ramius Value and Opportunity Master Fund Ltd, Parche, LLC, Ramius Enterprise Master Fund Ltd, RCG PB, Ltd., Ramius Advisors, LLC, RCG Starboard Advisors, LLC, Ramius LLC, C4S & Co., L.L.C., Peter A. Cohen, Morgan B. Stark, Thomas W. Strauss, Jeffrey M. Solomon, John Mutch, Steve Tepedino and James Zierick (collectively, the Ramius Group) of their intention to nominate three (3) nominees (collectively, the Ramius Nominees) for election to the Company s Board of Directors at the Annual Meeting.

The Ramius Nominees are not endorsed by the Company s Board of Directors. We urge shareholders NOT to vote any proxy card that you may receive from the Ramius Group. The Company s Board of Directors urges you to vote the enclosed WHITE proxy card FOR ALL of our nominees for Director: Thomas A. Commes, R. Andrew Cueva and Howard M. Knicely.

The Company is not responsible for the accuracy of any information provided by or relating to the Ramius Group contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the Ramius Group or any other statements that the Ramius Group may otherwise make. The Ramius Group will choose which shareholders receive the Ramius Group s proxy solicitation materials.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this Proxy Statement that does not relate to historical information may be deemed to constitute forward-looking statements. The words or phrases will likely result, are expected to, will continue, is anticipated, estimate, project, believe or similar expressions identify forward-looking statements within the meani of Section 27A of the Securities Act of 1933 (the Securities Act), Section 21E of the Securities Exchange Act of 1934 (the Exchange Act) and the Private Securities Litigation Reform Act of 1995. This Proxy Statement contains forward-looking statements with respect to the strategic direction, plans, objectives, future performance and business of Agilysys and its subsidiaries, the markets and industry in which our businesses participate. Because such statements are subject to risks and uncertainties, actual results may differ materially from historical results and those presently anticipated or projected. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date hereof. Neither Agilysys nor any of its subsidiaries undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Background of Discussions with the Ramius Group

On May 12, 2008, members of the Company s management team, including Martin Ellis, met with members of the Ramius Group to discuss matters relating to the Company, including the potential nomination of directors to the Company s Board of Directors by the Ramius Group. On May 15, 2008, Mr. Ellis and others at the Company held a conference call with members of the Ramius Group to negotiate a letter agreement to extend the Company s discretionary voting deadline in connection with the Annual Meeting with respect to proposals submitted by the Ramius Group (the Letter Agreement), and on May 16, 2008, the Ramius Group and the Company entered into the Letter Agreement.

On May 20, 2008, members of the Company s management team held a conference call with members of the Ramius Group to discuss candidates proposed by Ramius to be appointed to the Board and certain other issues, including the

Ramius Group s desire to reconfigure the composition of the Board. Thereafter, on May 21, 2008, the Ramius Group sent a letter to the Company s Board asking the Company to broaden the scope of the Company s engagement with its financial advisor to assist the Board in reviewing strategic alternatives, including divesting the Company s hospitality business, divesting the Company s retail business, significantly reducing corporate overhead or selling the Company to a strategic or financial buyer. In its letter, the Ramius Group also asked the Company s Board to meet and interview the Ramius Group s potential Board appointees.

On May 23, 2008, the Company and the Ramius Group held a conference call to negotiate a letter agreement to further extend the Company s discretionary voting deadline in connection with the Annual Meeting, and on May 30, 2008, the Ramius Group and the Company entered into a letter agreement that superseded, in all respects, the Letter Agreement and further extended the Company s discretionary voting deadline in connection with the Annual Meeting with respect to proposals submitted by the Ramius Group (the May 30 Letter Agreement).

On June 5, 2008, Messrs. Robert Bailey and Peter Coleman of the Company met with members of the Ramius Group at the Company s Boca Raton offices to give members of the Ramius Group the opportunity to gain a better understanding of the Company s individual businesses. On June 13, 2008, the Company and the Ramius Group entered into a letter agreement that superseded, in all respects, the May 30 Letter Agreement and further extended the Company s discretionary voting deadline in connection with the Annual Meeting with respect to proposals submitted by the Ramius Group. During this time, Company representatives participated in a number of conference calls with members of the Ramius Group to discuss possible settlement options, including an offer by the Company to appoint a principal of the Ramius Group to the Board.

On June 20, 2008, as part of the ongoing conversations, the Ramius Group delivered a letter to the Company nominating John Mutch, Steve Tepedino and James Zierick for election as directors on the Company s Board. On June 25, 2008, the Company issued a press release in which it announced that the Board had formed a special committee of five Directors to oversee an evaluation of the Company s strategic alternatives.

On October 10, 2008, the Ramius Group issued a public letter to the Board concerning the Ramius Group s views about the Company s performance, and expressing its desire for the prompt completion of the Company s strategic alternatives review process. On October 22, 2008, the Company announced that the Board had completed its review of strategic alternatives with the assistance of JPMorgan and, as a result of the review, had concluded that the best course of action to maximize shareholder value is to remain as an independent company, realign its cost and overhead structure, and drive value creation.

On October 28, 2008 members of the Ramius Group met with Mr. Ellis and Mr. Curtis Stout, treasurer and a vice president of the Company, to discuss matters relating to the Company s performance. On November 12, 2008, the Ramius Group filed preliminary proxy materials with the Securities and Exchange Commission in which it proposed its three nominees for election as Directors of the Company. On November 17, 2008, the Company s Chairman of the Board of Directors, Mr. Kolerus, and Mr. Stout met with members of the Ramius Group. The Company and the Ramius Group have since engaged in a number of discussions regarding, among other things, recent management changes at the Company, the current restructuring that is taking place at the Company, the Board s perspective on the Company s position in the market-place and the Company s desire to resolve the Ramius Group s issues with the Company.

The Company has attempted and continues to attempt to negotiate a reasonable, cost-effective resolution of the Ramius Group s proxy process without engaging in a costly proxy contest. As a result of these discussions to date, the Company s Nominating and Corporate Governance Committee has reviewed each of the three candidates proposed by the Ramius Group and, based upon the Company s prudent and customary corporate governance and conflict of interest policies, has indicated that two of the three candidates are qualified and acceptable. Subject to final interviews, the Nominating and Corporate Governance Committee has indicated its willingness to recommend and support these two candidates for election to the Company s Board at, prior to or after the Company s 2009 Annual Meeting to fill anticipated vacancies on the Board. The Nominating and Corporate Governance Committee also has offered to similarly consider and recommend alternative candidates if the Ramius Group desires. The Ramius Group and the Company have discussed filling two Board positions in exchange for a standstill agreement with the Ramius Group through the Company s 2010 fiscal year ending March 31, 2010.

Despite a proposal by the Company to invite two of the Ramius Group s three nominees to join the Company s Board, the Ramius Group has insisted on continuing its proxy solicitation. After waiting as long as it deemed appropriate to file its preliminary proxy materials in the hopes that a settlement might be reached with the Ramius Group, the Company filed its preliminary proxy materials on January 28, 2009. On February 5, 2009, the Company issued a press release in which it reiterated its desire to work cooperatively with the Ramius Group to address the Ramius Group s concerns while also avoiding a proxy contest.

Table of Contents

SHARE OWNERSHIP

The following table shows the number of Common Shares of the Company beneficially owned by each current Director of the Company and Director nominee; the Chief Executive Officer and each of the current and former Executive Officers of the Company named in the Summary Compensation Table below; all Directors and Executive Officers as a group; persons known to the Company to own beneficially in excess of 5% of the total outstanding Common Shares; and the percent of the class so owned as of January 20, 2009 unless otherwise indicated.

Name	Number of Common Shares Beneficially Owned(1)	Percent of Class
Directors and Director Nominees (Excluding Executive and Named Officers)(2)		
Charles F. Christ	55,720(3)	.2
Thomas A. Commes	90,714(4)	.4
R. Andrew Cueva	2,422,932(5)	10.7
Howard V. Knicely	49,214(6)	.2
Keith M. Kolerus	57,714(7)	.3
Robert A. Lauer	60,714(8)	.3
Robert G. McCreary, III	82,491(8)	.4
Eileen M. Rudden	13,200	*
Executive (Named) Officers(2)		
Martin F. Ellis	316,248(9)	1.4
Richard A. Sayers, II	367,327(10)	1.6
All Directors and Executive Officers as a group (10 persons)	1,529,288(11)	6.6
Named Officers(2)		
Arthur Rhein	761,735(12)(13)	3.3
Robert J. Bailey	171,272(14)	*
Peter J. Coleman	128,478(14)	*
Other Persons		
Dimensional Fund Advisors L.P. 1299 Ocean Ave., 11th Floor Santa Monica, California 90401	2,603,777(15)	11.4
MAK Capital One, LLC et al. 6100 Red Hook Quarter, 18B, Suites C, 1-6 St. Thomas, VI 00802	4,047,281(16)	17.9
Goodwood, Inc. 212 King Street West, Suite 201 Toronto, ON, Canada M5H 1K5	1,968,260(17)	8.7
Barclays Global Investors, NA 45 Fremont Street San Francisco, California 94105	1,414,537(18)	6.2
Ramius LLC et al. 599 Lexington Avenue, 20th Floor New York, New York 10022	2,942,994(19)	13

* Shares owned are less than one-tenth of one percent of class.

(1) Except where otherwise indicated, beneficial ownership of the Common Shares held by the persons listed in the table above comprises both sole voting and dispositive power, or voting and dispositive power that is shared with the spouses of such persons.

Table of Contents

(2) The address of each Director and Executive Officer is 28925 Fountain Parkway, Solon, Ohio 44139.

(3) Includes 37,500 Common Shares which the Director had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to the Director under the 1999 and 2000 Stock Option Plans for Outside Directors, and the 2000 Stock Incentive Plan.

(4) Includes 52,500 Common Shares which the Director had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to the Director under the 1999 and 2000 Stock Option Plans for Outside Directors, and the 2000 Stock Incentive Plan.

(5) Comprised entirely of Common Shares beneficially owned by MAK Capital Fund L.P. Mr. Cueva may be deemed to share beneficial ownership in Common Shares that MAK Capital Fund L.P. may be deemed to beneficially own. However, Mr. Cueva disclaims beneficial ownership of the Common Shares, except to the extent of his pecuniary interest in MAK Capital Fund L.P. s interest in such Common 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 Common Shares.

(6) Includes 30,000 Common Shares which the Director had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to the Director under the 2000 Stock Option Plan for Outside Directors and the 2000 Stock Incentive Plan.

(7) Includes 22,500 Common Shares which the Director had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to the Director under the 1999 and 2000 Stock Option Plans for Outside Directors, and the 2000 Stock Incentive Plan.

(8) Includes 37,500 Common Shares which the Director had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to Directors under the 2000 Stock Option Plan for Outside Directors and the 2000 Stock Incentive Plan.

(9) Includes (i) 177,000 Common Shares which Mr. Ellis had the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to him under the 2000 Stock Incentive Plan; and (ii) 58,000 restricted Common Shares which Mr. Ellis was granted under the 2006 Stock Incentive Plan, as to which Mr. Ellis has sole voting power, but no dispositive power until such shares have become vested.

(10) Includes (i) 254,300 Common Shares which Mr. Sayers had the right as a result of Mr. Sayer s eligibility for early retirement to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to him under the 1991 Stock Option Plan and the 2000 Stock Incentive Plan; and (ii) 46,400 restricted Common Shares which Mr. Sayers was granted under the 2006 Stock Incentive Plan, as to which Mr. Sayers has sole voting power, but no dispositive power until such shares have become vested. The Company defines eligibility for early retirement as the attainment of 55 years of age and 7 years of continuous service.

(11) The number of Common Shares shown as beneficially owned by the Company s Directors and Executive Officers as a group includes (i) 664,900 Common Shares which such persons have the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to them under the 1991 Stock Option Plan, the 2000 Stock Incentive Plan, the 1995 Stock Option Plan for Outside Directors, the 1999 Stock Option Plan for Outside Directors and the 2000 Stock Option Plan for Outside Directors; and (ii) 104,400 restricted Common Shares granted under the 2006 Stock Incentive Plan, as to which participants have sole voting power, but no dispositive power until such shares have become vested.

(12) On October 20, 2008, Mr. Rhein retired from the Company. Includes 500,000 Common Shares that Mr. Rhein has the right to acquire within 60 days of January 20, 2009, through the exercise of stock options granted to him under the 2000 Stock Incentive Plan.

(13) Includes 97,175 Common Shares that Mr. Rhein has pledged as security pursuant to a brokerage margin account.

(14) On October 21, 2008, the employment of Mr. Bailey and Mr. Coleman was terminated.

(15) As reported on a Schedule 13G/A dated March 5, 2008.

(16) As reported on a Schedule 13D dated July 1, 2008.

(17) As reported on a Schedule 13G/A dated February 15, 2008.

(18) As reported on a Schedule 13G dated February 5, 2008.

(19) As reported on a Schedule 13D/A dated October 10, 2008. Ramius, LLC et. al filed a Schedule 13D/A with the SEC on October 10, 2008 indicating that, as of October 9, 2008: (A) Ramius Value and Opportunity Master Fund, Ltd had sole voting and dispositive power with respect to 2,342,130 Common Shares; (B) each of Parche, LLC and Ramius Enterprise Master Fund Ltd had sole voting and dispositive power with respect to 323,761 Common Shares; (C) RCG PB, Ltd. had sole voting and dispositive power with respect to 277,103 Common Shares; (D) Ramius Advisors, LLC had sole voting and dispositive power with respect to 600,864 Common Shares; (E) RCG Starboard Advisors, LLC had sole voting and dispositive power with respect to 2,665,891 Common Shares; (F) each of Ramius LLC and C4S & Co., L.L.C. had sole voting and dispositive power with respect to 2,942,994 Common Shares; (G) each of Peter A. Cohen, Morgan B. Stark, Jeffrey M. Solomon and Thomas W. Strauss had shared voting and dispositive power with respect to 2,942,994 Common Shares; and (H) Steve Tepedino had sole voting and dispositive power with respect to 7,670 Common Shares. Ramius, LLC et al. also reported that each of John Mutch and James Zierick did not directly own any Common Shares, but, as respective members of a group for the purposes of Section 13(d)(3) of the Exchange Act, are each deemed to be a beneficial owner of the 2,343,130 Common Shares owned by Value and Opportunity Master Fund, 323,761 Common Shares owed by Parch, LLC and 277,103 Common Shares owned by RCG PB, Ltd. Both Mr. Mutch and Mr. Zierick have disclaimed beneficial ownership of such Common Shares. The address of the principal office of each of RCG Starboard Advisors, LLC, Parche, LLC, Ramius, LLC, C4S & Co., L.L.C., and Messrs. Cohen, Stark, Strauss and Solomon is 599 Lexington Avenue, 20th Floor, New York, New York 10022. The address of the principal office of each of Ramius Value and Opportunity Master Fund Ltd, Ramius Enterprise Master Fund Ltd and RCG PB, Ltd. is c/o Citco Fund Services (Cayman Islands) Limited, Corporate Center, West Bay Road, Grand Cayman, Cayman Islands, British West Indies. The principal business address of Mr. Mutch is c/o MV Advisors, LLC, 420 Stevens Avenue, Suite 270, Solana Beach, CA 92075. The principal business address of Mr. Zierick is c/o Aspyra, Inc., 26115-A Mureau Road, Calabasas, CA 91320. The principal business address of Mr. Tepedino is 8655 East Via de Ventura, Suite E-300, Scottsdale, AZ 85258.

The following table provides certain information with respect to all of the Company s equity compensation plans in effect as of March 31, 2008.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by shareholders (*i.e.*, 1991 Stock Option Plan, Amended and Restated 2000 Stock Incentive Plan, 2006 Stock Incentive Plan and 1995, 1999 and 2000 Stock Option Plans for Outside Directors)	3,526,910	$ 14.24	2,008,168
Equity compensation plans not approved by shareholders	-0-	-0-	-0-

Total	3,526,910	$ 14.24	2,008,168

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

At this Annual Meeting, the shareholders will elect three Class B Directors for a term ending at the Annual Meeting in 2011. The Board of Directors nominees for election are Thomas A. Commes, R. Andrew Cueva and Howard M. Knicely. Messrs. Commes, Cueva and Knicely currently serve as Directors of the Company. Mr. Cueva was appointed by the Board of Directors to fill the vacancy created by the resignation of Mr. Curtis J. Crawford on June 24, 2008.

The proxyholders named in the accompanying WHITE proxy card, or their substitutes, will vote the Proxy at the Annual Meeting, or any adjournments of the Annual Meeting, for the election of the three Director nominees named above, unless, by marking the appropriate space on the WHITE proxy card, the shareholder instructs that he, she or it withholds authority for the proxyholder to vote. The Ramius Group has indicated in its revised preliminary proxy statement relating to the Annual Meeting that it intends to give notice that it wants cumulative voting used at the Annual Meeting for the election of Directors. If cumulative voting is in effect, unless contrary instructions are received, the proxyholders will have full discretion and authority to vote the shares represented by valid proxies on a cumulative basis for the election of any one or more of the Director nominees as specified above, allocating the votes among the Director nominees in accordance with the proxyholders discretion. Each of the nominees has indicated willingness to serve as a Director, if elected. The accompanying WHITE proxy card will not be voted for more than three nominees or for anyone other than the Company s three nominees.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF ALL NOMINEES NAMED ABOVE. PROXY CARDS RECEIVED BY THE COMPANY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES NAMED ABOVE UNLESS THE SHAREHOLDER SPECIFIES OTHERWISE IN THE PROXY.

The Ramius Group has indicated its intention to nominate John Mutch, Steve Tepedino and James Zierick as the Ramius Nominees for election as Class B Directors. Shareholders should refer to the Ramius Group s proxy statement for the backgrounds, qualifications and other information concerning the Ramius Nominees. **THE BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE RAMIUS GROUP.**

For each of the current Director nominees and each of the other Directors who serve on the Board of Directors for the Company, the following table shows: name; principal job for the past five years and Directorships in other publicly-held corporations; the year during which service as a Director began or will begin; age; and when the service as a Director ends or will end.

NOMINEES FOR ELECTION

Name	Principal Occupation or Employment for Past Five Years and Other Directorships of Publicly-Held Corporations	Director Continuously Since	Age	Term Expiration
	Class B Directors			
Thomas A. Commes	Retired President and Chief Operating Officer of The Sherwin-Williams Company (Paints and Painting Supplies Manufacturer and Distributor)	1999	66	2011

from June 1986 to March 1999 and a Director of The Sherwin-Williams Company from April 1980 to March 1999; Director, Applied Industrial Technologies, Inc., Pella Corporation and U-Store-It Trust (REIT).

Table of Contents

Name	Principal Occupation or Employment for Past Five Years and Other Directorships of Publicly-Held Corporations	Director Continuously Since	Age	Term Expiration
R. Andrew Cueva	Managing Director of MAK Capital Fund, L.P., since 2005, portfolio manager and analyst at Green Cay Asset Management from 2002 to 2004.	2008	38	2011
Howard V. Knicely	Executive Vice President, Human Resources & Communications of TRW, Inc. (Aerospace, Software Systems and Automotive Components) from 1995 through 2002; from 1989 to 1995, Executive Vice President, Human Resources, Communications and Information Systems at TRW; Director of TRW from April 2001 through 2002.	2002	72	2011
	DIRECTORS CONTINUING IN OFFICE **Class A Directors**			
Keith M. Kolerus	Retired Vice President, American Division, National Semiconductor (Computer Components), from 1996 to February 1998; Chairman of the Board of Directors of ACI Electronics, LLC, since 2004; Chairman of the Board of Directors, National Semiconductor Japan Ltd., from 1995 to 1998.	1998	62	2010
Robert A. Lauer	Retired from Accenture (formerly known as Andersen Consulting) in August 2000, Mr. Lauer held numerous managing partner responsibilities, operational and service line leadership roles during his thirty-one year career, most recently serving as Managing Partner of Andersen Consulting s eHuman Performance Global Line of Business.	2001	64	2010
Robert G. McCreary, III	Founder and currently a principal of CapitalWorks, LLC (Private Equity Group), Mr. McCreary has served in numerous managing partner positions in investment banking firms and as a partner in a large regional corporate law firm.	2001	56	2010

Table of Contents

Name	Principal Occupation or Employment for Past Five Years and Other Directorships of Publicly-Held Corporations	Director Continuously Since	Age	Term Expiration
	Class C Directors			
Charles F. Christ	Retired Vice President and General Manager of Components Division, Digital Equipment Corporation (Computer and Office Equipment) from July 1994 to July 1997; Chairman of Board of Directors of Dot Hill Systems Corp. since July 2000; President, Chief Executive Officer and a member of the Board of Directors of Symbios, Inc. from 1997 to August of 1998; member of the Board of Directors of Maxtor, Inc. from August of 1995 until its acquisition in 2006.	1997	69	2009
Martin F. Ellis	President and Chief Executive Officer of the Company since October 20, 2008; prior thereto, Executive Vice President and Chief Financial Officer of the Company since June 3, 2005; prior thereto, Executive Vice President Corporate Development and Investor Relations of the Company since June 2003.	2008	44	2009
Eileen M. Rudden	Retired Vice President, and General Manager Unified Communications Division, Avaya, Inc. (Communication Networks and Systems), from 2003 to September 2007; Entrepreneur in Residence, Axxon Capital, 2001 to 2003: Board of Directors of John H. Harland Company, from 1999 to May 2007.	2007	58	2009

CORPORATE GOVERNANCE AND RELATED MATTERS

Corporate Governance Guidelines

In May 2006, the Board of Directors adopted Amended Corporate Governance Guidelines created and approved by the Nominating and Corporate Governance Committee. The Guidelines provide a sound framework to assist the Board in fulfilling its responsibilities to shareholders. Under these Guidelines, the Board 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 and its Committees will exercise oversight in the areas of CEO and executive pay, Director nomination, corporate governance, succession planning, financial reporting, internal controls, and strategic and operational issues. The Guidelines also state Board policy on eligibility for the Board, including Director independence and qualifications for Board candidates, and Board policy describing events that require resignation from the Board. A complete copy of the Guidelines is available on the Company s website at *www.agilysys.com.*

Table of Contents

Independence

The following Company Directors are independent:

Charles F. Christ
Thomas A. Commes
R. Andrew Cueva(1)
Howard V. Knicely
Keith M. Kolerus
Robert A. Lauer
Robert G. McCreary, III
Eileen M. Rudden

(1) Mr. Cueva replaced Mr. Curtis J. Crawford after Mr. Crawford resigned from the Board, effective June 24, 2008.

Code of Ethics

The Company has adopted a Code of Business Conduct that applies to all Directors, officers and employees of the Company. In addition, the Company has adopted a Code of Ethics for Senior Financial Executives that applies to the Chief Executive Officer, Chief Financial Officer and Controller of the Company and any person performing a similar function. The Code of Business Conduct and the Code of Ethics for Senior Financial Executives are available on the Company s website at *www.agilysys.com*. The Company has in place a hotline, managed by an independent third party, that all employees can use to anonymously report potential violations of the Code of Business Conduct or the Code of Ethics for Senior Financial Executives.

Meeting of Board of Directors and Attendance at Annual Meeting

The Board of Directors held seven meetings during Fiscal 2008. During Fiscal 2008, no Director attended less than 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the period he served as a Director and (ii) the total number of meetings held by Committees of the Board on which he/she served, during the periods that he/she served. Independent Directors meet regularly in executive session at each Board meeting. Such executive sessions were previously chaired, on a rotating basis, by the Chairmen of the Audit, Compensation, and Nominating and Corporate Governance Committees. On October 20, 2008, the Board elected Mr. Keith Kolerus as its independent chairman, replacing Mr. Arthur Rhein, who retired effective that same day. As a result, the Board will no longer require that the executive sessions be chaired on a rotating basis.

It is the policy of the Board that all of its members attend the Annual Meeting of Shareholders absent exceptional cause. All of the Directors were in attendance at the 2007 Annual Meeting except one.

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 the Company at its headquarters address. The Company s corporate counsel will forward the communication to the Director(s) as instructed by the Director.

Table of Contents

Committees of the Board

	Executive(4)	Audit(4)	Compensation(4)	Nominating and Corporate Governance(4)
Charles F. Christ			X	
Thomas A. Commes(1)	X	Chairman		X
Curtis J. Crawford(2)			X	Chairman
Keith M. Kolerus	X	X		
Robert A. Lauer			X	
Robert G. McCreary, III		X		
Arthur Rhein(3)	Chairman			
Eileen M. Rudden		X		
Howard V. Knicely			Chairman	X

(1) Audit Committee Financial Expert

(2) Mr. Crawford resigned from the Board effective June 24, 2008. Mr. McCreary was appointed as the Chairman of the Nominating and Corporate Governance Committee following Mr. Crawford s resignation. The Board did not replace Mr. Crawford s seat on the Compensation Committee.

(3) Mr. Rhein retired from the Board, effective October 20, 2008.

(4) Neither Mr. R. Andrew Cueva nor Mr. Martin Ellis the Board s newest members have been appointed to serve on any of the Committees of the Board at this time.

Executive Committee. The Executive Committee exercises the power and authority of the Board of Directors as needed between regular Board meetings. The Executive Committee met once during the last fiscal year.

Audit Committee. The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act, reviews with the Company s independent registered public accounting firm the proposed scope of the Company s annual audits and audit results, 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 the independent registered public accounting firm and reviews any concerns identified by either the internal or external auditor. The Audit Committee held four meetings during the last fiscal year. The Board of Directors has determined that all Audit Committee members are financially literate under the current Nasdaq listing standards. The Board has also determined that Thomas A. Commes qualifies as an audit committee financial expert under the rules adopted by the SEC under the Sarbanes-Oxley Act of 2002. In January, 2005, the Board adopted an Amended and Restated Charter, which is available on the Company s website at *www.agilysys.com*.

Compensation Committee. The purpose and mission of the Compensation Committee of the Board of Directors of the Company is to enhance shareholder value by ensuring the pay available to the Board of Directors, Chief Executive Officer and other executive officers enables the Company to attract and retain high-quality leadership and is consistent with the Company s executive pay policy. As part of its responsibility in this regard, the Compensation Committee oversees the Company s pay plans and policies, annually reviews and determines all pay (including base salary and the Company s annual cash incentive, long-term stock incentive, retirement and perquisite plans and programs), administers the Company s incentive programs (including establishing performance goals, determining the extent to which performance goals are achieved and calculating awards), administers the Company s equity pay plans (including making grants to the Company s executive officers) and regularly evaluates the effectiveness of the overall executive pay program. A more complete description of the Compensation Committee s functions is found in the Compensation Committee s charter, which is available on the Company s website at *www.agilysys.com*.

The Compensation Committee held six meetings during the last fiscal year.

The Company s Legal department and Human Resources department 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 the Company s pay programs. In addition, the Compensation Committee has the authority to engage the services of outside advisers, experts and others to assist the Committee. In fiscal year 2008, the Compensation Committee relied on the services of Pearl Meyer & Partners, an executive pay consulting firm, to provide input to facilitate the Compensation Committee s decision-making process regarding the executive pay programs for the executive officers. Specifically, the executive pay consulting firm:

Provided input on executive pay levels among a peer group of companies and from published and private salary surveys;

Provided long-term incentive plan alternatives;

Prepared tally sheets covering all aspects of executive pay; and

Assisted in the preparation of the Compensation Discussion and Analysis included in this Proxy Statement.

While the Compensation Committee directly retains the executive pay consulting firm, in carrying out assignments the executive pay consulting firm also interacted with the Company s executive officers when necessary and appropriate. Specifically, the executive pay consulting firm interacted with the Chief Executive Officer, Chief Financial Officer and Chief Human Resources and Compliance Officer, who provided data and insight on the Company s compensation programs and business strategies.

Several executive officers, including the Chief Executive Officer and the Chief Human Resources and Compliance Officer, attend Compensation Committee meetings when executive compensation, Company performance, and individual performance are discussed and evaluated by Compensation Committee members. The executive officers provide their thoughts and recommendations on executive pay issues during these meetings and also provide updates on financial performance, divestitures, mergers and acquisitions, industry status and other factors that may impact executive pay. 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 pay and approve all outcomes.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee held four meetings during the last fiscal year. The Nominating and Corporate Governance Committee assists the Board in finding and nominating qualified people for election to the Board, assessing and evaluating the Board s effectiveness, and establishing, implementing and overseeing the Company s governance programs and policies. The Nominating and Corporate Governance Committee has hired a third-party executive recruitment firm to help find acceptable nominees for the Board. In January, 2005, the Board adopted an Amended and Restated Charter of the Nominating and Corporate Governance Committee, which is available on the Company s website at *www.agilysys.com*.

The Nominating and Corporate Governance 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 Nominating and Corporate Governance Committee considers nominees using the criteria for the composition of the Board and the qualifications of members as outlined in the Company s Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. Shareholders may make a nominee recommendation by sending the nomination to the Chairman of the Nominating and Corporate Governance Committee, at the Company s headquarters address. The recommendation must include:

The name and address of the candidate;

A brief biography, including his or her job for at least the last ten years, and why the candidate is qualified; and

The candidate s signed consent to serve as a Director if elected and to be named in the Proxy Statement.

The Nominating and Corporate Governance Committee may request additional information from such candidate to assist in its evaluation. The Nominating and Corporate Governance Committee will evaluate any

Table of Contents

shareholder-recommended nominees in the same way it evaluates candidates recommended by other sources, as described above.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during fiscal year 2008 or as of the date of this Proxy Statement is or has been an officer or employee of the Company, and no executive officer of the Company served on the compensation committee or board of any Company that employed any member of the Company s Compensation Committee or Directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee adopted a pay philosophy, objectives and structure for our Chief Executive Officer and Chief Financial Officer, as well as the three next highest paid executive officers together, the Named Officers designed to achieve business goals and create long-term shareholder value. Following input from our executive compensation consultant, the Compensation Committee reaffirmed this compensation philosophy, objectives and structure at its meeting on May 23, 2008.

Compensation Philosophy

To pay a base salary and annual cash incentives and provide long-term stock incentives targeted at a minimum of the 50th percentile of industry specific market surveys; and

To annually review compensation components based on industry specific market surveys and to tie compensation to the dynamics of the business strategy.

Compensation Objectives

To attract, retain and motivate executives who can significantly contribute to the success of the Company;

To reward the achievement of business objectives that have been approved by the Board;

To provide a rational, consistent and competitive executive compensation program that is well understood by those to whom it applies; and

To tie a significant portion of executive compensation to the long-term performance of our Common Shares.

Compensation Structure

Base Salary fixed pay that takes into account each executive s roles and responsibilities, experience, functional expertise and individual performance;

Annual Incentives(1) cash-based variable pay based on the achievement of Company financial and business goals, with target incentives set as a percentage of salary; and

Long-Term Incentives incentives based on the equity of the Company in the form of performance shares and restricted stock granted, designed to influence our executive officers to maximize shareholder value.

(1) In August 2008, our Compensation Committee modified the basis of Annual Incentives for our Named Officers to be based on achievement of subjective measures.

Table of Contents

Key Considerations Guiding Specific Decisions

Annual Goal Setting

Each fiscal year, written goals are established for the Named Officers. These goals are tied to the financial, strategic and operational goals of the Company and include Company and business specific financial targets relating to net sales, gross margin, EBITDA and similar financial measures.

Each Named Officer s goals are established with input from and are reviewed by the independent Board members. The Chief Executive Officer evaluates the performance and recommends the total compensation award for each Named Officer, other than himself. The Chief Executive Officer s performance, against these established goals, is reviewed by the Compensation Committee and, based upon that evaluation; the Committee determines the compensation of the Chief Executive Officer. The Committee also reviews the performance of the Company s other Named Officers, taking into consideration the Chief Executive Officer s recommendation, and determines their compensation based on that review.

External Benchmarking

We did not conduct a formal external executive compensation study in fiscal year 2008 due to the ongoing change to our business mix. For purposes of determining fiscal 2008 pay levels for our Named Officers, we relied on our fiscal 2007 study. The information was used as a guide by the Compensation Committee in making specific compensation decisions.

For fiscal year 2009, we conducted a formal executive compensation study that showed our current pay levels for Named Officers are generally commensurate with the market median. The information was reviewed by the Compensation Committee in the context of our executive pay philosophy, objectives and current Named Officer pay levels prior to making decisions regarding salary levels and approving target annual incentives and equity grants for fiscal year 2009. We also conducted a formal compensation study that the Compensation Committee and full board used in setting fiscal 2009 Director pay.

Pay Mix

The table below shows the target pay mix for each Named Officer for fiscal year 2008:

Executive	Title	Salary as % of Total Compensation	Target Annual Incentives as % of Total Compensation	Long Term Incentive as % of Total Compensation
Arthur Rhein	President & Chief Executive Officer	30%	30%	40%
Martin F. Ellis	Executive Vice President & Chief Financial Officer	35%	21%	44%
Robert J. Bailey	Executive Vice President	35%	21%	44%
Peter J. Coleman	Executive Vice President	35%	21%	44%
Richard A. Sayers, II		35%	21%	44%

Executive Vice President,
Chief Human
Resources and Compliance
Officer

Note: The above table takes into account target annual incentives, not actual annual incentive payouts. Long-term incentive percentages are based on the annualized FAS 123R fair value of the equity stock grants as of the date of the grants made in fiscal year 2008 for Messrs. Ellis, Bailey, Coleman and Sayers and the annualized value of the stock option grants made to Mr. Rhein in fiscal 2007. All of the equity grants discussed above were designed to be three-year grants, and vest over the same three-year period, with no additional grants planned for the following two years.

Pay Elements and Programs

Taken together, the incentive components, which are at-risk pay, represent a majority of the direct pay for each Named Officer, while fixed compensation (salary) represents a minority of total pay. Generally, our Chief Executive Officer has a larger overall incentive pay opportunity than other executives because he is believed to have a greater ability to influence financial and shareholder return performance. Our Named Officers have greater opportunities for long-term equity-based incentive compensation than annual cash incentive compensation. As a result, greater emphasis is placed on long-term shareholder value creation than annual financial performance.

(1) Salary

We set salaries based on the executive s position, individual performance and relation to pay levels in the competing market. We also take into account changes in salaries in the overall general market. Salaries are reviewed annually by our Compensation Committee at its first meeting after the fiscal year end, and changes in salary are based on the factors discussed above as well as input from our Chief Executive Officer. However, none of the factors are weighted according to any specific formula and new salaries are set based on the Compensation Committee s discretion and judgment. At its meeting in May 2008, our Compensation Committee did not increase the salary of any of our Named Officers. In its meeting on November 13, 2008, our Compensation Committee discussed recommendations for the salary of Mr. Ellis, who was promoted to President and Chief Executive Officer on October 20, 2008, and Mr. Kenneth J. Kossin, Jr., who was promoted to Sr. Vice President and Chief Financial Officer on October 20, 2008. In determining the salaries, the Compensation Committee applied the same compensation philosophy as described above, applying current data obtained from our executive pay consultant based on salary surveys and information of companies in the industry with revenue similar to that of the Company. On November 14, 2008, our Board agreed to the changes in salary for each as follows: Mr. Ellis $450,000; Mr. Kossin $285,000.

(2) Annual Incentives

Annual incentives are designed to motivate executives to achieve key business goals and objective. We expect that achieving these goals and objectives will result in the creation of shareholder value. Target annual incentives are set at a percentage of salary.

At its May 2007 meeting, the Compensation Committee approved the Fiscal Year 2008 Annual Incentive Plan (the 2008 Annual Plan). In the 2008 Annual Plan, we set a target incentive for Mr. Rhein of 100% of salary and targets for each of the other executive officers of 60% of salary. Each of these targets was at least at the minimum of the market median, based on information provided by our executive pay consultant. We set maximum payments at 250% of target incentive and threshold payments at 25% of target incentive. Our Compensation Committee believes the payout range provides an effective basis for annual incentive payouts based on the expected near-term volatility of our performance as we transform the Company strategically. No annual incentive payments will be made if threshold financial performance metrics are not met.

The 2008 Annual Plan used three performance measures in order to determine annual incentive payouts, as follows: revenues (25%), EBITDA (50%) and discretionary based on business objectives (25%). The financial performance metrics had to achieve 75% of target before threshold would be paid and 150% of target must be achieved for maximum payout. Each of the above performance measures was independent of the others.

These performance measures were set at levels that were believed to represent achievable performance at the threshold levels, more demanding performance at the 100% target incentive levels, and significantly more difficult performance at the maximum levels, based on recent performance, historical trends and future expectations. For fiscal year 2008, actual outcomes versus the performance objectives resulted in an overall achievement payout of 47.1% of target, which triggered payments as represented in the Summary Compensation Table.

At its May 23, 2008 meeting, our Compensation Committee elected to use the same metrics and weighting as those used under the 2008 Annual Plan for fiscal year 2009 annual incentives. However, in the August 1, 2008 meeting, our Compensation Committee modified the basis of the Annual Incentives for our Named Officers to be based on the achievement of subjective measures. In its meeting on November 13, 2008, our Compensation

Table of Contents

Committee discussed recommendations for the annual incentives of Mr. Ellis, who was promoted to President and Chief Executive Officer on October 20, 2008, and Mr. Kenneth J. Kossin, Jr., who was promoted to Sr. Vice President and Chief Financial Officer on October 20, 2008. On November 14, 2008, our Board agreed to annual incentives for each as follows: Mr. Ellis $337,500; Mr. Kossin $142,500.

(3) Long-Term Equity Incentives

We use our 2006 Stock Incentive Plan (the 2006 Equity Plan) to grant various types of stock-based, or equity incentives, including stock options, stock-settled stock appreciation rights, restricted stock and restricted stock units, performance shares and units, and other equity-based and cash awards. The range of equity awards provides us the flexibility to address specific pay objectives for our executive officers, including motivating the creation of shareholder value and retaining and attracting executives and other employees.

We have no role in the timing of the equity awards, but we provide recommendations to the Compensation Committee regarding who should receive the awards and the amounts. The equity awards, amounts and timing are at the discretion of our Compensation Committee. We chose to award performance shares and restricted stock in fiscal year 2008 for the following reasons:

Performance shares were used to drive long-term financial performance over a three year period, ending on March 31, 2010. The performance measures and targets used as the basis for earning the performance shares were a six-month annualized revenue run rate of $1.5 billion by the six months of fiscal 2010 and an EBITDA margin of 6% by or before the same time frame.

Restricted shares were used to provide retention for the senior management team while we continued to affect our long-term strategy.

The Compensation Committee determines equity awards in its first Compensation Committee meeting after the beginning of our fiscal year and the grant price is set at the market-closing price on that day. The following grants were made to the Named Officers in fiscal year 2008:

Mr. Rhein did not receive a stock award;

Messrs. Ellis, Bailey and Coleman each received 40,000 performance shares and 20,000 restricted shares; and

Mr. Sayers received 32,000 performance shares and 16,000 restricted shares.

The number of shares awarded in the above grants was at the market median, consistent with our pay philosophy. The performance and restricted shares represent three years of long-term incentive grants, and were made with the expectation that no new equity grants would be made in either fiscal year 2009 or 2010.

Threshold, target and maximum performance objectives were also set for each long-term performance measure. Performance at threshold will result in vesting of 50% of the performance shares, while performance at maximum will result in vesting of 150% of the performance shares. The performance shares will cliff vest on March 31, 2010 based on the Company s success in achieving performance targets. Messrs. Bailey and Coleman forfeited these shares upon termination of employment on October 21, 2008.

The restricted stock will vest on the following schedule: 10% of the shares vested on March 31, 2008, 30% will vest on March 31, 2009 and the remaining 60% will vest on March 31, 2010. Messrs. Bailey and Coleman forfeited all of these shares, except the 10% that vested on March 31, 2008, upon termination of employment on October 21, 2008.

As part of the negotiations for extending the term of Mr. Rhein s employment agreement for an additional year to March 31, 2010 the Compensation Committee agreed to provide Mr. Rhein a restricted stock grant of 70,000 shares, to be made on April 1, 2009, the first day of the extension of Mr. Rhein s employment agreement. The restricted shares would have vested on March 31, 2010, assuming continued employment by Mr. Rhein through that date. However, Mr. Rhein retired on October 20, 2008, thereby forfeiting these shares.

Table of Contents

At its meeting in May 2008, the Compensation Committee did not grant any additional equity awards to the Named Officers. In its meeting on November 13, 2008, our Compensation Committee discussed recommendations for equity awards for Mr. Ellis, who was promoted to President and Chief Executive Officer on October 20, 2008, and for Mr. Kenneth J. Kossin, Jr., who was promoted to Sr. Vice President and Chief Financial Officer on October 20, 2008. On November 13, 2008, our Compensation Committee agreed to give Mr. Kossin 45,000 stock options set at $2.51 a share (the closing market price of the Company s Common Shares on that day). On November 14, 2008, our Board agreed to give Mr. Ellis 150,000 stock options set at $2.19 a share (the closing market price of the Company s Common Shares on that day).

(4) Deferred Compensation Plans

We allow our Named Officers to defer pay into a nonqualified deferred compensation plan, which we call the Benefit Equalization Plan (the BEP). We established the BEP to provide our executives with the ability to contribute amounts for retirement and to receive Company profit sharing contributions and 401(k) matches in excess of the contribution amounts allowed under our tax-qualified Section 401(k) Plan. We limit participation in the BEP to a select group of management and other highly-paid employees, including the Named Officers. The BEP is an unfunded plan and Company-owned life insurance is purchased as a source of funds to pay the benefits from the BEP.

The Nonqualified Deferred Compensation Table provides additional information on specific deferrals of pay, our matching of these deferrals, if any, and balances in the BEP for each executive officer. In addition, the discussion appearing in the Nonqualified Deferred Compensation Plan section, below, describes the BEP in more detail.

(5) Retirement Benefits

We started our Supplemental Executive Retirement Plan (the SERP) during fiscal year 2000 to provide cash retirement benefits to a select group of key management employees including the executive officers. Certain tax laws limit the retirement benefits that highly-paid executives can receive from a qualified retirement plan and the SERP is designed to provide retirement benefits that are not subject to these limits. In addition, the SERP provides a tool to help us competitively recruit and retain executive officers.

The SERP provides cash benefits on an annual amount not to exceed 50% of the executive s final average annual earnings, including both salary and annual incentives. The cash benefit amount is reduced by other Company-funded retirement benefits, such as the match provided in the Section 401(k) Plan, profit sharing amounts, and other Company contributions to the BEP, as well as 50% of Social Security retirement benefits. The value of accrued benefits for each executive officer is found in the Pension Benefits Table and the SERP is discussed in more detail in the footnotes and the discussion appearing with that table.

(6) Other Compensation Executive Benefits & Perquisites

We provide a program of executive benefits and perquisites to our Named Officers including, but not limited to, additional life and long-term disability insurance plans, contributions to Company benefit plans, automobile allowance, personal use of the Company s fractional interest in an airplane, financial planning, attendance by guests at supplier events and club dues. In addition, following the move of our corporate headquarters in the 2007 fiscal year to Florida, each executive officer was eligible for relocation monetary assistance for expenses incurred during this relocation. These executive benefits and perquisites are described in more detail in the Summary Compensation Table and related footnotes. We believe these benefit and perquisite programs enhance part of an overall competitive package that serves to attract and retain executive officers.

Post-Termination Payments Change of Control and Severance Payments

Our executive officers are parties to various employment, change of control and non-competition agreements as follows:

Mr. Rhein 2005 Amended and Restated Employment Agreement (Employment Agreement), executed December 23, 2005, and the 2008 Amendment and Extension Agreement, executed January 28, 2008

(Extension Agreement), with the Extension Agreement lengthening the term of employment by one year and providing Mr. Rhein with the equity grants described above;

Mr. Ellis Change of Control Agreement, executed on June 30, 2003, as amended on May 31, 2005, and a Non-Competition Agreement executed on May 31, 2005, as amended in May 2007; and

Messrs. Bailey, Coleman and Sayers Non-Competition and Change of Control Agreements, executed February 25, 2000 and amended in January 2003 and in May 2007.

The above agreements provide for severance payments which are payable in the event of termination of the executive s employment by us without cause. In addition, should a change of control of the Company occur and the executive is terminated without cause related to the change of control or if the executive resigns for Good Reason, as defined in the agreements, the executive will receive severance payments for a specified time period. The major termination and change of control provisions of the agreements are summarized below as of fiscal year ended March 31, 2008 for each executive and are covered in more detail in both the Termination and Change of Control Table and the related discussion, below.

Mr. Rhein(1)

Through March 31, 2009, upon termination by us of Mr. Rhein s employment for reasons other than his disability or for cause, or upon termination by Mr. Rhein of his employment for Good Reason, we would have been required to pay Mr. Rhein his base salary through the date of termination and a prorated award of his target incentive for the year in which the termination occurred, and severance payments equal to 24 months salary and target annual incentive. In addition, we would have been required to continue his group benefits, executive benefits and most perquisites for a period of two years from the date of termination of his employment. Mr. Rhein s Employment Agreement provided for other lesser severance payments in the event of termination for his death or disability. If, during the term of the Extension Agreement (from April 1, 2009 to March 31, 2010), we were to terminate Mr. Rhein s employment other than for cause, he would have been entitled to his base salary, annual incentive, and the benefits described above through March 31, 2010. Also during the term of the Extension Agreement, we modified Mr. Rhein s ability to terminate his employment for Good Reason. The definition of Good Reason no longer included change of his title or change in his responsibilities, so long as he continued to have job responsibilities consistent with those of an executive officer.

Upon termination of Mr. Rhein s employment, following a change of control of the Company, Mr. Rhein would have been entitled to cash equal to three times the sum of his salary and target annual incentive. In addition, all equity incentives would have become immediately available to Mr. Rhein upon a change of control and group benefits, executive benefits and most perquisites continue for three years as well. To trigger payment, a termination related to a change of control must have been for reasons other than Mr. Rhein s disability or for cause or must have been for Good Reason by Mr. Rhein.

(1) On October 20, 2008, we entered into a Separation Agreement with Mr. Rhein as a result of his retirement as the Company s Chairman, President and Chief Executive Officer. Mr. Rhein s Separation Agreement provides that the Company will pay and provide Mr. Rhein with the rights, obligations, payments and benefits as provided by the Employment Agreement, as amended and extended by the Extension Agreement, in the event of a Protected Termination (within the meaning of the Employment Agreement). In connection with his Separation Agreement, Mr. Rhein and the Company released all claims against each other. Pursuant to the terms of his Employment Agreement, Mr. Rhein will receive his base salary through October 20, 2008, a prorated portion of any award to

which he is entitled under the Annual Incentive Plan for the current fiscal year and severance payments equal to 24 months salary and target annual incentives. In addition, Mr. Rhein is entitled to the payments and benefits provided for under the relevant plans and arrangements of the Company, and the Company must continue Mr. Rhein s group benefits, executive benefits and most perquisites for a period of two years.

Table of Contents

Messrs. Ellis, Bailey, Coleman and Sayers(1)

Upon termination by us of any of Messrs. Ellis, Bailey, Coleman or Sayers without cause, we must pay severance equal to twenty-four months salary and target annual incentive. In addition, we must continue to provide the group benefits, executive benefits and most perquisites for one year.

If any of these executives are terminated following a change of control of the Company, we must pay cash equal to twenty-four times the greater of that executive s highest monthly base salary paid during the twelve months prior to the change in control or that executive s highest monthly base salary paid or payable by the Company at any time from the ninety day period preceding a change of control through the executive s termination date. In addition, we must pay the executive a lump sum of the greater of four times that executive s highest aggregate amount of incentive compensation paid during any six consecutive months of the twelve months preceding a change of control or four times that executive s highest aggregate amount of incentive compensation paid during any six consecutive months preceding the date of termination. In addition, all equity incentives will become immediately available to them upon a termination after a change of control and we will continue to provide group benefits, executive benefits and most perquisites for two years.

(1) On October 21, 2008, we terminated the employment of Messrs. Bailey and Coleman without cause. Mr. Bailey will receive all rights, payments and benefits available to him under his Non-Competition Agreement as described above, however, by amendment to Mr. Bailey s Non-Competition Agreement and Change of Control Agreement, dated December 17, 2008, in return for Mr. Bailey agreeing not to compete with us for thirty-eight months and eleven days after his employment was terminated, the Compensation Committee agreed to, among other things, extend the payments over thirty-six months instead of twenty-four months as described above (Bailey Severance Period) for SERP benefit purposes, as described below. Mr. Coleman will receive all rights, payments and benefits available to him under his Non-Competition Agreement as described above for twenty-four months (Coleman Severance Period). Under an amendment to Mr. Coleman s Non-Competition Agreement and Change of Control Agreement, dated December 17, 2008, Mr. Coleman agreed not to compete with us for a period of twenty-four months from the date of termination of his employment.

In his role as our President and Chief Executive Officer, Mr. Ellis will continue his employment under the current terms of his Non-Competition Agreement and Change of Control Agreement.

We believe the terms described in the above summary provisions are competitive. In addition, we believe the various agreements serve the dual purpose of helping to attract and retain key executive officers and help us to compete with other companies for executive talent.

Additional Issues

A. Adjustment or Recovery of Awards

We do not maintain any specific plans or policies that provide for the adjustment or recovery of pay-related awards if certain performance levels are modified as a result of any requirement to restate our financials. However, under Section 304 of the Sarbanes-Oxley Act, if we are required to restate our financials due to material noncompliance with any financial reporting requirements as a result of misconduct, our Chief Executive Officer and Chief Financial Officer must reimburse us for (1) 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 (2) any profits realized from the sale of our securities during those 12 months.

B. Consideration of Prior Amounts Realized

We do not consider prior pay outcomes, including stock compensation gains, in setting future pay levels. The Compensation Committee believes this approach furthers our philosophy of rewarding future financial and shareholder performance.

Table of Contents

C. Stock Ownership Guidelines

Our Compensation Committee approved stock ownership guidelines for our Named Officers on May 1, 2001, reflected as a multiple of the base salary for each named executive officer. The guidelines were originally implemented to ensure the Named Officers and the shareholders shared a commonality of interest. The current Named Officers are each required to own the stock of the Company (directly or indirectly), as follows:

Chief Executive Officer (formerly Mr. Rhein and, currently, Mr. Ellis) shares valued at five times base salary; and

Executive Vice President (formerly Messrs. Bailey, Coleman, Ellis and, currently, Mr. Sayers) shares valued at one times base salary.

D. Impact of Tax and Accounting Considerations

In general, we consider the various tax and accounting implications of the pay mechanisms that we use to provide pay to our executive officers. We analyze the accounting cost associated with long-term incentive grants when determining the grant amounts for executive officers. 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 next four highest compensated officers in excess of $1 million in any taxable year. Exceptions are made for certain qualified performance-based pay. It is our objective to maximize the effectiveness of our executive pay plans in this regard. The pay instruments we use, including salaries, annual incentives and stock options, are tax deductible to the extent that they are performance based or less than $1 million for each named executive officer in a given year.

We completed our compliance with Internal Revenue Code Section 409A and final regulations issued in April 2007 by December 31, 2008, as required by IRS notice 2007-86. Section 409A relates to deferred pay and amounts includable in gross income. Changes were made to the SERP, BEP and the employment/change of control/non-competition agreements with our executive officers if necessary to achieve compliance with Section 409A.

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 incorporated into the Company s Annual Report on Form 10-K and this Proxy Statement.

THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS(1)

Howard V. Knicely, Chairman
Charles F. Christ
Robert A. Lauer

(1) Mr. Curtis J. Crawford was a member of the Compensation Committee of the Board during 2008 until his resignation from the Board in June of 2008. The Board did not replace Mr. Crawford with another member of the Board on this Compensation Committee.

The above Compensation Committee Report does not constitute soliciting material and should not be deemed filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C (other than as provided in Item 407 of Regulation S-K) or to the liabilities of Section 18 of the Exchange Act, and is not to be deemed incorporated by reference into any of the Company s filings under the Securities Act or the Exchange Act whether made before or after this Proxy Statement, except to the extent that the Company specifically requests that the information in this Compensation Committee Report be treated as soliciting material or specifically incorporates this Compensation Committee Report by reference into a document filed under the Securities Act or the Exchange Act.

Table of Contents

Summary Compensation

The following table and related notes provide information about the compensation for the Named Officers:

SUMMARY COMPENSATION TABLE

Principal Position	Year	Salary	Bonus	Stock Awards(5)	Option Awards(1)	Non-equity Incentive Plan Compen-sation(2)	Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings(3)	All Other Compen-sation(4)	
ein	FY08	$ 725,000		$	$ 1,135,894	$ 341,745	$ (446,217)	$ 293,764	$ 2
President and	FY07	$ 725,000		$	$ 1,402,080	$ 877,250	$ 1,644,167	$ 182,325	$ 4
cutive Officer									
s	FY08	$ 345,000		$ 527,920	$ 178,513	$ 97,497	$ 54,620	$ 45,901	$ 1
Vice President,	FY07	$ 345,000		$ 106,100	$ 372,510	$ 250,470	$ 38,014	$ 200,408	$ 1
and Chief Financial									
Bailey	FY08	$ 345,000		$ 467,732	$ 147,026	$ 97,497	$ 207,405	$ 169,963	$ 1
Vice President	FY07	$ 345,000		$	$ 284,955	$ 250,470	$ 115,507	$ 161,710	$ 1
leman &nb									