AGILYSYS INC
Form 10-K
December 16, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2008

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For transition period from to

Commission file number 0-5734
AGILYSYS, INC.
(Exact name of registrant as specified in its charter)

Ohio	34-0907152
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
28925 Fountain Parkway, Solon, Ohio	44139
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (440) 519-8700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without par value	NASDAQ
Common Share Purchase Rights	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of Common Shares held by non-affiliates as of September 30, 2007 (the second fiscal quarter in which this Form 10-K relates) was $438,479,643 computed on the basis of the last reported sale price per share ($16.90) of such shares on the Nasdaq Stock Market LLC.

As of December 9, 2008, the Registrant had the following number of Common Shares outstanding: 22,672,040, of which 890,686 were held by affiliates.

DOCUMENTS INCORPORATED BY REFERENCE
None.

Except as otherwise stated, the information contained in this Annual Report on Form 10-K is as of March 31, 2008.

AGILYSYS, INC.
ANNUAL REPORT ON FORM 10-K
Year Ended March 31, 2008

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part I

Item 1. Business.

Reference herein to any particular year or quarter refers to periods within the company s fiscal year ended March 31. For example, 2008 refers to the fiscal year ended March 31, 2008.

Overview

Agilysys, Inc. (Agilysys or the company) is a leading provider of innovative IT solutions to corporate and public-sector customers, with special expertise in select markets, including retail and hospitality. The company uses technology including hardware, software and services to help customers resolve their most complicated IT needs. The company possesses expertise in enterprise architecture and high availability, infrastructure optimization, storage and resource management, and business continuity, and provides industry-specific software, services and expertise to the retail and hospitality markets. Headquartered in Cleveland, Ohio, Agilysys operates extensively throughout North America, with additional sales offices in the United Kingdom and China. Agilysys has three reportable segments: Hospitality Solutions, Retail Solutions, and Technology Solutions.

History and Significant Events

Agilysys was organized as an Ohio corporation in 1963. While originally focused on electronic components distribution, the company grew to become a leading distributor in both electronic components and enterprise computer systems products and solutions.

As of the fiscal year ended March 31, 2002, the company was structured into two divisions, the Computer Systems Division (CSD), which focused on the distribution and reselling of enterprise computer systems products and solutions, and the Industrial Electronics Division (IED), which focused on the distribution of electronic components. Each division represented, on average, approximately one-half of the company s total revenues.

In 2002, the company conducted a review of strategic alternatives and developed a long-term strategic plan designed to increase the intrinsic value of the company. The company s strategic transformation began with its divestiture of IED, to focus solely on the computer systems business. The sale of the electronic components business meant that the company would be less dependent on the more cyclical markets in the components business. In addition, this would allow the company to invest more in the computer systems business, which offered greater potential for sustainable growth at higher levels of profitability. The remaining CSD business consisted of the KeyLink Systems Distribution Business and the IT Solutions Business. The KeyLink Systems Distribution Business operated as a distributor of enterprise computing products selling to resellers, which then sold directly to end-user customers. The IT Solutions Business operated as a reseller providing enterprise servers, software, storage and services and sold directly to end-user customers. Overall, the company was a leading distributor and reseller of enterprise computer systems, software, storage and services from HP, IBM, Intel, Enterasys, Hitachi Data Systems, Oracle and other leading manufacturers.

The proceeds from the sale of the electronic components distribution business, combined with cash generated from the company s ongoing operations, were used to retire long-term debt and accelerate the growth of the company, both organically and through a series of acquisitions. The growth of the company has been supported by a series of acquisitions that strategically expanded the company s range of solutions and markets served, including:

- The September 2003 acquisition of Kyrus Corporation, a leading provider of retail store solutions and services with a focus on the supermarket, chain drug and general retail segments of the retail industry.
- The February 2004 acquisition of Inter-American Data, Inc., a leading developer and provider of property management, materials management and document management software and related proprietary services to the hotel casino and destination resort segments of the hospitality industry.
- The May 2005 acquisition of The CTS Corporations, a services organization specializing in IT storage solutions for large and medium-sized corporate and public-sector customers.

The December 2005 acquisition of a competitor s operations in China. This provided Agilysys entry into the enterprise IT solutions market in Hong Kong and China serving large and medium-sized businesses in those growing markets.

The January 2007 acquisition of Visual One Systems, which provided Agilysys with expertise around the marketing, development and sale of Microsoft® Windows®-based software for the hospitality industry, including additional applications in property management, condominium, golf course, spa, point-of-sale, and catering management. Visual One was integrated into the company s existing hospitality solutions business.

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In March 2007, the company completed its transformation with the sale of the assets and operations of its KeyLink Systems Distribution Business. This final event completed the Agilysys multi-year transformation to move closer to the customer and higher up the IT value scale, effectively positioning it to focus on its higher-growth IT Solutions Business. As a result of the divestiture, the company freed itself from the increasing channel conflict and marketplace restrictions that existed in the business. The divestiture also provided the company with the financial flexibility to grow through the pursuit of additional acquisitions, including:

The April 2007 acquisition of Stack Computer, a technology integrator with a strong focus in high availability storage solutions. Stack has a significant relationship with EMC, and also does business with Cisco, Veritas, and other suppliers. Stack s customers, primarily located on the west coast, include leading corporations in the financial services, healthcare, and manufacturing industries.

The June 2007 acquisition of InfoGenesis, Inc., a solutions provider for the food and beverage markets serving casinos, hotels and resorts, cruise lines, stadiums and food service. An independent solution provider, InfoGenesis offers enterprise-class point-of-sale solutions that provide end users an intuitive, secure and easy way to process customer transactions across multiple departments or locations, including comprehensive corporate and store reporting.

The July 2007 acquisition of Innovative Systems Design, Inc., an integrator and value-added reseller of servers, enterprise storage management products and professional services. Innovativ is the largest U.S. commercial reseller of Sun Microsystems servers and storage products.

The February 2008 acquisition of Eatec Corporation, which enhanced the company s standing as a leading inventory and procurement solution provider to the hospitality and foodservice markets. Eatec s customers include well-known restaurants, hotels, stadiums, and entertainment venues in North America and around the world as well as many public service institutions.

Subsequent to our March 31 year end, the April 2008 acquisition of Triangle Hospitality Solutions Ltd., a European reseller of point-of-sale software and solutions for InfoGenesis. The acquisition expanded Agilysys European footprint in the hospitality, stadium and arena markets.

Today, Agilysys offers diversified products and solutions from leading IT vendors such as HP, Sun, EMC, and IBM. The company is a leading systems integrator of retail point-of-sale, self-service and wireless solutions with proprietary business consulting, implementation and hardware maintenance services. In addition, the company s Hospitality Solutions Group provides Microsoft Windows-based software solutions as well as IBM servers and storage products. The Hospitality Solutions Group also offers property, activity, material, and inventory management software applications to automate functions for the hotel casino and destination resort segments of the hospitality industry.

Industry

According to information published in May 2008 by IDC (International Data Corporation), a leading provider of technology intelligence and market data, IT spending in North America was estimated at $500 billion. The IT market in North America has been softening, according to IDC figures. A slowdown in this market has negatively affected the company s revenues and results of operations.

The non-consumer IT industry consists of a supply chain made up of suppliers, distributors, resellers, and corporate and public-sector customers. Agilysys operates in the reseller category as a solution provider, as well as an independent software vendor (ISV) in the hospitality industry and system integrator in the retail industry.

In recent years, the role of solution providers in the industry has become more important as suppliers have shifted an increasing portion of their business away from direct sales, and many end-users are working more with solution providers to develop, implement and integrate comprehensive and increasingly complex solutions.

To ensure the efficient and cost-effective delivery of products and services to market, IT suppliers increasingly have been outsourcing functions such as logistics, order management, sales and technical support. Solution providers play crucial roles in this outsourcing strategy by offering to customers technically skilled and market-focused sales and services organizations. Certain solution providers, such as Agilysys, offer additional proprietary products and services that complement a total, customer-focused solution.

Products and Services

Within the solutions segment in which Agilysys operates, product sets include enterprise servers, data storage hardware, systems infrastructure software, networking equipment and IT services related to implementation and support. IDC estimates North American spending in these product sets was $240 billion in calendar year 2007, and is expected to grow to $301 billion by calendar year 2012.

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Total revenues from continuing operations for the company s three specific product areas are as follows:

	For The Year Ended March 31		
(In thousands)	**2008**	2007	2006
Hardware	**$ 572,044**	$ 348,463	$ 351,886
Software	**72,701**	33,260	30,016
Services	**126,215**	92,847	87,082
Total	**$ 770,960**	$ 474,570	$ 468,984

During 2008, 2007 and 2006, sales of the company s three largest suppliers products and services accounted for 76%, 65%, and 64%, respectively, of the company s sales volume. Sales of HP products and services accounted for 36%, 45%, and 39% of the company s sales volumes in 2008, 2007, and 2006, respectively. Sales of IBM products and services accounted for 19%, 20%, and 25% in 2008, 2007, and 2006, respectively. Sales of Sun products and services through Innovativ, which was purchased in July 2007, accounted for 21% of the sales volume in 2008.

The loss of any of the top three suppliers or a combination of certain other suppliers could have a material adverse effect on the company s business, results of operations and financial condition unless alternative products manufactured by others are available to the company. In addition, although the company believes that its relationships with suppliers are good, there can be no assurance that the company s suppliers will continue to supply products on terms acceptable to the company. Through agreements with its suppliers, Agilysys is authorized to sell all or some of the suppliers products. The authorization with each supplier is subject to specific terms and conditions regarding such items as purchase discounts and supplier incentive programs including sales volume incentives and cooperative advertising reimbursements. A substantial portion of the company s profitability results from these supplier incentive programs. These cooperative supplier incentive programs and advertising programs are at the discretion of the supplier. From time to time, suppliers may terminate the right of the company to sell some or all of their products or change these terms and conditions or reduce or discontinue the incentives or programs offered. Any such termination or implementation of such changes could have a material adverse impact on the company s results of operations.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. Operating segments can be aggregated for segment reporting purposes so long as certain economic and operating aggregation criteria are met. With the divestiture of the company s KeyLink Systems Distribution Business in 2007, the continuing operations of the company represented one business segment that provided IT solutions to corporate and public-sector customers. In 2008, the company evaluated its business groups and developed a structure to support the company s strategic direction as it has transformed to a pervasive solution provider largely in the North American IT market. With this transformation, the company now has three reportable segments: Hospitality Solutions Group, Retail Solutions Group, and Technology Solutions Group. See note 13 to consolidated financial statements included in Item 15 for a discussion of the company s segment reporting.

Customers

Agilysys customers include large and medium-sized companies, divisions or departments of corporations in the *Fortune* 1000, and public-sector institutions. The company serves customers in a wide range of industries, including education, finance, government, healthcare, hospitality, manufacturing and retail. In 2008, Verizon Communications, Inc. represented approximately 11.5% of total sales. No single customer accounted for more than 10 percent of Agilysys total sales during 2007 or 2006.

Uneven Sales Patterns and Seasonality

The company experiences a disproportionately large percentage of quarterly sales in the last month of its fiscal quarters. In addition, the company s Technology Solutions Group experiences a seasonal increase in sales during its fiscal third quarter ending in December. Third quarter sales were 32%, 32%, and 29% of annual revenues for 2008, 2007, and 2006, respectively. Agilysys believes that this sales pattern is industry-wide. Although the company is unable to predict whether this uneven sales pattern will continue over the long term, the company anticipates that this trend will remain the same in the foreseeable future.

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Backlog

The company historically has not had a significant backlog of orders. There was no significant backlog at March 31, 2008.

Competition

The reselling of innovative computer technology solutions is competitive, primarily with respect to price, but also with respect to service levels. The company faces competition with respect to developing and maintaining relationships with customers. Agilysys competes for customers with other solution providers and occasionally with some of its suppliers.

There are very few large, public enterprise product reseller companies in the IT solution provider market. As such, Agilysys competition is typically small or regional, privately held technology solution providers with $50 million to $200 million in revenues. The company does occasionally compete with large companies such as Berbee Information Networks Corporation (a division of CDW Corporation), Forsythe Solutions Group, Inc., Logicalis Group, Micros Systems, Inc. and Radiant Systems, Inc.

Employees

As of December 1, 2008, Agilysys had 1,328 employees. The company is not a party to any collective bargaining agreements, has had no strikes or work stoppages and considers its employee relations to be excellent.

Markets

Agilysys sells its products principally in the United States and Canada and entered the China, Hong Kong and U.K. markets through acquisition. Sales to customers outside of the United States and Canada are not a significant portion of the company s sales. As of July 2008, management has decided to sell its China and Hong Kong operations.

Access to Information

Agilysys makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports available free of charge through its Internet site (http://www.agilysys.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The information posted on the company s Internet site is not incorporated into this Annual Report on Form 10-K. In addition, the SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Failure to timely file our periodic reports with the SEC could result in the delisting of our common shares by Nasdaq.

Our common shares are subject to potential delisting from The Nasdaq Stock Market as a result of our failure to timely file this Annual Report on Form 10-K with the SEC. On July 3, 2008, we received a Nasdaq Staff determination letter indicating that, as a result of our failure to file with the SEC our Annual Report on Form 10-K for the year ended March 31, 2008, we failed to comply with Nasdaq Marketplace Rule 4310(c)(14) which requires us to make, on a timely basis, all filings with the SEC required by the Securities Exchange Act of 1934, as amended. We subsequently received an additional Staff determination regarding our failure to timely file with the SEC our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008. On August 28, 2008, we attended a hearing before a Nasdaq Listing Qualifications Panel (Panel), at which we presented our plan to regain compliance with Nasdaq s filing requirement. The Panel subsequently determined to grant our request for continued listing, provided the Company file our Annual Report on Form 10-K for the year ended March 31, 2008 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 with the SEC, on or before December 30, 2008. We subsequently received an additional notice from The Nasdaq Stock Market indicating that our failure to timely file with the SEC our Quarterly Report on

Form 10-Q for the quarter ending September 30, 2008 potentially serves as an additional basis for delisting. Upon the filing of this Annual Report on Form 10-K and subsequent filing of the two delayed Quarterly Reports on Form 10-Q, we expect the Panel to determine that the Company has evidenced compliance with its decision and to grant the Company s request for continued listing, however, there can be no assurance that it will do so.

If we are unable to continue to maintain our listing on The Nasdaq Stock Market, it may become more difficult for our shareholders to sell our common shares in the public market, and the price of our common shares may be adversely affected due to the likelihood of decreased liquidity resulting from delisting. In addition, our ability to raise additional necessary capital through equity financing, and attract and retain personnel by means of equity compensation, would be greatly impaired. Furthermore, we would expect decreases in

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institutional and other investor demand, analyst interest, market making activity and information available concerning trading prices and volume, and fewer broker-dealers would be willing to execute trades with respect to our common shares.

Our business could be materially adversely affected if we cannot successfully implement changes to our information technology to support a changed business.

We may not be able to successfully implement changes to and manage our internal systems, procedures and controls. Our current information systems environment was principally designed for the distribution business and, although we are in the process of implementing a new information system, we may be unable to successfully support the implementation in an efficient or timely manner.

When we make acquisitions, we may not be able to successfully integrate them or attain the anticipated benefits.

If we are unsuccessful in integrating our acquisitions, or if integration is more difficult than anticipated, we may experience disruptions that could have a material adverse effect on our business or the acquisition. In addition, we may not realize all of the anticipated benefits from our acquisitions, which could result in an impairment of goodwill or other intangible assets.

Our profitability will be partly dependent upon restructuring and executing planned cost savings.

If our cost reduction efforts are ineffective or our estimates of costs available to be saved are inaccurate, our revenues and profitability could be negatively impacted. We may not be successful in achieving the operating efficiencies and operating cost reductions expected from these efforts, and may experience business disruptions associated with the restructuring and cost reduction activities. These efforts may not produce the full efficiency and cost reduction benefits that we expect. Further, such benefits may be realized later than expected, and the costs of implementing these measures may be greater than anticipated.

We are dependent on a long-term product procurement agreement with Arrow Electronics, Inc.

We have entered into a long-term product procurement agreement to purchase a wide variety of products from Arrow Electronics, Inc. Our success will be dependent on competitive pricing, the availability of products on a timely basis and maintenance of certain service levels by Arrow.

We are highly dependent on key suppliers and supplier programs.

We presently depend on a small number of key suppliers, including IBM, HP and Sun Microsystems. The loss of any of these suppliers or a combination of certain other suppliers could have a material adverse effect on the company s business, results of operations and financial condition. From time to time, a supplier may terminate the company s right to sell some or all of a supplier s products or change the terms and conditions of the supplier relationship or reduce or discontinue the incentives or programs offered. Any such termination or implementation of such changes could have a material negative impact on the company s results of operations.

The market for our products and services is affected by changing technology and if we fail to anticipate and adapt to such changes, our results of operations may suffer.

The markets in which the company competes are characterized by technological change, new product introductions, evolving industry standards and changing needs of customers. The company s future success will depend on its ability to anticipate and adapt to changes in technology and industry standards. If the company fails to successfully manage the challenges of rapidly changing technology, the company s results of operations may suffer.

Prolonged economic weakness could cause a decline in spending for information technology, adversely affecting our financial results.

Our revenue and profitability depend on the overall demand for our products and services. Delays or reductions in demand for information technology by end users could materially adversely affect the demand for our products and services. If the markets for our products and services continue to soften, our business, results of operations or financial condition could be materially adversely affected.

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While we believe that our plans to remediate our 2008 material weakness in internal controls over financial reporting, discussed in Item 9A of this report, will return us to the status of having adequate internal controls over financial reporting, we continue to be exposed to risks that those internal controls may be inadequate and we may have difficulty accurately reporting our financial results on a timely basis.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We have an ongoing program to remediate internal control deficiencies and material weaknesses and perform the system and process evaluation and testing necessary to comply with these requirements. As a result, we expect to incur increased expense and to devote additional management resources to Section 404 remediation and compliance. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determine that our internal controls over financial reporting are not effective as defined under Section 404, investor perceptions of the company may be adversely effected and could cause a decline in the market price of our stock.

We may be required to adopt International Financial Reporting Standards (IFRS). The ultimate adoption of such standards could negatively impact our business, financial condition or results of operations.

Although not yet required, we could be required to adopt IFRS which is different than accounting principles generally accepted in the United States of America for our accounting and reporting standards. The implementation and adoption of new standards could favorably or unfavorably impact our business, financial condition or results of operations.

Capital markets are currently experiencing a period of dislocation and instability, which has had and could continue to have a negative impact on our business and operations.

The general disruption in the U.S. capital markets has impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole. These conditions could persist for a prolonged period of time or worsen in the future. The resulting lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations and our ability to obtain and manage our liquidity. Any such developments could have a material adverse impact on our business, financial condition and results of operations.

Credit market developments may adversely affect our business and results of operations by reducing availability under our credit agreement.

In the current volatile state of the credit markets, there is risk that any lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including but not limited to: extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features and otherwise accessing capital and/or honoring loan commitments. If our lender(s) fail to honor their legal commitments under our credit facility, it could be difficult in the current environment to replace our credit facility on similar terms. The failure of any of the lenders under the company s credit facility may impact the company s ability to borrow money to finance its operating activities.

Disruptions in the financial and credit markets may adversely impact the spending of our customers, which could adversely affect our business, results of operations and financial condition.

Demand for our products and services depends in large part upon the level of capital of our customers. Decreased customer spending could have a material adverse effect on the demand for our services and our business, results of operations and financial condition. In addition, the disruptions in the financial markets may also have an adverse impact on regional economies or the world economy, which could negatively impact the capital and maintenance expenditures of our customers. There can be no assurance that government responses to the disruptions on the financial markets will restore confidence, stabilize markets or increase liquidity and the availability of credit. These conditions may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

Delays in filing periodic reports and financial restatements may adversely affect the Company s stock price and ability to raise capital.

We did not file our quarterly reports on Form 10-Q for the quarters ended June 30, 2008 and September 30, 2008 and this annual report on Form 10-K for the year ended March 31, 2008 within the time periods required by SEC regulations. The delays in filing our periodic reports and related financial statements may harm investor confidence and negatively affect our stock price. In addition, the failure to timely file such reports results in restrictions placed on us by the SEC to use certain registration statements, which could adversely affect our ability to raise additional capital.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At March 31, 2008, the company s principal corporate offices were located in a 10,250 square foot facility in Boca Raton, Florida. On October 20, 2008, the principal corporate offices were relocated to Solon, Ohio. As of March 31, 2008, the company owned or leased a total of approximately 392,919 square feet of space for its continuing operations, of which approximately 282,669 square feet is devoted to product warehouse and sales offices. The company s major leases contain renewal options for periods of up to 9 years. On December 2, 2008, the Boca Raton, Florida facility was closed and the company is looking for a tenant to sublease the facility. For information concerning the company s rental obligations, see the discussion of contractual obligations under Item 7 as well as note 7 to consolidated financial statements contained in Part IV hereof. The company believes that its product warehouse and office facilities are well maintained, are suitable and provide adequate space for the operations of the company.
The company s facilities of 75,000 square feet or larger, as of March 31, 2008, are set forth in the table below.

Location	Type of facility	Approximate square footage	Leased or owned
Solon, Ohio	Warehouse and office facility	100,000	Leased
Taylors, South Carolina	Warehouse and office facility	77,500	Leased

Item 3. Legal Proceedings.

The company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to its business.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of the company s security holders during the last quarter of the fiscal year ended March 31, 2008, nor have any matters been submitted to a vote of the company s security holders as of the date of this Report.

Item 4A. Executive Officers of the Registrant.

The information provided below is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The following table sets forth the name, age, current position and principal occupation and employment during the past five years through June 1, 2008, of the company s executive officers.
There is no relationship by blood, marriage or adoption among the listed officers. Mr. Rhein holds office until terminated as set forth in his employment agreement. Mr. Rhein s contract was terminated October 20, 2008, upon his retirement. All other executive officers serve until terminated.

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Executive Officers of the Registrant (6)

Name	Age	Current Position at June 1, 2008	Other Positions
Arthur Rhein (1)	63	Chairman of the Board, President and Chief Executive Officer of the company since April 2003.	
Robert J. Bailey (2)	52	Executive Vice President since May 2002.	
Peter J. Coleman (2)	54	Executive Vice President since May 2002.	
Martin F. Ellis (3)	44	Executive Vice President, Treasurer and Chief Financial Officer since June 2005	Executive Vice President, Corporate Development and Investor Relations from July 2003 to June 3, 2005. Prior to July 2003, Senior Vice President, Principal, and Head of Corporate Finance for Stern Stewart & Co.
Kenneth J. Kossin, Jr. (4)	44	Vice President and Controller since October 2005	Assistant Controller from April 2004 to October 2005. Prior to April 2004, Director of General Accounting for Roadway, Express, Inc.
Richard A. Sayers II	58	Executive Vice President, Chief Human Resources Officer since May 2002.	
Rita A. Thomas	42	Vice President, Corporate Counsel & Assistant Secretary since August 2006.	Prior to August 2006, Associate General Counsel.
Lawrence N. Schultz	61	Secretary of the company since 1999.	Prior to 2003 to present, Partner of the law firm of Calfee, Halter & Griswold LLP. (5)

(1) Mr. Rhein retired from the company on October 20, 2008.
(2) On October 21, 2008, the employment of both Mr. Bailey and Mr. Coleman was terminated.
(3) On October 20, 2008, Mr. Ellis was elected to serve as President and Chief Executive Officer.
(4) On October 20, 2008, Mr. Kossin was elected to serve as Senior Vice President and Chief Financial Officer.
(5) The law firm of Calfee, Halter & Griswold LLP serves as counsel to the company.
(6) On October 20, 2008, Mr. Curtis C. Stout was elected to serve as Vice President and Treasurer and on November 14, 2008, Mr. John T. Dyer was elected to serve as Vice President and Controller.

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part II

Item 5. Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

The company s common shares, without par value, are traded on the NASDAQ Stock Market LLC. Common share prices are quoted daily under the symbol AGYS. The high and low market prices and dividends per share for the common shares for each quarter during the past two fiscal years are presented in the table below.

	Year ended March 31, 2008				
	First quarter	**Second quarter**	**Third quarter**	**Fourth quarter**	**Year**
Dividends declared per common share	**$0.03**	**$0.03**	**$0.03**	**$0.03**	**$0.12**
Price range per common share	**$21.03-$23.45**	**$14.50-$23.46**	**$12.68-$18.53**	**$11.13-$15.30**	**$11.13-$23.46**
Closing price on last day of period	**$22.50**	**$16.90**	**$15.12**	**$11.60**	**$11.60**

	Year ended March 31, 2007				
	First quarter	Second quarter	Third quarter	Fourth quarter	Year
Dividends declared per common share	$0.03	$0.03	$0.03	$0.03	$0.12
Price range per common share	$13.38-$18.00	$12.19-$17.51	$13.84-$17.00	$18.26-$23.00	$12.19-$23.00
Closing price on last day of period	$18.00	$14.00	$16.74	$22.47	$22.47

As of December 9, 2008, there were 22,672,040 common shares of the company outstanding, and there were 2,162 shareholders of record. The closing price of the common shares on December 9, 2008, was $3.60 per share.
Cash dividends on common shares are payable quarterly upon authorization by the Board of Directors. Regular payment dates have been the first day of August, November, February and May.
The company maintains a Dividend Reinvestment Plan whereby cash dividends and additional monthly cash investments up to a maximum of $5,000 per month may be invested in the company s common shares at no commission cost.
The company has adopted a Shareholder Rights Plan. For further information about the Shareholder Rights Plan, see note 14 to the consolidated financial statements contained in Part IV hereof.

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The following table presents information about repurchases of common stock made by the company during the fourth quarter of fiscal 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2008 through January 31, 2008	1,510,243	$ 14.66	1,510,243	608,846(1)
February 1, 2008 through February 29, 2008	430,633	13.58	430,633	(2)
March 1, 2008 through March 31, 2008				
Total End of Fourth Quarter	1,940,876	$ 14.49	1,940,876	