
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2024

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-12456

AMERICAN SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-1098795

(IRS Employer
Identification No.)

470 East Paces Ferry Road, N.E. Atlanta Georgia

(Address of principal executive offices)

30305

(Zip Code)

(404) 261-4381

Registrant's telephone number, including area code

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

Title of each class
Common Stock

Trading Symbol
AMSWA

Name of each exchange on which registered
NASDAQ Global Select Market

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 No

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 No

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, an emerging growth company or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “emerging growth company” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of October 31, 2023, the last business day of the registrant’s most recently completed second fiscal quarter, 31,910,287 Class A Common Shares and 1,821,587 Class B Common Shares of the registrant were outstanding. The aggregate market value (based upon the closing price of Class A Common Shares as quoted on the NASDAQ National Market System on October 31, 2023) of the Class A Common Shares held by non-affiliates on that date was approximately \$370.0 million. As of June 24, 2024, 31,459,011 Class A Common Shares and 1,821,587 Class B Common Shares of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE; LOCATION IN FORM 10-K

Portions of the Company's Proxy Statement for its 2024 Annual Meeting of Shareholders are incorporated by reference into Part III.

American Software Inc.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended April 30, 2024

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PART I

Item 1. BUSINESS

Special Cautionary Notice Regarding Forward-Looking Statements

We believe that it is important to communicate our future expectations to our shareholders and to the public. This report contains forward-looking statements, including, in particular, statements about our goals, plans, objectives, beliefs, expectations and prospects under the headings “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” You can identify these statements by forward-looking words such as “anticipate,” “intend,” “plan,” “continue,” “could,” “grow,” “may,” “potential,” “predict,” “strive,” “will,” “seek,” “estimate,” “believe,” “expect,” and similar expressions that convey uncertainty about future events or outcomes. Any forward-looking statements herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning future:

- results of operations;*
- liquidity, cash flow and capital expenditures;*
- demand for and pricing of our products and services;*
- viability and effectiveness of strategic alliances;*
- industry and market conditions;*
- acquisition activities and the effect of completed acquisitions; and*
- general economic conditions.*

Although we believe that the goals, plans, expectations and prospects reflected by our forward-looking statements are reasonable based on the information currently available to us, those statements are not guarantees of performance. There are a number of factors that could cause actual results or performance to differ materially from what is anticipated by statements made herein. These factors include, but are not limited to, continuing U.S. and global economic uncertainty and the timing and degree of business recovery; the irregular pattern of our revenue; dependence on particular market segments or clients; competitive pressures; market acceptance of our products and services; technological complexity; undetected software errors; potential product liability or warranty claims; risks associated with new product development; the challenges and risks associated with integration of acquired product lines, companies and services; uncertainty about the viability and effectiveness of strategic alliances; as well as a number of other risk factors that could affect our future performance. Factors that could cause or contribute to such differences include, but are not limited to, those we discuss under the section captioned “Risk Factors” in Item 1A. of this Form 10-K as well as the cautionary statements and other factors that we discuss in other sections of this Form 10-K.

Company Overview

American Software, Inc. (“American Software” or the “Company”) was incorporated in Georgia in 1970. The Company is headquartered in Atlanta, Georgia with international offices in Belgium, the United Kingdom, Germany, India and New Zealand.

We provide our software and services solutions through two major operating segments: (1) Supply Chain Management (“SCM”) and (2) Other. The SCM software business is our core market. We continue to provide limited services to our legacy ERP clients included in the Other segment.

American Software through its wholly-owned subsidiary and operating entity Logility, Inc (“Logility”), delivers an innovative Artificial Intelligence based platform that enables enterprises to make better decisions faster about how to operate

their supply chain including processes ranging from product concept to client availability via the Logility Decision Intelligence Platform, a single platform spanning Product, Demand, Inventory, Network Optimization, Supply and Order Response aligned with Scenario Planning and Supplier Management. Our Logility Digital Intelligence Platform leverages an innovative blend of artificial intelligence (AI) and advanced analytics fueled by supply chain master data, allowing for the automation of critical business processes through the application of artificial intelligence and machine learning algorithms to a variety of internal and external data streams.

We believe enterprises are facing unprecedented rates of change and disruption across their operations. Increasing consumer expectations for convenience and personalization, fast and free delivery and product freshness are forcing enterprises to adapt or be left behind. Given constraints arising from a shortage of skilled supply chain talent and a desire to keep costs at a minimum, we expect enterprises to embrace digital transformation initiatives to meet these challenges. Our software reduces the business cycle time required from product concept to client availability. Our platform allows our clients to create a digital model of their physical supply chain networks that improves the speed and agility of their operations by implementing automated decision-making processes. These processes regularly analyze business and market signals to better inform product design and development, increase forecast accuracy, optimize inventory across the supply chain source products sustainability, ethically and ensure high client satisfaction.

Our platform is highly regarded by clients and industry analysts alike. We have been positioned in the Leader quadrant in Gartner, Inc.'s ("Gartner") April 23, 2024 report, *Magic Quadrant for Supply Chain Planning Solutions*. We believe our platform is rated highly due to our AI-based approach, flexible advanced analytics, underlying Software as a Service ("SaaS") architecture, ease of integration with third-party systems, lower total cost of ownership relative to competitors and the broad scope of supply chain planning functions supported.

We serve approximately 650 clients located in approximately 80 countries, largely concentrated within key vertical markets including apparel and other soft goods, food and beverage, consumer packaged goods, consumer durable goods, wholesale distribution, specialty chemical and other process manufacturing. Our software and services are marketed and sold through a direct sales team as well as an indirect global value-added reseller ("VAR") distribution network. Our software is sold to be deployed in the cloud as a SaaS subscription. We further support our clients with an array of consulting, implementation, operational and training services as well as technical support and hosting.

We derive revenue from four sources: subscriptions, software licenses (incremental users to existing clients), maintenance and professional services. We generally determine SaaS subscription fees based on the breadth of functionality and number of users and/or divisions. Services and other revenues consist primarily of fees from software implementation, training and consulting services. We bill for consulting services primarily under time and materials arrangements and recognize revenue as we perform services. Subscription and maintenance agreements typically are for a three- to five-year term. We generally bill these fees annually in advance and then recognize the resulting revenue ratably over the term of the agreement. Deferred revenues represent advance payments or fees for subscriptions, services and maintenance billed in advance of the time we recognize the related revenue.

Market Opportunity

Today's brands, manufacturers, distributors and retailers must respond to rising consumer expectations to buy anywhere, deliver anywhere and return anywhere, even as global economic conditions and competitive pressures force businesses to reduce costs, decrease order cycle times and improve operating efficiencies. To meet these demands, we believe businesses must dramatically improve the performance of their supply chains, which can only be achieved through automation, artificial intelligence, and advanced analytics. We leverage artificial intelligence and machine learning algorithms throughout our supply

chain management software platform, enabling enterprises to accelerate the cycle time from product concept to client availability.

Supply chain management refers to the process of managing the complex global network of relationships that organizations maintain with external trading partners (clients and suppliers) to design products, forecast demand, source supply, manufacture products, distribute and allocate inventory and deliver goods and services to the end client. Supply chain management involves the activities related to sourcing, supplying and merchandising products or services as well as the sales and marketing activities that influence the demand for goods and services, such as new product introductions, promotions, pricing, and forecasting. Additional aspects of supply chain management include comprehensive sales and operations planning (“S&OP”) as well as product lifecycle management (“PLM”), product sourcing quality, traceability and vendor compliance, to ensure the right products are brought to market on time and in good condition. Companies that effectively communicate, collaborate, and integrate with their trading partners across the multi-enterprise network or supply chain can realize significant competitive advantages in the form of lower costs, greater customer loyalty, reduced stock-outs, more efficient sourcing, reduced inventory levels, synchronized supply and demand and increased revenue.

Gartner’s March 2024 report, *Forecast: Enterprise Application Software, Worldwide, 2022-2028, 1Q24 Update*, predicts spending on Supply Chain Management software and services will exceed \$32 billion in 2024 and reach \$62 billion by 2028. This represents a compounded annual growth rate (“CAGR”) of 17% through 2028. Within the Supply Chain Management software market, Gartner includes solutions for supply chain planning, supply chain execution and procurement.

We focus primarily on supply chain planning processes and certain procurement and sourcing functions, which we estimate account for approximately one-third of the Supply Chain Management software market as defined by Gartner. Our platform includes twenty-six components spanning eight key supply chain planning processes that clients may adopt independently or as a comprehensive solution platform. We believe our opportunity to cross-sell and up-sell existing clients is significant, given the potential for clients to adopt additional components and by converting over time the existing on-premise clients to our cloud SaaS subscription. Within the sourcing function, organizations are increasing their focus on vendor compliance and sourcing linked with supply chain planning and other enterprise applications, in order to increase the efficient and effective fulfillment of customer orders in both the business-to-business and the business-to-consumer sectors. These multi-enterprise supply chains have heightened the need for robust supply chain master data management (“MDM”) to provide an accurate digital twin of the supply chain network, allowing enterprises to quickly plan strategically and accurately respond to dynamic market conditions to take advantage of business opportunities and mitigate risk.

Company Strategy

Our goal is to deliver the fastest time to value for our clients to contribute to an agile, resilient, antifragile, and higher velocity sustainable supply chain. Our strategy includes the following key elements:

AI-Based Supply Chain Solutions. AI is a supply chain game changer because it empowers organizations to overcome today’s market challenges with its capacity to analyze massive amounts of data, empower employees, accelerate decision intelligence, and streamline complex processes across multiple functions. Logility is an AI-based company prioritizing the use of AI to solve the industry’s toughest supply chain planning challenges. Logility’s commitment to an AI-based strategy is illustrated by our transition from using AI to bolster traditional planning approaches to leveraging AI to reimagine supply chain planning.

Create Sustainable Supply Chains for Our Clients. By enabling our clients to shorten their supply chains, reduce energy consumption, product spoilage and water usage, increase the use of recyclable material, enforce proper labor practices and track

products through their entire lifecycle, we help them to achieve more sustainable operations and improve conditions in the world in which we live.

Expand Strategic Relationships. We are increasingly working with industry-leading consultants and other software and services providers. Our strategic relationships help us to grow more quickly and to more efficiently deliver our products and services. We intend to continue to develop strategic relationships with systems integrators and other providers to combine our software with their services and products and create joint marketing and co-development opportunities.

Acquire or Invest in Complementary Businesses, Products and Technologies. We believe that selective acquisitions or investments may offer opportunities to broaden our product offering for our target markets. With our acquisition of 100% of the total issued and outstanding shares of capital stock of Garvis AI Limited ("Garvis"), a private limited company organized and registered in fiscal 2024, we began delivering on our native AI future forward roadmap as opposed to integrating AI into existing processes. We embrace an AI-based strategy while applying AI incrementally to get the most out of this rapidly evolving technology. We will evaluate acquisitions or investments that will provide us with complementary products and technologies, expand our geographic presence and distribution channels, penetrate additional vertical markets with challenges and requirements similar to those we currently meet and further solidify our leadership position within the SCM market.

Products and Services

We provide a comprehensive, cloud-architected supply chain management platform that helps our clients manage eight critical planning processes, Product, Demand, Inventory, Supply, Network Optimization, Order Response, Supplier Management and Scenario Planning. Within each of these process areas, we offer one or more components that clients may leverage independently, in combination, or as a comprehensive solution platform. Our supply chain MDM platform and advanced analytics capabilities enable clients to derive new insights and automate supply chain decision-making processes that regularly analyze demand, production, supply, and distribution signals to better inform product design and development, increase forecast accuracy, optimize inventory across the global supply chain and in-store and ensure high client satisfaction.

While clients can use our software applications individually, we have designed them to be combined as an integrated systems to meet specific client requirements. Clients may select virtually any combination of components to form an integrated solution for a particular business problem, from a single module to a multi-module, multiple-user solution incorporating our full range of products.

The Logility Decision Intelligence Platform encompasses the following processes and associated components:

Product: Streamlines moving product concepts to market, rationalizes complex product lines and drives smart assortment plans and allocation strategies. Includes merchandise and assortment planning, product lifecycle management and traceability.

Demand: Improves prediction of true market demand, new product introductions and phase-outs, short life cycle products and promotions. Includes demand planning and optimization and demand sensing.

Inventory: Minimizes cost and reduces risk while meeting customer service requirements with multi-echelon inventory optimization (MEIO). Includes inventory planning and optimization.

Supply: Maximizes cost-effective throughput and satisfies market demand every day. Includes supply planning and optimization, as well as manufacturing planning and production scheduling.

Network Optimization: Better assess complex trade-offs while optimizing capacity and network flows for conflicting priorities.

Order Response: Positions inventory to quickly meet demand requirements with smart allocation. Includes allocation and automated order promising.

Supplier Management: Master complex supplier networks to minimize risk and increase resiliency. Includes vendor management, quality control and compliance, traceability, and sourcing management.

Scenario Planning: Guides business resources to meet revenue, profitability and customer service goals. Includes annual planning, integrated business planning, decision command center, and S&OP.

Supply Chain Data Management: Gains access to tailored data integration, machine learning and advanced analytics without the headaches of custom development. Includes data management, machine learning and artificial intelligence and advanced analytics.

Client Support and Maintenance

We provide our clients with ongoing product support services, which are included in subscription fees. We enter into support or maintenance contracts with clients for an initial three to five year term, billed annually in advance, with renewal for additional periods thereafter. Under both subscription and license contracts, we provide help-desk consulting, product updates and releases of new versions of products previously purchased by the client, as well as error reporting and correction services. We provide ongoing support and maintenance services on a seven-days-a-week, 24-hours-a-day basis through email and web-based support, using a call logging and tracking system for quality assurance.

Consulting Services

Clients frequently require services beyond our standard support and maintenance. To meet those clients' needs, our professional services team provides specialized business and software implementation consulting, configuration, system-to-system interfacing and extensive training and certification. We offer these services for an additional fee, usually based upon time and materials utilized. We provide the following professional services to our clients:

Implementation and Training Services. We offer our clients a professional and proven program that facilitates rapid implementation of our software products. Our consultants help clients define the scope of their project and proceed through the implementation process with the work prioritized to deliver the highest value outcomes first. We establish measurable financial and logistical performance indicators and then evaluate them for conformance during and after implementation. We offer training for all users and managers. Implementation of our products typically requires three to nine months, depending on factors such as the complexity of a client's existing systems, breadth of functionality and number of business units and users.

We also offer our clients post-delivery professional services consisting primarily of implementation and training services, for which we typically charge on a daily basis. Clients that invest in implementation services receive assistance in integrating our software with existing enterprise software applications and databases. Additional services may include post-implementation reviews and benchmarks to further enhance the benefits to clients and training and user certification programs can help our clients gain even greater benefits from our robust planning platform.

Clients

We deliver our software and services to clients in a variety of industries, including apparel and other soft goods, food and beverage, fast moving consumer goods, consumer durable goods, wholesale distribution/retail and process and chemical manufacturing. A sample of companies that we have served in the past two years is as follows:

Consumer Goods	Food & Beverage	Libbey Glass LLC	Urban Outfitters
Bondi Sands Australia Pty Ltd	Black Rifle Coffee Company	Mustad Netherlands B.V.	Workwear Outfitters, LLC
Central Garden and Pet	Caribou Coffee Company	Otter Products, LLC	Wholesale Distribution / Retail
Dometic Group AB	Dole Fresh Vegetables, Inc.	Parker Hannifin Corporation	Argosy Trading Company, Ltd
GOJO Industries, Inc.	Great Lakes Cheese Company, Inc.	Sandvik	Big Lots!
Hasbro, Inc	J. R. Simplot Company	Savant Technologies LLC (GE Lighting)	Bobs Discount Furniture
Herbalife International of America, Inc.	J.D. Irving, Limited	Terex Corporation	
Manna Pro Products	Jackson Family Wines	Thermo Fisher Scientific	ChemPoint
Omega Pharma International NV	Mazoon Dairy Company SAOC	Thermos LLC	Dealer Tire
Reynolds Consumer Products LLC	Niagara Bottling	Timken	Fastenal Company
Rituals Cosmetics	Ready Pac Foods, Inc.	WEG Equipamentos Elétricos S.A.	Foot Locker, Inc.
Rodan & Fields, LLC	Sauer Brands, Inc	Apparel	Hancocks Wine, Spirits and Beer
Sunovion Pharmaceuticals, Inc.	Sazerac Company	Aeropostale	Heidelberg Materials US, Inc.
Vitalus Nutrition, Inc.	Taylor Fresh Foods	Bernard Cap Co., Inc.	Incofe, S.A.S
Process & Chemical	The J.M. Smucker Company	Broder Brothers	Mayoreo Ferrreteria y Acabados S.A
Ansell Limited	The Spice Tailor Limited	C&A Mexico	Mom Enterprises, LLC
BERICAP Holding GMBH	Tillamook County Creamery Association	Canada Goose	Richardson Sports, Inc.
Berlin Packaging LLC	Durable Goods	Converse, Inc	Screwfix
Berry Global	Ashley Furniture	Delta Apparel	The Gem Group, Inc.
Croda Europe Limited	Bio-Medical Devices International	Destination XL	The Home Depot
Detmold Packaging Pty Ltd.	CertainTeed	Hunkemoller International BV	TopBuild Support Services
HollyFrontier Corporation	Clarios	Jockey International	Trelleborg Wheel Systems
Huhtamaki	Columbus McKinnon Corporation	Kontoor Brands, Inc	US Autoforce
Intertape Polymer Group	CQMS Razer Pty. Ltd.	Lacoste	Williams Scotsman, Inc.
Kelly Moore Paint Company, Inc	Electrical Home-Aids Pty Limited (Godfrey's)	Lacrosse Footwear	Woolworths Group Ltd
ORBIS Corporation	Glen Raven, Inc.	Neatfreak	
Petrobras Distribuidora S.A.	Husqvarna AB	Patagonia	
Plastic Packaging Technologies, LLC	ICL, Inc.	PVH Corp.	
Sonoco Products	Interlock USA, Inc.	Red Wing Shoe Company	
Universal Fiber Systems	Johnson Controls	Renfro	
Yazaki	Johnson Controls Hitachi AC Europe SAS	Rocky Brands, Inc.	
	Le Creuset Group AG	Stichd B.V.	

No client accounted for more than 10% of fiscal 2024 revenue. We typically experience a slight degree of seasonality, reflected in a slowing of services revenue during the summer and again in the winter holiday season, which occurs in the third quarter of our fiscal year. We are not reliant on government-sector clients.

Competition

Our competitors are diverse and offer a variety of software and services targeted at various aspects of the supply chain, retail and general enterprise application markets. Our existing competitors include, but are not limited to:

- Large ERP application software vendors such as SAP, Oracle and Infor, each of which offers sophisticated ERP software that currently, or may in the future, incorporate supply chain management, advanced planning and scheduling, collaboration or S&OP software components;
- Vendors focusing on the supply chain application software market, including, but not limited to, Blue Yonder, Kinaxis, o9 Solutions, and OM Partners;
- Other business application software vendors that may broaden or improve their product offerings by internally developing, acquiring or partnering with independent developers of supply chain management software and
- Internal development efforts by corporate information technology departments.

We also expect to face additional competition as other established and emerging companies enter the market for supply chain management software and/or introduce new products and technologies. In addition, current and potential competitors have made and may continue to make strategic acquisitions or establish cooperative relationships among themselves or with third parties.

The principal competitive factors in the target markets in which we compete include the depth of product functionality and quality, domain expertise, speed of implementation and value creation, integration technologies, product suite integration, breadth of products and related services such as client support, training and implementation. Other factors important to clients and prospects include:

- security of the cloud environment
- customer service and satisfaction;
- ability to provide relevant client references;
- compliance with industry-specific requirements and standards;
- flexibility to adapt to changing business requirements;
- ability to generate business benefits;
- rapid payback and measurable return on investment;
- vendor financial stability and company and product reputation; and
- initial price, cost to implement and long term total cost of ownership.

We believe that our principal competitive advantages are our comprehensive, end-to-end software platform, the ability of our software to quickly generate business benefits for our clients, our substantial investment in product development, our deep domain expertise, the ease of use of our software products, our client support and professional consulting services, our ability to deploy quickly and our ability to deliver rapid return on investment for our clients.

Sales and Marketing

We sell our products globally through direct and indirect sales channels. We conduct our principal sales and marketing activities from our corporate headquarters in Atlanta, Georgia and have North American sales and/or support offices at several locations. We manage sales and/or support outside of North America from our international offices in Belgium, the United Kingdom, Germany, India and New Zealand.

In addition to our direct sales force, we have developed a network of VARs who assist in selling, implementing and supporting our products globally. We will continue to utilize these and future relationships with software and service organizations to enhance our sales and marketing position. Currently located in North America, South America, Mexico, Europe, and the Asia/Pacific region, these independent distributors and resellers distribute our product lines domestically and in foreign countries. These vendors typically sell their own consulting and systems integration services in conjunction with

contracts for our products. Our global distribution channel consists of 13 organizations with sales, implementation and support resources serving clients in approximately 80 countries.

Marketing and communications contribute significantly to our growth and the demand for our products and services in the market. We raise market awareness of our brands and engage with the prospective market through concentrated marketing and communications programs. We do this through a variety of marketing efforts, including public and media relations, direct marketing, advertising, events and industry influencers. We also collaborate and participate in a variety of global industry associations, such as those organized by the Association for Supply Chain Management, the Council of Supply Chain Management Professionals and the Institute of Business Forecasting.

Research and Development

Our success depends in part upon our ability to continue to recognize and meet client needs, anticipate opportunities created by changing technology, adapt our products to the changing expectations of our client community and keep pace with emerging industry standards. As a part of our ongoing commitment to these goals, we continue to focus on the people, processes and technology that help to achieve them. We are committed to partnering with our clients in co-development efforts to ensure our products map well to market needs from day one. We also continue to shorten release cycles to more rapidly respond to market opportunities. We leverage design thinking approaches to ensure that we understand not only the expressed needs of our clients, but also the lived realities of the people that use them to accomplish their supply chain goals each and every day.

We continue to leverage the opportunities presented by artificial intelligence, machine learning, advance analytics platforms, in-memory computing and alternative data management approaches as well as advancing research efforts in the application of blockchain and other technologies with promise in supply chain use cases. Our research and development efforts will continue to focus on deploying software within a complex global supply chain landscape. Our cloud-architected software designed for SaaS deployment with master data management built in will be increasingly important for our long-term growth. As of April 30, 2024, we deploy 151 persons in product research, development and enhancement activities.

Proprietary Rights

Our success and ability to compete are dependent in part upon our proprietary technology. To protect this proprietary technology, we rely on a combination of copyright and trade secret laws, confidentiality obligations and other contractual provisions. However, we also believe that factors such as the knowledge, ability and experience of our personnel, new product developments, frequent product enhancements, reliable maintenance and timeliness and quality of support services are essential to establishing and maintaining a technology leadership position. The source code for our proprietary software is protected as a trade secret and can be protected as a copyrighted work. Generally, copyrights expire 70 years after the life of the author. In addition, we have registered a number of trademarks in the U.S. and internationally and have applications pending for others. We enter into confidentiality or similar agreements with our employees, consultants and clients, control access to and distribution of our software, documentation and other proprietary information and deliver only object code (compiled source code) to our licensed clients. As is customary in the software industry, in order to protect our intellectual property rights, we do not sell or transfer title to our products to our clients.

Human Capital Resources

As of April 30, 2024, we had 412 personnel, 81 of whom are full-time contractors, including 151 in product research, development and enhancement, 51 in client support, 95 in professional services, 73 in marketing, sales and sales support and 42

in accounting, facilities and administration. We have never had a work stoppage and no employees or contractors are represented under collective bargaining arrangements.

Core Values. Our corporate culture is based on our core values: Passion, Accountability, Curiosity and Teamwork. Employee performance and Company fit are assessed in part based on these core values. We reinforce them in employee communications and celebrate extraordinary examples of these values with quarterly “Living the Core Values” awards for employees nominated by colleagues and selected by the executive leadership team.

Diversity. American Software and its subsidiaries are enriched by the diverse, talented and highly skilled workforce that brings a variety of experiences and perspectives to address the needs of our team, clients and shareholders. We make better decisions and draw strength from this diversity and thus, are purposefully committed to providing an accessible workplace where members from every race, national origin, ethnicity, gender, sexual orientation, religion, age and personality profile feel included and valued. We will ensure that all qualified candidates receive full consideration and that for every open role we seek a diverse pool of candidates for consideration prior to selecting the most qualified individual to fill those open roles.

Talent and Career Development. We support and encourage continuous learning, training and career development for all employees. In addition to our general new hire orientation, employees are trained on job-specific requirements, as well as topics such as cybersecurity, data privacy, anti-harassment and anti-bullying.

Employee career development is a key focus in the attraction, retention and management of our human capital resources. Our success planning process allows each employee to discuss career development goals with his or her manager and to provide feedback on broader company processes, to help both the employee and the Company become more successful. Success plans are tracked via the employee portal, which senior management monitors to ensure full participation.

Community Engagement. We believe in the importance of giving back to the communities where we live and work. Our Community imPACT initiative has two major components. We organize Company-sponsored volunteer opportunities with selected organizations across our geographic locations that focus on combating food insecurity. We also encourage our employees to take action in their own communities by volunteering with charitable organizations of their choice and we support their efforts by providing up to 16 hours of paid time off each year for individual volunteering.

Data Privacy

Regulatory and legislative activity in the areas of data protection and privacy continues to increase worldwide. We have established and continue to maintain policies to comply with applicable privacy and data protection laws. We also ensure that third parties processing data on our behalf are contractually obligated to follow or are otherwise compliant with such laws.

We are subject to certain privacy and data protection laws in other countries in which we operate, many of which are stricter than those in the United States. Some countries also have instituted laws requiring in-country data processing and/or storage of data. Most notably, in the European Union (“EU”) and United Kingdom (“UK”), the General Data Protection Regulation (“GDPR”) and comparable UK law create legal and compliance obligations for companies that process personal data of individuals in those regions, regardless of the geographical location of the company and impose significant fines for non-compliance. We process a limited amount of personal data (as defined under the GDPR) for our clients and act as a data controller with respect to the personal data of our employees and job applicants, some of whom are located outside the United States. Therefore, our privacy policies comply with the GDPR.

In the United States, the California Consumer Privacy Act (“CCPA”) requires us to offer certain specific data privacy rights to California residents. The amount of regulated data that we possess is small. Other states have adopted or are considering similar requirements that may be more stringent and/or expansive than federal requirements. Our privacy policies are compliant with the CCPA and other existing state laws.

Data Security

Information Security Management. Our Software Security Program is managed by our Manager of Information Security, who reports to the EVP of Information, Technology & Risk. We conduct vendor and internal risk assessments at least annually. Our Security Incident Response Team, consisting of personnel from Legal, Human Resources, Marketing and IT across our business units, is responsible for implementing our Incident Response Policy and Procedures, which includes processes for detection, analysis, containment, eradication and recovery.

Our employees are regularly trained on appropriate security measures. We provide security awareness training for new hires and for all employees at least quarterly. We conduct user testing through “phishing” campaigns and require remedial training based on results. Our Manager of Information Security produces a monthly security awareness newsletter and periodic updates on recent malicious information security trends and scams.

The Company also uses an external auditor to conduct an annual Service and Organization Controls (SOC) 2 Type II audit that complies with the Statement on Standards for Attestation Engagements 18 (SSAE 18) promulgated by the American Institute of Certified Public Accountants (AICPA) ("SOC 2 Audit"). The SOC 2 Audit demonstrates that an independent accounting and auditing firm has reviewed and examined an organization’s control objectives and activities and tested those controls to ensure that they are operating effectively. The Company obtains a SOC 2 Audit annually. The SOC 2 Audit examines the suitability of the design and operating effectiveness of the Company’s controls to provide reasonable assurance that our service commitments and system requirements were achieved based on the applicable trust services criteria for security, availability, processing integrity and confidentiality.

Client Data Security. We have web application firewalls and data encryption (both in transit and at rest) to ensure that our client data is adequately protected. Our software applications undergo manual code reviews, static code analysis to test for vulnerabilities and annual third-party penetration testing, with a formal change control process in place to correct any deficiencies. Our SaaS environments are safeguarded by vulnerability management software that detects operating systems and third-party application vulnerabilities; applies vulnerability patching on a monthly basis; and ensures emergency patching of critical vulnerabilities. Data security is monitored with fully-integrated Security Information and Event Management software and we provide 24/7 security monitoring and alerting for all SaaS client environments. Only approved users may access our SaaS environments and such access is further controlled through two-factor authentication and quarterly access reviews.

Data in our cloud-based software is hosted in a Microsoft Azure environment. Microsoft provides numerous security measures, including geo-redundant storage (GRS) with cross-regional replication for storage of backup data and site recovery that replicates virtual machines in real-time to a different Azure region.

Business Continuity and Disaster Recovery. We have a documented Disaster Recovery Procedure and Business Continuity Plan. Key actions and responsibilities are handled by a designated Disaster Recovery Team and Emergency Management Team, respectively. The policies and procedures are reviewed, updated and approved by executive management annually and a Business Impact Analysis is performed as part of our Business Continuity Plan.

Sustainability in Data Operations

Hosting. Sustainability is a critical factor when we evaluate potential hosting partners. We continue to expand our relationship with Microsoft, including increases in our Azure footprint for hosting client SaaS environments as well as many internal operations. Microsoft has been carbon neutral since 2012 and is committed to being carbon negative by 2030, with the commitment by 2050 to remove all the carbon it has directly emitted since its founding in 1975. Microsoft Azure has committed to focus on four key areas of environmental impact on local communities—carbon, water, waste and ecosystems:

- a. 100% renewable energy by 2025
- b. Water positive by 2030 (replenish more water than consumed)
- c. Zero-waste certification by 2030
- d. Net-zero deforestation for all new data centers.

Data Destruction & Sanitation Policy. Third parties perform secure destruction of media and we receive a certificate of secure destruction from such parties. Items for destruction or recycling are processed using an environmentally friendly waste-to-energy incineration process or e-Stewards® certified recycling process so that the information cannot be reconstructed.

Available Information

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports available free of charge on or through our website, located at <http://www.amsoftware.com>, as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (“SEC”). Reference to our website does not constitute incorporation by reference of the information contained on the site, which should not be considered part of this document.

Logility, Inc. is committed to operating a sustainable and responsible business. We believe that Environmental, Social and Governance is essential to our long-term success and we are committed to making a positive impact on the environment, society and our governance practices.

Social

Logility is committed to creating a positive social impact. We believe that our employees are our most important asset and we are committed to providing them with a safe and healthy workplace. We also support a number of community initiatives, including:

- a. Donating to local charities
- b. Volunteering our time to help others
- c. Promoting diversity and inclusion

Governance

Logility is committed to good governance practices. We have a strong code of ethics and conduct and we are committed to transparency and accountability. We also have a number of policies in place to ensure that our business is conducted in a responsible manner.

Reclassification of our Class B Common Stock

On April 11, 2024, the Company announced a plan to reclassify the Company’s common stock to eliminate its Class B Common Stock, par value \$0.10 per share (the “Class B Common Stock”), subject to shareholder approval (the “Reclassification”). In support of the Reclassification, the Company entered into a Reclassification Agreement, dated April 10, 2024 (the “Reclassification Agreement”), with James C. Edenfield, the beneficial owner of all of the issued and outstanding shares of the Class B Common Stock (referred to below as the “Class B Shareholder” or as Mr. Edenfield).

The Reclassification Agreement provides that, following the satisfaction of the conditions thereto, the Company will amend and restate its Amended and Restated Articles of Incorporation (the “Second Amended and Restated Articles”). Upon the Second Amended and Restated Articles being duly filed with the Secretary of State of the State of Georgia (the “Effective

Time”), among other things, each share of Class B Common Stock issued and outstanding immediately prior to the Effective Time will be reclassified, exchanged and converted into 1.2 shares of the Company’s Class A Common Stock, par value \$0.10 per share (“Class A Common Stock”).

ITEM 1A. RISK FACTORS

The following summarizes risks and uncertainties that could materially adversely affect our business, financial condition, results of operations and stock price. You should read this summary together with the detailed description of each risk factor contained below.

OVERVIEW OF RISK FACTORS

- a. A variety of factors may affect our future results and the market price of our stock
- b. We cannot predict every event and circumstance that may affect our business and therefore the risks and uncertainties discussed below may not be the only ones you should consider.

RISK FACTORS RELATED TO THE RECLASSIFICATION

- a. The Reclassification may not benefit us or our shareholders.
- b. The Company will incur significant costs in connection with the Reclassification, which may be in excess of those anticipated by the Company.
- c. The Class B Shareholder has the most significant voting power in the Company and has interests in the Reclassification that are different from, or in addition to, the interests of other shareholders.
- d. Certain directors of the Company have interests in the Reclassification that are different from, or in addition to, the interests of other shareholders.
- e. The Reclassification may divert the attention of the Company’s management team from its other responsibilities
- f. Failure to consummate the Reclassification could adversely affect the price of the Class A Common Stock.
- g. The market price of shares of Class A Common Stock will continue to fluctuate after the Reclassification.
- h. The market price of shares of Class A Common Stock may decline in the future as a result of the sale of Class A Common Stock held by the former Class B Shareholder or current Class A Shareholders.

RISK FACTORS RELATED TO THE ECONOMY

- a. Disruptions in the financial and credit markets, government policies regarding interest rates and inflation rates, international trade disputes, the effects of a pandemic or major public health concern such as the COVID-19 pandemic, the conflicts between Hamas and Israel and Russia and the Ukraine and other external influences in the U.S. and global markets may reduce demand for our software and related services, which may negatively affect our revenue and operating results.
- b. There may be an increase in client bankruptcies due to weak economic conditions.
- c. We are subject to foreign exchange rate risk.

RISK FACTORS RELATED TO COMPETITION

- a. Our markets are very competitive and we may not be able to compete effectively.
- b. Many of our current and potential competitors have significantly greater resources than we do and therefore we may be at a disadvantage in competing with them.
- c. Due to competition, we may change our pricing practices, which could adversely affect operating margins or client ordering patterns.

RISK FACTORS RELATED TO OUR OPERATIONS

- a. Our growth is dependent upon the successful further development of our direct and indirect sales channels.
- b. Our growth depends upon our ability to develop and sustain relationships with complementary vendors to market and implement our software products and a failure to develop and sustain these relationships could have a material adverse effect on our operating performance and financial condition.
- c. We are dependent upon the retail industry for a portion of our revenue. If these clients were to discontinue the use of our service or delay their implementation, our total revenue would be adversely affected.
- d. We derive a significant portion of our services revenue from a small number of clients.
- e. We may derive a significant portion of our revenue in any quarter from a limited number of large sales.
- f. Our lengthy sales cycle makes it difficult to predict quarterly revenue levels and operating results.
- g. Services revenue carries lower gross margins than subscription and maintenance revenue and an overall increase in services revenue as a percentage of total revenue could have an adverse impact on our business.
- h. Failure to maintain our margins and service rates for implementation services could have a material adverse effect on our operating performance and financial condition.
- i. We are subject to risks related to renewal of maintenance contracts.
- j. We are subject to risks related to accounting interpretations.
- k. Our past and future acquisitions may not be successful and we may have difficulty integrating acquisitions.
- l. Unanticipated changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us or our paying clients could increase the costs of our products and services and harm our business.
- m. Our business may require additional capital.
- n. Business disruptions could affect our operating results.
- o. Our international operations and sales subject us to additional risks.
- p. It may become increasingly expensive to obtain and maintain liability insurance.
- q. Growth in our operations could increase demands on our managerial and operational resources.
- r. Changes in regulations or disruptions of the Internet may negatively affect our business.

RISK FACTORS RELATED TO OUR PRODUCTS

- a. We may not be successful in convincing clients to migrate to current or future releases of our products which may lead to reduced services and maintenance revenue and less future business from existing clients.
- b. We may be unable to retain or attract clients if we do not develop new products and enhance our current products in response to technological changes and competing products.
- c. If our products are not able to deliver quick, demonstrable value to our clients, our business could be seriously harmed.
- d. If we do not maintain software performance across accepted platforms and operating environments, our subscription and services revenue could be adversely affected.
- e. Our software products and product development are complex, which makes it increasingly difficult to innovate, extend our product offerings and avoid costs related to correction of program errors.
- f. The use of open source software in our products may expose us to additional risks and harm our intellectual property.
- g. If the open source community expands into enterprise application and supply chain software, our revenue may decline.
- h. Implementation of our products can be complex, time-consuming and expensive, clients may be unable to implement our products successfully and we may become subject to warranty or product liability claims.
- i. We sometimes experience delays in product releases, which can adversely affect our business.
- j. We may not receive significant revenue from our current research and development efforts for several years.
- k. We have limited protection of our intellectual property and proprietary rights and may potentially infringe third-party intellectual property rights.
- l. We may experience liability claims arising out of the sale of our software and provision of services.
- m. Privacy and security concerns, including evolving government regulation in the area of data privacy, could adversely affect our business and operating results.
- n. We collect, process, store, share, transmit, disclose, and use sensitive data. Our actual or perceived failure to protect such data, mitigate data loss, and/or prevent a cybersecurity or other incident could damage our reputation and harm our business and operating results.

- o. We depend on third-party technology which could result in increased costs or delays in the production and improvement of our products if it should become unavailable or if it contains defects.
- p. Any interruptions or delays in services from third parties or our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business.
- q. Any failure to offer high-quality client support for our cloud platform may adversely affect our relationships with our clients and harm our financial results.

RISK FACTORS RELATED TO OUR PERSONNEL

- a. We are dependent upon key personnel and need to attract and retain highly qualified personnel.
- b. We may need to restructure our sales and/or marketing organizations, which can be disruptive and delay new sales.
- c. Our technical personnel have unique access to client data and may abuse that privilege.

RISK FACTORS RELATED TO OUR CORPORATE STRUCTURE AND GOVERNANCE

- a. Our business is subject to changing regulation of corporate governance and public disclosure that has increased both our costs and the risk of non-compliance.
- b. One shareholder beneficially owns a substantial portion of our stock and as a result, exerts substantial control over us.
- c. Our Amended and Restated Articles of Incorporation (the "Amended and Restated Articles of Incorporation") and Bylaws (the "Bylaws") and Georgia law may inhibit a takeover of our company.
- d. We are a "controlled company" within the meaning of NASDAQ rules and, as a result, qualify for and rely on, exemptions from certain corporate governance requirements.

RISK FACTORS RELATED TO OUR STOCK PRICE

- a. We could experience fluctuations in quarterly operating results that could adversely affect our stock price.
- b. Our stock price is volatile and there is a risk of litigation.
- c. Our dividend policy is subject to change.
- d. The price of our common stock may decline due to shares eligible for future sale or actual future sales of substantial amounts of our common stock.

A variety of factors may affect our future results and the market price of our stock.

We have included certain forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Form 10-K. We may also make oral and written forward-looking statements from time to time, in reports filed with the SEC and otherwise. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements based on circumstances or events which occur in the future, unless otherwise required by law. Actual results may differ materially from those projected in any such forward-looking statements due to a number of factors, including those set forth below and elsewhere in this Form 10-K.

We operate in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the potential impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those in any forward-looking statements. The following section lists some, but not all, of the risks and uncertainties that we believe may have a material adverse effect on our business, financial condition, cash flow or results of operations. In that case, the trading price of our securities could decline and you may lose all or part of your investment in our Company. This section should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

We cannot predict every event and circumstance that may affect our business and therefore the risks and uncertainties discussed below may not be the only ones you should consider.

The risks and uncertainties discussed below are in addition to those that apply to most businesses generally. Furthermore, as we continue to operate our business, we may encounter risks of which we are not aware at this time. These additional risks may cause serious damage to our business in the future, the impact of which we cannot estimate at this time.

RISK FACTORS RELATED TO THE RECLASSIFICATION

The Reclassification may not benefit us or our shareholders.

The long-term impacts of the Reclassification are still unknown, and the Reclassification may not result in an increase in shareholder value or improve the liquidity and marketability of our equity. If the Reclassification is not viewed favorably by members of the investment community, it may cause a decrease in the value of our Class A Common Stock and impair its liquidity and marketability. Furthermore, securities markets worldwide have recently experienced significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could cause a reduction in the market price and liquidity of shares of our Class A Common Stock.

The Company will incur significant costs in connection with the Reclassification, which may be in excess of those anticipated by the Company.

The Company has incurred and will continue to incur substantial non-recurring costs and expenses in connection with the negotiation and completion of the Reclassification. These costs and expenses include, among others, all filing and other fees paid in connection with the Reclassification, the Company's financial and legal advisory and other professional fees incurred related to the Reclassification, which amount is expected to be approximately \$750,000. These costs and expenses, as well as other unanticipated costs and expenses, could have an adverse effect on the financial condition and operating results of the Company.

The Class B Shareholder has the most significant voting power in the Company and has interests in the Reclassification that are different from, or in addition to, the interests of other shareholders.

As of June 24, 2024, the Class B Shareholder owned of record approximately 0.16% of the outstanding shares of Class A Common Stock, 100% of the outstanding shares of Class B Common Stock and approximately 36.8% of the combined voting power of the outstanding shares of Class A Common Stock and Class B Common Stock when voting together as a single class. Assuming the Class B Common Stock owned by the Class B Shareholder is converted into Class A Common Stock pursuant to the terms of the Reclassification Agreement and the Second Amended and Restated Articles of Incorporation, and the Reclassification is completed, then 1,821,587 shares of Class B Common Stock held by the Class B Shareholder will be reclassified into 2,185,904 shares of Class A Common Stock. Immediately following the Reclassification, the 2,245,904 shares of Class A Common Stock held by the Class B Shareholder will represent approximately 6.5% voting interest in the Company (based on the number of shares of Class A Common Stock issued and outstanding as of June 24, 2024).

The Class B Shareholder is party to the Reclassification Agreement. Pursuant to the Reclassification Agreement, on the terms and subject to the conditions set forth therein, the Class B Shareholder has agreed to vote all of his shares of Class A Common Stock and Class B Common Stock owned of record in favor of the Reclassification Proposal and the other proposals in accordance with the Board of Directors' recommendation and against, among other things, any action, agreement or transaction involving the Company or any of its subsidiaries that is intended, or would reasonably be expected, to prevent or materially impair or materially delay the consummation of the Reclassification.

As a result of his significant voting power and rights under the Reclassification Agreement, the Class B Shareholder has interests in the Reclassification that are different from, or in addition to, the interests of certain other shareholders. The independent members of the Board were aware of and considered these interests, among other matters, in evaluating and negotiating the Reclassification Agreement and in determining to unanimously recommend that the Board approve the Second Amended and Restated Articles of Incorporation and the Reclassification Agreement and declare that the Second Amended and Restated Articles of Incorporation and the Reclassification Agreement are advisable, fair to and in the best interests of the Company and the Unaffiliated Common Shareholders (as such term is defined in the Reclassification Agreement). Further, the members of the Board were aware of and considered these interests, among other matters, when the Board authorized, approved and declared advisable and in the best interests of the Company and its shareholders, the terms of the Reclassification Agreement, the Second Amended and Restated Articles of Incorporation and the Reclassification.

Certain directors of the Company have interests in the Reclassification that are different from, or in addition to, the interests of other shareholders.

Certain members of the Company's Board have interests in the Reclassification that are different from, or in addition to, the interests of holders of Class A Common Stock and/or Class B Common Stock, including that the Class B Shareholder appointed a majority of the Company's Directors.

The independent members of the Board were aware of and considered these interests, among other matters, in evaluating and negotiating the Reclassification Agreement and in determining to unanimously recommend that the Board approve the Second Amended and Restated Articles of Incorporation and the Reclassification Agreement and declare that the Second Amended and Restated Articles of Incorporation and the Reclassification Agreement are advisable, fair to and in the best interests of the Company and the Unaffiliated Common Shareholders. Further, the members of the Board were aware of and considered these interests, among other matters, when the Board authorized, approved and declared advisable and in the best

interests of the Company and its shareholders, the terms of the Reclassification Agreement, the Second Amended and Restated Articles of Incorporation and the Reclassification.

The Reclassification may divert the attention of the Company's management team from its other responsibilities.

The Reclassification could cause the Company's management team to focus its time and energies on matters related to the consummation of the Reclassification, including any potential litigation or other proceedings, which would otherwise be directed to the business and operations of the Company. Any such diversion on the part of management, if significant, could affect the Company's ability to operate its business and/or execute its strategy and adversely affect the business and results of operations of the Company. Furthermore, the cost to the Company of defending any litigation or other proceeding relating to the Reclassification could be substantial.

Failure to consummate the Reclassification could adversely affect the price of the Class A Common Stock.

Under the terms of the Reclassification Agreement, the Company and the Class B Shareholder's obligation to consummate the Reclassification is subject to customary conditions. The Company cannot be certain that these conditions will be satisfied. If the Reclassification Agreement is terminated for failure to satisfy a condition precedent or for any other reason, the Company and/or the Class B Shareholder may determine to not pursue a reclassification.

If the Reclassification is not completed, the Company's businesses and financial results may be adversely affected, including as follows:

- a the Company may experience negative reactions from the financial markets, including negative impacts on the market price of shares of Class A Common Stock; and
- b the Company will have expended substantial time and resources that could otherwise have been spent on the Company's existing businesses and the pursuit of other opportunities that could have been beneficial to the Company.

The market price of shares of Class A Common Stock will continue to fluctuate after the Reclassification.

If the Reclassification is completed, holders of Class B Common Stock will become holders of shares of Class A Common Stock. The market price of shares of Class A Common Stock may fluctuate significantly following completion of the Reclassification and holders of our Common Stock could lose some or all of the value of their investment. In addition, the stock market has experienced significant price and volume fluctuations in recent times, which, if they continue to occur, could have a significant adverse effect on the market for, or liquidity of, the shares of Class A Common Stock, regardless of the Company's actual operating performance.

The market price of shares of Class A Common Stock may decline in the future as a result of the sale of Class A Common Stock held by the former Class B Shareholder or current Class A Shareholders.

Based on the number of shares of Class B Common Stock issued and outstanding as of June 24, 2024 and assuming no adjustment to the consideration contemplated as being paid to the Class B Shareholder pursuant to the terms of the Reclassification Agreement and the Second Amended and Restated Articles of Incorporation, the Company expects 1,821,587 shares of Class B Common Stock will be reclassified into 2,185,904 shares of Class A Common Stock in connection with the Reclassification. Following the Reclassification, the former Class B Shareholder may (subject to such limitations as are imposed on the Class B Shareholder pursuant to the Reclassification Agreement) seek to sell the shares of Class A Common Stock into which his shares of Class B Common Stock were reclassified, as well as shares of Class A Common Stock held by such holders before the Reclassification. Other shareholders may also seek to sell the shares of Class A Common Stock held by them following, or in anticipation of, completion of the Reclassification. These sales (or the perception that these sales may occur), coupled with the increase in the outstanding number of shares of Class A Common Stock relative to shares of Class A Common Stock outstanding may affect the market for, and the market price of, Class A Common Stock in an adverse manner.

RISK FACTORS RELATED TO THE ECONOMY

Disruptions in the financial and credit markets, government policies regarding interest rates and inflation rates, international trade disputes, the effects of a pandemic or major public health concern such as the COVID-19 pandemic, the conflicts between Hamas and Israel and Russia and the Ukraine and other external influences in the U.S. and global markets may reduce demand for our software and related services, which may negatively affect our revenue and operating results.

Our revenue and profitability depend on the overall demand for our software, professional services and maintenance services. The U.S. and other key international economies have experienced cyclical downturns from time to time in which economic activity was impacted by falling demand for a variety of goods and services; poor liquidity; reduced corporate

profitability; volatility in credit equity and foreign exchange markets; equity and foreign exchange markets; bankruptcies; pandemics such as Covid-19; and overall economic uncertainty.

Concerns about the systemic impact of a global recession, increasing energy costs, public health issues that could arise in connection with a future pandemic, geopolitical issues or the availability and cost of credit could lead to increased market volatility, decreased consumer confidence and diminished growth expectations in the U.S. economy and abroad, which in turn could affect the rate of information technology spending and adversely affect the purchasing decisions of current or potential clients. For example, financial and credit markets around the world experienced volatility following the invasion of Ukraine by Russia in February 2022. In response to the invasion, the United States, United Kingdom and European Union, along with others, imposed significant new sanctions and export controls against Russia, Russian banks and certain Russian individuals and may implement additional sanctions or take further punitive actions in the future. The full economic and social impact of the sanctions imposed on Russia (as well as possible future punitive measures that may be implemented), as well as the counter measures imposed by Russia, remains uncertain. Furthermore, weakness in European economies may adversely affect demand for our products and services, both directly and by affecting U.S. clients that rely heavily on European sales. Separately, in October 2023, an armed conflict began in Israel and the Gaza Strip, which has also involved hostilities in surrounding countries. It is not possible to predict the broader consequences of these ongoing conflicts, which could include further sanctions, embargoes, regional instability, and geopolitical shifts. There can be no assurance that government responses to these factors will sufficiently restore confidence, stabilize markets or increase liquidity and the availability of credit.

We are a technology company selling technology-based software with total pricing, including software and services, in many cases exceeding \$400,000. Reductions in the capital budgets of our clients and prospective clients could have an adverse impact on our ability to sell our software. These economic, trade and public health and political conditions may reduce the willingness or ability of our clients and prospective clients to commit funds to purchase our products and services or renew existing post-contract support agreements, or their ability to pay for our products and services after purchase. Future declines in demand for our products or services, or a broadening or protracted extension of these conditions, would have a significant negative impact on our revenue and operating results.

There may be an increase in client bankruptcies due to weak economic conditions.

We have been in the past and may be in the future, affected by client bankruptcies that occur in periods subsequent to the software sale. During weak economic conditions, there is an increased risk that some of our clients will file a petition for bankruptcy. When our clients file a petition for bankruptcy, we may be required to forego collection of pre-petition amounts owed and to repay amounts remitted to us during the 90-day preference period preceding the filing. Accounts receivable balances related to pre-petition amounts may in some of these instances be large, due to extended payment terms for software fees and significant billings for consulting and implementation services on large projects. The bankruptcy laws, as well as the specific circumstances of each bankruptcy, may severely limit our ability to collect pre-petition amounts and may force us to disgorge payments made during the 90-day preference period. We also face risk from international clients that file for bankruptcy protection in foreign jurisdictions, as the application of foreign bankruptcy laws may be more difficult to predict. Although we believe that we have sufficient reserves to cover anticipated client bankruptcies, there can be no assurance that such reserves will be adequate and if they are not adequate, our business, operating results and financial condition would be adversely affected. We anticipate that a global pandemic such as the COVID-19 pandemic could increase the likelihood of these risks.

We are subject to foreign exchange rate risk.

Our international revenue and the majority of our international expenses, including the wages of some of our employees, are denominated primarily in currencies other than the U.S. dollar. Therefore, changes in the value of the U.S. dollar as compared to these other currencies may adversely affect our operating results. We do not hedge our exposure to currency fluctuations affecting future international revenue and expenses and other commitments. For the foregoing reasons, currency exchange rate fluctuations have caused and likely will continue to cause, variability in our foreign currency denominated revenue streams and our cost to settle foreign currency denominated liabilities.

RISK FACTORS RELATED TO COMPETITION

Our markets are very competitive and we may not be able to compete effectively.

The markets for our software are very competitive. The intensity of competition in our markets has significantly increased, in part as a result of the slow growth in investment in IT software. We expect this intense competition to increase in the future. Our current and potential competitors have made and may continue to make acquisitions of other competitors and may establish cooperative relationships among themselves or with third parties. Any significant consolidation among supply chain software providers could adversely affect our competitive position. Increased competition has resulted and, in the future, could result in

price reductions, lower gross margins, longer sales cycles and loss of market share. Each of these developments could have a material adverse effect on our operating performance and financial condition.

Many of our current and potential competitors have significantly greater resources than we do and therefore we may be at a disadvantage in competing with them.

We directly compete with other supply chain software vendors, including SAP SE, Oracle Corporation, Blue Yonder, o9 Solutions, Kinaxis, Inc., OM Partners and others. Many of our current and potential competitors have significantly greater financial, marketing, technical and other competitive resources than we do, as well as greater name recognition and a larger installed base of clients. The software market has experienced significant consolidation, including numerous mergers and acquisitions. It is difficult to estimate what long-term effect these acquisitions will have on our competitive environment. We have encountered competitive situations where we suspect that large competitors, in order to encourage clients to purchase non-retail applications and gain market share, also have offered at no charge certain retail software applications that compete with our software. If competitors such as Oracle and SAP SE and other large private companies are willing to offer their retail and/or other applications at no charge, this may result in a more difficult competitive environment for our products. In addition, we could face competition from large, multi-industry technology companies that historically have not offered an enterprise solution set to the supply chain market. We cannot guarantee that we will be able to compete successfully for clients against our current or future competitors, or that such competition will not have a material adverse effect on our business, operating results and financial condition.

Also, some prospective buyers are reluctant to purchase applications that could have a short lifespan, as an acquisition could result in the application's life being abruptly cut short. In addition, increased competition and consolidation in these markets is likely to result in price reductions, reduced operating margins and changes in market share, any one of which could adversely affect us. If clients or prospects want fewer software vendors, they may elect to purchase competing products from a larger vendor than us since those larger vendors offer a wider range of products. Furthermore, some of these larger vendors may be able to bundle their software with their database applications, which underlie a significant portion of our installed applications. When we compete with these larger vendors for new clients, we believe that these larger businesses often attempt to use their size as a competitive advantage against us.

Many of our competitors have well-established relationships with our current and potential clients and have extensive knowledge of our industry. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in client requirements or devote greater resources to the development, promotion and sale of their products than we can. Some competitors have become more aggressive with their prices and payment terms and issuance of contractual implementation terms or guarantees. In addition, third parties may offer competing maintenance and implementation services to our clients and thereby reduce our opportunities to provide those services. We may be unable to continue to compete successfully with new and existing competitors without lowering prices or offering other favorable terms. Furthermore, potential clients may consider outsourcing options, including application service providers, data center outsourcing and service bureaus, as alternatives to our software products. Any of these factors could materially impair our ability to compete and have a material adverse effect on our operating performance and financial condition.

We also face competition from the corporate IT departments of current or potential clients capable of internally developing software and we compete with a variety of more specialized software and services vendors, including:

- a. Internet (on demand) software vendors;
- b. single-industry software vendors;
- c. enterprise resource optimization software vendors;
- d. human resource management software vendors;
- e. financial management software vendors;
- f. merchandising software vendors;
- g. services automation software vendors; and
- h. outsourced services providers.

As a result, the market for enterprise software applications has been and continues to be intensely competitive. We expect competition to persist and continue to intensify, which could negatively affect our operating results and market share.

Due to competition, we may change our pricing practices, which could adversely affect operating margins or client ordering patterns.

The intensely competitive markets in which we compete can put pressure on us to reduce our prices. If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products or services, we may need to lower prices or offer other favorable terms in order to compete successfully. For these and other reasons, in the future we may choose to make changes to our pricing practices. For example, we may offer additional discounts

to clients; increase (or decrease) the use of pricing that involves periodic fees based on the number of users of a product; or change maintenance pricing. Such changes could materially and adversely affect our margins and our revenue may be negatively affected if our competitors are able to recapture or gain market share.

RISK FACTORS RELATED TO OUR OPERATIONS

Our growth is dependent upon the successful further development of our direct and indirect sales channels.

We believe that our future growth will depend on developing and maintaining successful strategic relationships with systems integrators and other technology companies. We intend to continue to increase the proportion of clients served through these indirect channels, so we are currently investing and plan to continue to invest, significant resources to develop them. This investment could adversely affect our operating results if these efforts do not generate sufficient subscription and service revenue to offset our investment. Also, our inability to partner with other technology companies and qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels will likely reduce our consulting service revenue, as third-party systems integrators generally provide these services. As indirect sales increase, our direct contact with our client base will decrease and we may have more difficulty accurately forecasting sales, evaluating client satisfaction and recognizing emerging client requirements. In addition, these systems integrators and third-party software providers may develop, acquire or market products competitive with our products. Marketing our products directly to clients and indirectly through systems integrators and other technology companies may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent that different systems integrators target the same clients, systems integrators also may come into conflict with each other. Any channel conflicts that develop may have a material adverse effect on our relationships with systems integrators or harm our ability to attract new systems integrators.

Our growth depends upon our ability to develop and sustain relationships with complementary vendors to market and implement our software products and a failure to develop and sustain these relationships could have a material adverse effect on our operating performance and financial condition.

We are developing, maintaining and enhancing significant working relationships with complementary vendors, such as software companies, consulting firms, resellers and others that we believe can play important roles in marketing our products and software. We are currently investing and intend to continue to invest, significant resources to develop and enhance these relationships, which could adversely affect our operating margins. We may be unable to develop relationships with organizations that will be able to market our products effectively. Our arrangements with these organizations are not exclusive and in many cases may be terminated by either party without cause. Many of the organizations with which we are developing or maintaining marketing relationships have commercial relationships with our competitors. There can be no assurance that any organization will continue its involvement with us. The loss of relationships with such organizations could materially and adversely affect our operating performance and financial condition.

We are dependent upon the retail industry for a significant portion of our revenue. If these clients were to discontinue the use of our service or delay their implementation, our total revenue would be adversely affected.

Historically, we have derived a significant percentage of our revenue from the sale of software products and collaborative applications that address vertical market opportunities with manufacturers and wholesalers that supply retail clients. The success of our clients is directly linked to economic conditions in the retail industry, which in turn are subject to intense competitive pressures and are affected by overall economic conditions. In addition, we believe that the acquisition of certain of our software products involves a large expenditure for implementation, integration and change management or other capital commitments. As a result, demand for our products and services could decline in the event of instability or potential downturns in our clients' industries.

Due to current economic conditions, we expect the retail industry to remain relatively cautious in its level of investment in IT when compared to other industries. We are concerned about weak and uncertain economic conditions, consolidations and the disappointing results of retailers in certain markets, especially if such weak economic conditions persist for an extended period of time. Weak and uncertain economic conditions have negatively affected our revenue in the past and may do so in the future, including potential deterioration of our maintenance revenue base as clients look to reduce their costs, elongation of our selling cycles and reduction in the demand for our products. As a result, in the current economic environment it is difficult to predict exactly when specific sales will close. In addition, weak and uncertain economic conditions could impair our clients' ability to pay for our products or services. We also believe the retail business transformation from retail brick-and-mortar to technology-enabled omnichannel commerce models will be a multi-year trend and was accelerated by the COVID-19 pandemic. Consequently, we cannot predict when the transformation to new commerce models may moderate or end. Any of these factors could adversely affect our business, our quarterly or annual operating results and our financial condition.

We have observed that as the retail industry consolidates, it is experiencing increased competition in certain geographic regions that could negatively affect the industry and our clients' ability to pay for our products and services. Such consolidation has negatively impacted our revenue in the past and may continue to do so in the future, which may reduce the demand for our products and may adversely affect our business, operating results and financial condition.

We derive a significant portion of our services revenue from a small number of clients.

We derive a significant portion of our services revenue from a small number of clients. If these clients were to discontinue or delay their use of these services, or obtain these services from a competitor, our services revenue and total revenue would be adversely affected. Clients may delay or terminate implementation of our services due to budgetary constraints related to economic uncertainty, dissatisfaction with product quality, the difficulty of prioritizing numerous IT projects, changes in business strategy, personnel or priorities, or other reasons. Clients may be less likely to invest in additional software in the future or continue to pay for software maintenance. Our business relies to a large extent upon sales to existing clients and maintenance and services revenue are key elements of our revenue base, so any reduction in these sales or these maintenance and services payments could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We may derive a significant portion of our revenue in any quarter from a limited number of large sales.

From time to time, we expect to continue to experience large, individual client sales, which may cause significant variations in quarterly fees. We also believe that purchasing our products is relatively discretionary and generally involves a significant commitment of a client's capital resources. Therefore, a downturn in any client's business could result in order cancellations or requests for flexible payment terms that could have a significant adverse impact on our revenue and quarterly results. Moreover, continued uncertainty about general economic conditions could precipitate significant reductions in corporate spending for IT, which could result in delays or cancellations of orders for our products.

Our lengthy sales cycle makes it difficult to predict quarterly revenue levels and operating results.

Because fees for our software products and the associated services to implement them are substantial and the decision to purchase our products typically involves members of our clients' senior management who assess the cost, staffing requirements, risks and return-on-investment, the sales process for our software is lengthy. Furthermore, our existing and prospective clients routinely require education regarding the use and benefits of our products, which may lead to delays in receiving clients' orders. Accordingly, the timing of our revenue is difficult to predict and the delay of an order could cause our quarterly revenue to fall substantially below our expectations and those of public market analysts and investors. Moreover, to the extent that we succeed in shifting client purchases away from individual software products and toward more costly integrated suites of software and services, our sales cycle may lengthen further, which could increase the likelihood of delays and cause the effect of a delay to become more pronounced. Delays in sales could cause significant shortfalls in our revenue and operating results for any particular period. Also, it is difficult for us to forecast the timing and recognition of revenue from sales of our products because our existing and prospective clients often take significant time evaluating our products before purchasing them. The period between initial client contact and a purchase by a client could be nine months or longer. During the evaluation period, prospective clients may decide not to purchase or may scale down proposed orders of our products for various reasons, including:

- a. reduced demand for enterprise software;
- b. introduction of products by our competitors;
- c. lower prices offered by our competitors;
- d. changes in budgets and purchasing priorities;
- e. increased time to obtain purchasing approval;
- f. changes in the economic or geo-political conditions; and
- g. reduced need to upgrade existing systems.

Services revenue carries lower gross margins than do license or subscription revenue and an overall increase in services revenue as a percentage of total revenue could have an adverse impact on our business.

Because our service revenue has lower gross margins than do our license or subscription revenue, an increase in the percentage of total revenue represented by service revenue or a change in the mix between services that are provided by our employees versus services provided by third-party consultants could have a detrimental impact on our overall gross margins and could adversely affect operating results.

Failure to maintain our margins and service rates for implementation services could have a material adverse effect on our operating performance and financial condition.

A significant portion of our revenue is derived from implementation services. If we fail to scope our implementation projects correctly, our services margins may suffer. We bill for implementation services predominantly on an hourly or daily basis (time and materials) and sometimes under fixed price contracts and we generally recognize revenue from those services as we perform the work. If we are not able to maintain the current service rates for our time and materials implementation services and cannot make corresponding cost reductions, or if the percentage of fixed price contracts increases and we underestimate the costs of our fixed price contracts, our operating performance may suffer. The rates we charge for our implementation services depend on a number of factors, including:

- a. perceptions of our ability to add value through our implementation services;
- b. complexity of services performed;
- c. scope and volume of work in our implementation services backlog;
- d. competition;
- e. pricing policies of our competitors and of systems integrators;
- f. use of globally sourced, lower-cost service delivery capabilities within our industry; and
- g. economic, political and market conditions.

We are subject to risks related to renewal of maintenance contracts.

Upon the purchase of a software license in prior years, our clients entered into a maintenance contracts with a typical term of one to three years. If clients elect not to renew their maintenance contracts after this initial maintenance period, our maintenance revenue and total revenue would be adversely affected.

We are subject to risks related to accounting interpretations.

There are several accounting standards and interpretations covering revenue recognition for the software industry. These standards address software revenue recognition matters primarily from a conceptual level and do not include specific implementation guidance. We believe that we currently comply with these standards.

The accounting profession and regulatory agencies continue to discuss various provisions of these pronouncements with the objective of providing additional guidance on their application and potential interpretations. These discussions and the issuance of new interpretations could lead to unanticipated changes in our current revenue accounting practices, which could change the timing of recognized revenue. They also could drive significant adjustments to our business practices, which could result in increased administrative costs, lengthened sales cycles and other changes that could adversely affect our reported revenue and results of operations. In addition, companies we acquire historically may have interpreted software revenue recognition rules differently than we do or may not have been subject to U.S. GAAP as a result of reporting in a foreign country. If we discover that companies we have acquired have interpreted and applied software revenue recognition rules differently than prescribed by U.S. GAAP, we could be required to devote significant management resources and incur the expense associated with an audit, restatement or other examination of the acquired companies' financial statements.

Our past and future acquisitions may not be successful and we may have difficulty integrating acquisitions.

We continually evaluate potential acquisitions of complementary businesses, products and technologies. We have in the past acquired and invested and may continue to acquire or invest in, complementary companies, products and technologies and enter into joint ventures and strategic alliances with other companies. Acquisitions, joint ventures, strategic alliances and investments present many risks and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. Risks commonly encountered in such transactions include:

- a. risk that an acquired company or assets may not further our business strategy or that we paid more than the company or assets were worth;
- b. difficulty of assimilating the operations and retaining and motivating personnel of an acquired company;
- c. risk that we may not be able to integrate acquired technologies or products with our current products and technologies;
- d. potential disruption of our ongoing business and the diversion of our management's attention from other business concerns;
- e. inability of management to maximize our financial and strategic position through the successful integration of an acquired company;
- f. adverse impact on our annual effective tax rate;
- g. dilution of existing equity holders caused by capital stock issuance to the shareholders of an acquired company or stock option grants to retain employees of an acquired company;
- h. difficulty in maintaining controls, procedures and policies;
- i. potential adverse impact on our relationships with partner companies or third-party providers of technology or products;
- j. impairment of relationships with employees and clients;

- k. potential assumption of liabilities of the acquired company;
- l. significant exit or impairment charges if products acquired in business combinations are unsuccessful; and
- m. issues with product quality, product architecture, legal contingencies, product development issues, or other significant issues that may not be detected through our due diligence process.

Accounting rules require the use of the purchase method of accounting in all new business acquisitions. Many acquisition candidates have significant intangible assets, so an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. The purchase method of accounting for business combinations may require large write-offs of any in-process research and development costs related to companies being acquired, as well as ongoing amortization costs for other intangible assets. Goodwill and certain other intangible assets are not amortized to income, but are subject to impairment reviews at least annually. If the acquisitions do not perform as planned, future write-offs and charges to income arising from such impairment reviews could be significant. In addition, these acquisitions could involve acquisition-related charges, such as one-time acquired research and development charges. Such write-offs and ongoing amortization charges may have a significant negative impact on operating margins and net earnings in the quarter of the combination and for several subsequent years. We may not be successful in overcoming these risks or any other problems encountered in connection with such transactions.

Fully integrating an acquired company or business into our operations may take a significant amount of time. In addition, we may be able to conduct only limited due diligence on an acquired company's operations. Following an acquisition, we may be subject to liabilities arising from an acquired company's past or present operations, including liabilities related to data security, encryption and privacy of client data and these liabilities may not be covered by the warranty and indemnity provisions that we negotiate. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also could impact our financial position and capital needs and could cause substantial fluctuations in our quarterly and yearly results of operations.

Unanticipated changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us or our paying clients could increase the costs of our products and services and harm our business.

We are subject to income taxes in the United States and various jurisdictions outside of the United States. Significant judgment is often required in the determination of our worldwide provision for income taxes. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could materially impact our income tax liabilities. We may also be subject to additional tax liabilities and penalties due to changes in non-income based taxes resulting from changes in federal, state or international tax laws; changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions; results of tax examinations, settlements or judicial decisions; changes in accounting principles; changes to the business operations, including acquisitions; and the evaluation of new information that results in a change to a tax position taken in a prior period. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results. Additionally, new income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Those enactments could harm our domestic and international business operations, our business, results of operations and financial condition.

Further, tax regulations could be interpreted, changed, modified or applied adversely to us. These events could require us or our paying clients to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our paying clients to pay fines and/or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these changes, existing and potential future paying clients may elect not to purchase our products and services.

In addition, the United States and other governments adopt tax reform measures from time to time that impact future effective tax rates favorably or unfavorably. These tax reforms may be in the form of changes in tax rates, changes in the valuation of deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes can have a material adverse impact on our financial results. In 2022, the United States enacted the Inflation Reduction Act (the "Act"), which includes a 1% excise tax on corporate stock repurchases. While we do not anticipate that changes in the tax laws or rates in that Act will have a material, direct impact on the Company, imposition of new excise taxes and minimum corporate tax rates such as these can have a material adverse impact on the Company in the future.

As a multinational organization, we may be subject to taxation in various jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. Countries, trading regions and local taxing jurisdictions have differing rules and regulations governing sales and use taxes and these rules and regulations are subject to varying interpretations that may change over time. We collect and remit U.S. sales and value-added tax ("VAT") in several jurisdictions. However, it is possible that we could face sales tax or VAT audits and that our liability for these taxes could exceed our estimates as tax authorities could still assert that we are obligated to collect additional tax amounts from our paying clients and remit those taxes to those authorities. We could also be subject to audits in states and international jurisdictions for

which we have not accrued tax liabilities. Further, one or more state or foreign authorities could seek to impose additional sales, use or other tax collection and record-keeping obligations on us or may determine that such taxes should have, but have not been, paid by us. Liability for past taxes may also include substantial interest and penalty charges. Any successful action by state, foreign or other authorities to compel us to collect and remit sales tax, use tax or other taxes, either retroactively, prospectively or both, could harm our business, results of operations and financial condition.

Our business may require additional capital.

We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be influenced by many factors, including:

- a. demand for our products;
- b. timing and extent of our acquisition and/or investment in new technology and products;
- c. timing and extent of our acquisition of other companies;
- d. level and timing of revenue;
- e. expenses of sales, marketing and new product development;
- f. cost of facilities to accommodate a growing workforce;
- g. extent to which competitors are successful in developing new products and increasing their market shares; and
- h. costs involved in maintaining and enforcing intellectual property rights.

To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our Company by our current shareholders would be diluted.

Business disruptions could affect our operating results.

A significant portion of our research and development activities and certain other critical business operations is concentrated in a few geographic areas. We are a highly automated business and a disruption or failure of our systems could cause delays in completing sales and providing services. A natural disaster, major public health concern such as the COVID-19 pandemic, or other catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack that results in the destruction or disruption of any of our critical business or IT systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be materially and adversely affected.

To effectively mitigate this risk, we must continue to improve our operational, financial and management controls and our reporting systems and procedures by, among other things, improving our key processes and IT infrastructure to support our business needs and enhancing information and communication systems to ensure that our employees and offices around the world are well-connected and can effectively communicate with each other and our clients and employees can work remotely as appropriate.

Although we maintain crisis management and disaster response plans, in the event of a natural disaster, public health crisis or other catastrophic event, or if we fail to implement the improvements described above, we may be unable to continue our operations and may experience system interruptions, reputational harm, delays in our product development, lengthy interruptions in service, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

Our international operations and sales subject us to additional risks.

The global reach of our business could cause us to be subject to unexpected, uncontrollable and rapidly changing events and circumstances outside the United States. As we grow our international operations, we may need to recruit and hire new consulting, product development, sales, marketing and support personnel in the countries in which we have or will establish offices or otherwise have a significant presence. Entry into new international markets typically requires the establishment of new marketing and distribution channels and may involve the development and subsequent support of localized versions of our software. International introductions of our products often require a significant investment in advance of anticipated future revenue. In addition, the opening of a new office typically results in initial recruiting and training expenses and reduced labor efficiencies. If we are less successful than we expect in a new market, we may not be able to realize an adequate return on our initial investment and our operating results could suffer. We cannot guarantee that the countries in which we operate will have a sufficient pool of qualified personnel from which to hire, that we will be successful at hiring, training or retaining such personnel or that we can expand or contract our international operations in a timely, cost-effective manner. If we have to downsize certain international operations, the costs to do so are typically much higher than downsizing costs in the United States. The following factors, among others, could have an adverse impact on our business and earnings:

- a. failure to properly comply with foreign laws and regulations applicable to our foreign activities including, without limitation, software localization requirements;
- b. failure to properly comply with U.S. laws and regulations relating to the export of our products and services;
- c. compliance with multiple and potentially conflicting regulations in Europe, Asia and North America, including export requirements, tariffs, import duties and other trade barriers, as well as health and safety requirements;
- d. difficulties in managing foreign operations and appropriate levels of staffing;
- e. longer collection cycles;
- f. tariffs and other trade barriers, including the economic burden and uncertainty placed on our clients by the imposition and threatened imposition of tariffs by the U.S., China and other countries;
- g. seasonal reductions in business activities, particularly throughout Europe;
- h. reduced protection for intellectual property rights in some countries;
- i. proper compliance with local tax laws which can be complex and may result in unintended adverse tax consequences;
- j. anti-American sentiment due to conflicts in the Middle East and elsewhere and U.S. policies that may be unpopular in certain countries;
- k. localized spread of infection resulting from a global pandemic such as COVID-19 pandemic, including any economic downturns and other adverse impacts;
- l. political instability, adverse economic conditions and the potential for war or other hostilities in many of these countries;
- m. difficulties in enforcing agreements through foreign legal systems;
- n. fluctuations in exchange rates that may affect product demand and may adversely affect the profitability in U.S. dollars of products and services provided by us in foreign markets where payment for our products and services is made in the local currency, including any fluctuations caused by uncertainties related to the Hamas-Israel and Russia-Ukraine conflicts;
- o. changes in general economic, health and political conditions in countries where we operate;
- p. potential labor strikes, lockouts, work slowdowns and work stoppages; and
- q. restrictions on downsizing operations in Europe and expenses and delays associated with any such activities.

It may become increasingly expensive to obtain and maintain liability insurance.

Our products are often critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions and cybersecurity risks, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurers may disclaim coverage for future claims. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurers impose premium increases, large deductibles or co-insurance requirements, our business and results of operations could be adversely affected.

We contract for insurance to cover a variety of potential risks and liabilities, including those relating to the unexpected failure of our products. In the current market, insurance coverage for all types of risk is becoming more restrictive and when insurance coverage is offered, the amount for which we are responsible is larger. In light of these circumstances, it may become more difficult to maintain insurance coverage at historical levels or, if such coverage is available, the cost to obtain or maintain it may increase substantially. Consequently, we may be forced to bear the burden of an increased portion of risks for which we have traditionally been covered by insurance, which could negatively impact our results of operations.

Growth in our operations could increase demands on our managerial and operational resources.

If the scope of our operating and financial systems and the geographic distribution of our operations and clients significantly expand, this may increase demands on our management and operations. Our officers and other key employees will need to implement and improve our operational, client support and financial control systems and effectively expand, train and manage our employee base. We also may be required to manage an increasing number of relationships with various clients and other third parties. We may not be able to manage future expansion successfully and our inability to do so could harm our business, operating results and financial condition.

Changes in regulations or disruptions of the Internet may negatively affect our business.

Privacy concerns and laws, evolving regulation of the Internet and cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our products and adversely affect our business. Interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction.

Our services depend on the ability of our registered users to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the Internet, including changes to laws or regulations impacting Internet neutrality, could decrease the demand for our products, increase our operating costs, require us to alter the manner in which we conduct our business and/or otherwise adversely affect our business.

In addition, the rapid and continual growth of traffic on the Internet has resulted at times in slow connection and download speeds of Internet users. Our business may be harmed if the Internet infrastructure cannot handle our clients' demands or if hosting capacity becomes insufficient. If our clients become frustrated with the speed at which they can utilize our products over the Internet, our clients may discontinue the use of our software and choose not to renew their contracts with us. Further, the performance of the Internet has also been adversely affected by viruses, worms, hacking, phishing attacks, denial of service attacks and other similar malicious programs, as well as other forms of damage to portions of its infrastructure, which have resulted in a variety of Internet outages, interruptions and other delays. These service interruptions could diminish the overall attractiveness of our products to existing and potential users and could cause demand for our products to suffer.

RISK FACTORS RELATED TO OUR PRODUCTS

We may not be successful in convincing clients to migrate to current or future releases of our products, which may lead to reduced services and maintenance revenue and less future business from existing clients.

Our clients may not be willing to incur the costs or invest the resources necessary to complete upgrades to current or future releases of our products. This may lead to a loss of subscription and maintenance revenue and future business from clients that continue to operate prior versions of our products or choose to no longer use our products.

We may be unable to retain or attract clients if we do not develop new products and enhance our current products in response to technological changes and competing products.

Over time, as part of our efforts to provide products and services that take advantage of emerging technologies and either lead the marketplace or stay competitive, we have migrated our products and services from on premise installed software at client locations to web- based software-as-a-service environments. In addition, we have adapted our products to emerging standards for operating systems, databases and other technologies. We will be unable to compete effectively if we fail to:

- a. maintain and enhance our technological capabilities to correspond to these emerging environments and standards;
- b. develop and market products and services that meet changing client needs; or
- c. anticipate or respond to technological changes on a cost-effective and timely basis.

A substantial portion of our research and development resources is devoted to product upgrades that address regulatory and support requirements, leaving fewer resources available for new products. New products require significant development investment. We face uncertainty when we develop or acquire new products because there is no assurance that a sufficient market will develop for those products. If we do not attract sufficient client interest in those products, we will not realize a return on our investment and our operating results will be adversely affected.

Our core products face competition from new or modified technologies that may render our existing technology less competitive or obsolete, reducing the demand for our products. As a result, we must continually redesign our products to incorporate these new technologies and adapt our software products to operate on and comply with evolving industry standards for, various hardware and software platforms and security standards. In addition, conflicting new technologies present us with difficult choices about which new technologies to adopt. If we fail to anticipate the most popular platforms, fail to respond adequately to technological developments, or experience significant delays in product development or introduction, our business and operating results will be negatively impacted.

In addition, to the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies may require us to make significant capital investments. We may not have sufficient capital for these purposes and investments in new technologies may not result in commercially viable products. The loss of revenue and increased costs from such changing technologies would adversely affect our business and operating results.

If our products are not able to deliver quick, demonstrable value to our clients, our business could be seriously harmed.

Enterprises are requiring their application software vendors to provide faster returns on their technology investments. We must continue to improve our speed of implementation and the pace at which our products deliver value or our competitors may gain important strategic advantages over us. If we cannot successfully respond to these market demands, or if our competitors

respond more successfully than we do, our business, results of operations and financial condition could be materially and adversely affected.

If we do not maintain software performance across accepted platforms and operating environments, our subscription and services revenue could be adversely affected.

We continuously evaluate new technologies and implement advanced technology into our products. However, if in our product development efforts we fail to accurately address, in a timely manner, evolving industry standards, new technology advancements or important third-party interfaces or product architectures, sales of our products and services will suffer. Market acceptance of new platforms, operating environments or hosting platforms may require us to undergo the expense of developing and maintaining compatible product lines. There may be future or existing relational database platforms that achieve popularity in the marketplace that may or may not be architecturally compatible with our software product design. Moreover, future or existing user interfaces may or may not be architecturally compatible with our software product design. If we do not achieve market acceptance of new user interfaces that we support, or adapt to popular new user interfaces that we do not support, our sales and revenue may be adversely affected. Developing and maintaining consistent software product performance characteristics across all of these combinations could place a significant strain on our resources and software product release schedules, which could adversely affect revenue and results of operations.

Our software products and product development are complex, which makes it increasingly difficult to innovate, extend our product offerings and avoid costs related to correction of program errors.

The market for our software products is characterized by rapid technological change, evolving industry standards, changes in client requirements and frequent new product introductions and enhancements. For example, existing products can become obsolete and unmarketable when vendors introduce products utilizing new technologies or new industry standards emerge. As a result, it is difficult for us to estimate the life cycles of our software products. There can be no assurance that we will successfully identify new product opportunities or develop and bring new products to the market in a timely or cost-effective manner, or that products, capabilities or technologies developed by our competitors will not render our products obsolete. Our future success will depend in part upon our ability to:

- a. continue to enhance and expand our core applications;
- b. continue to sell our products;
- c. adhere to evolving security standards;
- d. continue to successfully integrate third-party products;
- e. enter new markets and achieve market acceptance; and
- f. develop and introduce new products that keep pace with technological developments, satisfy increasingly sophisticated client requirements and achieve market acceptance.

Despite our testing, our software programs, like software programs generally, may contain a number of undetected errors or “bugs” when we first introduce them or as new versions are released. We do not discover some errors until we have installed the product and our clients have used it. Errors may result in the delay or loss of revenue, diversion of software engineering resources, material non-monetary concessions, negative media attention, or increased service or warranty costs as a result of performance or warranty claims that could lead to client dissatisfaction, litigation, damage to our reputation and impaired demand for our products. Correcting bugs may result in increased costs and reduced acceptance of our software products in the marketplace. Further, such errors could subject us to claims from our clients for significant damages and we cannot assure you that courts would enforce the provisions in our client agreements that limit our liability for damages. The effort and expense of developing, testing and maintaining software product lines will increase with the increasing number of possible combinations of:

- a. vendor hardware platforms;
- b. operating systems and updated versions;
- c. application software products and updated versions; and
- d. database management system platforms and updated versions.

Developing consistent software product performance characteristics across all of these combinations could place a significant strain on our development resources and software product release schedules.

The use of open source software in our products may expose us to additional risks and harm our intellectual property.

Some of our products use or incorporate software that is subject to one or more open source licenses. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user’s software to disclose publicly part or all of the source code to the user’s software. In addition, certain open source software licenses require the user of such software to make any derivative

works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms.

While we monitor the use of all open source software in our products, processes and technology and try to ensure that our open source software use does not require us to disclose the source code to the related product or solution, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source software in software we license from such third party for our products and software, under certain circumstances we could be required to disclose the source code to our products and software. This could harm our intellectual property rights and have a material adverse effect on our business, results of operations, cash flow and financial condition.

If the open source community expands into enterprise application and supply chain software, our revenue may decline.

The open source community is comprised of many different formal and informal groups of software developers and individuals who have created a wide variety of software and have made that software available for use, distribution and modification, often free of charge. Open source software, such as the Linux operating system, has been gaining in popularity among business users. If developers contribute enterprise and supply chain application software to the open source community and that software has competitive features and scale to support business users in our markets, we will need to change our product pricing and distribution strategy to compete successfully.

Implementation of our products can be complex, time-consuming and expensive, clients may be unable to implement our products successfully and we may become subject to warranty or product liability claims.

Our products must integrate with the existing computer systems and software programs of our clients. This can be complex, time-consuming and expensive and may cause delays in the deployment of our products. Our clients may be unable to implement our products successfully or otherwise achieve the benefits attributable to our products. Although we test each of our new products and releases and evaluate and test the products we obtain through acquisitions before introducing them to the market, there still may be significant errors in existing or future releases of our software products, with the possible result that we may be required to expend significant resources in order to correct such errors or otherwise satisfy client demands. In addition, defects in our products or difficulty integrating our products with our clients' systems could result in delayed or lost revenue, warranty or other claims against us by clients or third parties, adverse client reactions and negative publicity about us or our products and services, or reduced acceptance of our products and services in the marketplace, any of which could have a material adverse effect on our reputation, business, results of operations and financial condition.

We sometimes experience delays in product releases, which can adversely affect our business.

The complexities inherent in our software, major new product enhancements and new products often require long development and testing periods before they are released. On occasion, we have experienced delays in the scheduled release dates of new or enhanced products and we cannot provide any assurance that we will achieve future scheduled release dates. The delay of product releases or enhancements, or the failure of such products or enhancements to achieve market acceptance, could materially affect our business and reputation.

We may not receive significant revenue from our current research and development efforts for several years.

Developing and localizing software is expensive and investment in product development may involve a long payback cycle. Our future plans include significant investments in software research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain or improve our competitive position. However, we do not expect to receive significant revenue from these investments for several years, if at all.

We have limited protection of our intellectual property and proprietary rights and may potentially infringe third-party intellectual property rights.

We consider certain aspects of our internal operations, software and documentation to be proprietary and rely on a combination of copyright, trademark and trade secret laws; confidentiality agreements with employees and third parties; protective contractual provisions (such as those contained in our agreements with consultants, vendors, partners and clients); and other measures to protect this information. Existing copyright and trade secret laws afford only limited protection. We believe that the rapid pace of technological change in the computer software industry has made trade secret and copyright protection less significant than factors such as:

- a. knowledge, ability and experience of our employees;
- b. frequent software product enhancements;
- c. client education; and

- d. timeliness and quality of support services.

Our competitors may independently develop technologies that are substantially equivalent or superior to our technology. The laws of some countries in which our software products are or may be sold do not protect our software products and intellectual property rights to the same extent as do the laws of the United States.

We generally enter into confidentiality or similar agreements with our employees, clients and vendors. These agreements control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products, obtain and use information that we regard as proprietary, or develop similar technology through reverse engineering or other means. Preventing or detecting unauthorized use of our products is difficult. There can be no assurance that the steps we take will prevent misappropriation of our technology or that such agreements will be enforceable. In addition, we may need to resort to litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of others' proprietary rights, or defend against claims of infringement or invalidity. Such litigation could result in significant costs and the diversion of resources. This could materially and adversely affect our business, operating results and financial condition.

Third parties may assert infringement claims against us. Although we do not believe that our products infringe on the proprietary rights of third parties, we cannot guarantee that third parties will not assert or prosecute infringement or invalidity claims against us. These claims could distract management, require us to enter into royalty arrangements and result in costly and time-consuming litigation, including damage awards. Such assertions or the defense of such claims may materially and adversely affect our business, operating results, or financial condition. In addition, such assertions could result in injunctions against us. Injunctions that prevent us from distributing our products would have a material adverse effect on our business, operating results and financial condition. If third parties assert such claims against us, we may seek to obtain a license to use such intellectual property rights. There can be no assurance that such a license would be available on commercially reasonable terms or at all. If a patent claim against us were successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non-infringing software.

We may experience liability claims arising out of the sale of our software and provision of services.

Our agreements normally contain provisions designed to limit our exposure to potential liability claims and generally exclude consequential and other forms of extraordinary damages. However, these provisions could be rendered ineffective, invalid or unenforceable by unfavorable judicial decisions or by federal, state, local or foreign laws or ordinances. For example, we may not be able to avoid or limit liability for disputes relating to product performance or the provision of services. If a claim against us were to be successful, we may be required to incur significant expense and pay substantial damages, including consequential or punitive damages, which could have a material adverse effect on our business, operating results and financial condition. Even if we prevail in contesting such a claim, the accompanying publicity could adversely affect the demand for our products and services.

We also rely on certain technology that we license from third parties, including software that is integrated with our internally developed software. Although these third parties generally indemnify us against claims that their technology infringes on the proprietary rights of others, such indemnification is not always available for all types of intellectual property. Often such third-party indemnitors are not well capitalized and may not be able to indemnify us in the event that their technology infringes on the proprietary rights of others. As a result, we may face substantial exposure if technology we license from a third party infringes on another party's proprietary rights. Defending such infringement claims, regardless of their validity, could result in significant costs and a diversion of resources.

Privacy and security concerns, including evolving government regulation in the area of data privacy, could adversely affect our business and operating results.

Governments in many jurisdictions have enacted or are considering enacting consumer data privacy legislation, including laws and regulations applying to the solicitation, collection, processing and use of consumer data. For example, in 2016, the European Union adopted a new law governing data practices and privacy called the General Data Protection Regulation ("GDPR"), which became effective in May 2018. The law establishes new requirements regarding the handling of personal data. Non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue. Although we do not directly host or process consumer data, our clients may request that we utilize corporate data about their employees to use our software, such as using a corporate email address to sign-in to our software. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data could increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate. In the U.S., California enacted the California Consumer Privacy Act of 2018 ("CCPA"), which took effect on January 1, 2020, and the California Privacy Rights Act ("CPRA"), which expands upon the CCPA was passed in November 2020 and took effect on January 1, 2023, with a "lookback" period to January 1, 2022. This legislation broadly defines personal information, gives California

residents expanded privacy rights and protections and provides for civil penalties for violations. A number of other states have since then have also passed data privacy laws.

Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect our reputation or influence regulators to enact regulations and laws that may limit our ability to provide certain products. Federal, state, or foreign laws and regulations, including laws and regulations regulating privacy, data security, or consumer protection, or other policies, public perception, standards, self-regulatory requirements or legal obligations, could reduce the demand for our software products if we fail to design or enhance our products to enable our clients to comply with the privacy and security measures dictated by these requirements. Moreover, we may be exposed to liability under existing or new data privacy legislation. Even technical violations of these laws can result in penalties that are assessed for each non-compliant transaction. If we or our clients were found to be subject to and in violation of any of these laws or other data privacy laws or regulations, our business could suffer and we and/or our clients would likely have to change our business practices.

We collect, process, store, share, transmit, disclose and use sensitive data. Our actual or perceived failure to protect such data, mitigate data loss, and/or prevent a cybersecurity or other incident could damage our reputation and harm our business and operating results.

Maintaining the security of computers and computer networks is an issue of critical importance for our clients. Attempts by experienced computer programmers, or hackers, to penetrate client network security or the security of web sites to misappropriate confidential information have become an industry-wide phenomenon that affects computers and networks across all platforms. We collect, process, store, share, transmit, disclose, and use sensitive data provided by clients, employees, and, to a limited degree, vendors, including personal information to support our business operations. We also share this information with third parties, including third-party service providers in a manner designed to be secure. However, third parties and potentially our employees could violate applicable laws and our information security policies, which could put the sensitive data we store at risk, such as if we or a third party were a victim of a cybersecurity incident, as an example. We expend significant resources to protect against both internal and external security breaches and may need to expend more resources depending upon, for example, changes in the dynamic cybersecurity landscape, expected growth of our company, new or changing business ventures or practices, use of new or changing technologies, and/or in the event we need to address problems caused by breaches. Any failure or perceived failure to maintain the security of data that is provided to us by clients, employees, and vendors could harm our reputation and expose us to a risk of loss or litigation, regulatory scrutiny, and possible liability, any of which could adversely affect our business and operating results. Defending such a data breach lawsuit brought by a client or others or responding to a regulatory inquiry, regardless of its merits, could entail substantial expense and require the time and attention of key management. In addition, actual or perceived cybersecurity vulnerabilities could lead some clients to seek to reduce or delay future purchases or to purchase competitors' products. Clients may also increase their spending to protect their computer networks from attack, which could delay adoption of new technologies. Any of these actions by clients and the cost of addressing such security problems may have a material adverse effect on our business.

Cybersecurity has become a high priority for legislators and regulators around the world, and some jurisdictions have enacted laws setting forth cybersecurity compliance standards and/or requiring companies to notify certain parties of data security breaches involving certain types of personal data. For example, the SEC has adopted rules for mandatory disclosure of cybersecurity incidents suffered by public companies and cybersecurity governance and risk management. If we fail to comply with the relevant laws and regulations, we could suffer financial loss, a disruption of our business, liability to investors, regulatory intervention or reputational damage.

We are also subject to contractual requirements that govern the sensitive data from others in our possession. They may be costly to comply with, and may conflict with other contractual obligations, laws, regulations, or rules. These obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules, obligations, or our practices. Although our agreements with our clients contain provisions designed to limit our exposure as a result of the situations listed above, such provisions may not be effective. Existing or future federal, state, local or foreign laws or ordinances or unfavorable judicial decisions could affect their enforceability. Finally, our increased use of AI technology and certain tools to improve internal work efficiencies, may result in cybersecurity and data privacy risk. This includes AI tools and programs offered by and/or used by new or existing vendors.

Any failure or perceived failure by us to comply with our cybersecurity-related obligations to clients, employees, or other third parties, or our other cybersecurity-related legal obligations, or any compromise generally of security that results in the unauthorized release or transfer of sensitive data, which may include client or employee data, may result in governmental enforcement actions, litigation, provision of required notifications to clients, regulators, or other authorities, and could cause clients, employees, vendors, to lose trust in us, which could have an adverse effect on our business. If our employees, vendors or other parties that we work with violate applicable laws, contractual assurances with us, or our policies, such violations may also put the sensitive data we store at risk and could in turn harm our reputation, business, and operating results.

We depend on third-party technology, which could result in increased costs or delays in the production and improvement of our products if it should become unavailable or if it contains defects.

We license critical third-party software that we incorporate into our own software products. We are likely to incorporate and include additional third-party software in our products and software as we expand our product offerings. The operation of our products would be impaired if errors occur in the third-party software that we utilize. It may be difficult for us to correct any defects in third-party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that third parties will continue to make their software available to us on acceptable terms, invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software, or even remain in business. Further, due to the limited number of vendors of certain types of third-party software, it may be difficult for us to replace such third-party software if a vendor terminates our license of the software or our ability to license the software to clients. If our relations with any of these third-party software providers are impaired and if we are unable to obtain or develop a replacement for the software, our business could be harmed. In addition, if the cost of licensing any of these third-party software products significantly increases, our gross margin levels could significantly decrease.

Any interruptions or delays in services from third parties, or our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business.

We currently serve our clients from third-party data center hosting facilities and cloud computing platform providers located in the United States and other countries. Any damage to or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services. From time to time we have experienced interruptions in our services and such interruptions may occur in the future. As we increase our reliance on these third-party systems, the risk of service interruptions may increase. Interruptions in our services may cause clients to make warranty or other claims against us or terminate their agreements and adversely affect our ability to attract new clients, all of which would reduce our revenue. Our business also would be harmed if clients and potential clients believe our services are unreliable.

These data and cloud computing platforms may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these cloud computing platforms could significantly increase our expenses and otherwise result in delays in providing our services until equivalent technology either is developed by us or, if available, is identified, purchased or licensed and integrated into our services.

If we do not accurately plan for our infrastructure capacity requirements and we experience significant strain on our data center capacity, our clients could experience performance degradation or service outages that may subject us to financial liability, result in client losses and harm our business. As we add data centers and capacity and continue to move to a cloud computing platform, we may move or transfer our data and our clients' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may adversely impact our business.

Any failure to offer high-quality client support for our cloud platform may adversely affect our relationships with our clients and harm our financial results.

Once our software is implemented, our clients use our support organization to resolve technical issues relating to our software. In addition, we also believe that our success in selling our software and services is highly dependent on our business reputation and on favorable recommendations from our existing clients. Any failure to maintain high-quality client support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to maintain existing clients or sell our solutions to existing and prospective clients and harm our business, operating results and financial condition.

We may be unable to respond quickly enough to accommodate short-term increases in client demand for support services. Increased client demand for these services, without corresponding revenues, could also increase costs and adversely affect our operating results.

RISK FACTORS RELATED TO OUR PERSONNEL

We are dependent upon key personnel and need to attract and retain highly qualified personnel.

Our future operating results depend significantly upon the continued service of a relatively small number of key senior management and technical personnel, including our Chief Executive Officer and President, H. Allan Dow. None of our key personnel are bound by long-term employment agreements. We do not have in place "key person" life insurance policies on any of our employees. If we fail to retain senior management or other key personnel, or fail to attract key personnel, our succession planning and operations could be materially and adversely affected and could jeopardize our ability to meet our business goals.

Our future success also depends on our continuing ability to attract, train, retain and motivate other highly qualified managerial and technical personnel. Competition for these personnel is intense and at times we have experienced difficulty in recruiting and retaining qualified personnel, including sales and marketing representatives, qualified software engineers involved in ongoing product development and personnel who assist in the implementation of our products and provide other services. The market for such individuals is competitive. Given the critical roles of our sales, product development and consulting personnel, our inability to recruit successfully or any significant loss of key personnel would adversely affect us. The software industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel. It may be particularly difficult to retain or compete for skilled personnel against larger, better-known software companies. We cannot guarantee that we will be able to retain our current personnel, attract and retain other highly qualified technical and managerial personnel in the future, or assimilate the employees from any acquired businesses. We will continue to adjust the size and composition of our workforce to match the relevant product and geographic demand cycles. If we are unable to attract and retain the necessary technical and managerial personnel, or assimilate the employees from any acquired businesses, our business, operating results and financial condition would be adversely affected.

The failure to attract, train, retain and effectively manage employees could negatively impact our development and sales efforts and cause a degradation of our client service. In particular, the loss of sales personnel could lead to lost sales opportunities because it can take several months to hire and train replacement sales personnel. The enforceability of non-compete agreements is currently in question at the federal level in the United States and non-compete agreements are not enforceable in certain states, but if our competitors increase their use of non-compete agreements, the pool of available sales and technical personnel may further shrink, even if the non-compete agreements ultimately prove to be unenforceable. We may grant large numbers of stock options to attract and retain personnel, which could be highly dilutive to our shareholders. The volatility or lack of positive performance of our stock price may adversely affect our ability to retain or attract employees. The loss of key management and technical personnel or the inability to attract and retain additional qualified personnel could have an adverse effect on us.

We may need to restructure our sales and/or marketing organizations, which can be disruptive and delay new sales.

Periodically, we have restructured or made other adjustments to our work force in response to factors such as product changes, geographical coverage and other internal considerations. Change in the structures of the work force and management can cause us to terminate and then hire new personnel and/or result in temporary lack of focus and reduced productivity, which may affect revenue in one or more quarters. Future restructuring of our work force could occur and if so, we may again experience the adverse transition issues associated with such restructuring.

Our technical personnel have unique access to client data and may abuse that privilege.

In order to properly render the services we provide, our technical personnel have the ability to access data on the systems run by our clients or hosted by us for our clients, including data about the operations of our clients and even about the customers of our clients. Although we have never had such an occurrence in the entire history of our Company, it is conceivable that such access could be abused in order to improperly utilize that data to the detriment of such clients.

RISK FACTORS RELATED TO OUR CORPORATE STRUCTURE AND GOVERNANCE

Our business is subject to changing regulation of corporate governance and public disclosure that has increased both our costs and the risk of non-compliance.

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued requirements and regulations and in some instances develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm's audits of that assessment have required and continue to require, the commitment of significant financial and managerial resources. Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. Over time, we have made significant changes in and may consider making additional changes to, our internal controls, our disclosure controls and procedures and our corporate governance policies and procedures. Any system of controls, however well-designed and -operated, is based in part on certain assumptions and can provide only reasonable and not

absolute, assurances that the objectives of the system are met. Any failure of our controls, policies and procedures could have a material adverse effect on our business, results of operations, cash flow and financial condition.

If in the future we are unable to assert that our internal control over financial reporting is effective as of the end of the then current fiscal year (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a negative market reaction.

One shareholder beneficially owns a substantial portion of our stock and as a result exerts substantial control over us.

As of June 24, 2024, James C. Edenfield, our former Executive Chairman, Treasurer and Director of the Company, beneficially owned 1,821,587 shares, or 100%, of our Class B common stock and 60,000 shares, or 0.18%, of our Class A common stock. If all of Mr. Edenfield's Class B shares were converted into Class A shares, Mr. Edenfield would beneficially own 1,881,587 Class A shares, which would represent approximately 5.98% of all outstanding Class A shares after giving effect to such conversion. As a result of Mr. Edenfield's ownership of Class B common stock, he has the right to elect a majority of our Board of Directors. Such control and concentration of ownership may discourage a potential acquirer from making a purchase offer that other shareholders might find favorable, which in turn could adversely affect the market price of our common stock.

Our Amended Articles of Incorporation and Bylaws and Georgia law may inhibit a takeover of our company.

Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover. These provisions might discourage, delay or prevent a change in the control or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

We are a "controlled company" within the meaning of NASDAQ rules and, as a result, qualify for and rely on, exemptions from certain corporate governance requirements.

Because Mr. Edenfield has the ability to elect more than half of the members of our Board of Directors, we are a "controlled company" within the meaning of the rules governing companies with stock quoted on the NASDAQ Global Select Market. Under these rules, a "controlled company" is a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. As a controlled company, we are exempt from certain corporate governance requirements, including requirements that: (1) a majority of the board of directors consist of independent directors; (2) compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee that is composed entirely of independent directors; and (3) director nominees be selected or recommended for selection by a majority of the independent directors or by a nominating committee composed solely of independent directors. Accordingly, our procedures for approving significant corporate decisions are not subject to the same corporate governance requirements as non-controlled companies with stock quoted on the NASDAQ Global Select Market.

RISK FACTORS RELATED TO OUR STOCK PRICE

We could experience fluctuations in quarterly operating results that could adversely affect our stock price.

We have difficulty predicting our actual quarterly operating results, which have varied widely in the past and which we expect to continue to vary significantly from quarter to quarter due to a number of factors, many of which are outside our control. We base our expense levels, operating costs and hiring plans on projections of future revenue and it is difficult for us to rapidly adjust when actual results do not match our projections. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Revenue in any quarter depend on the combined sales activity of the Company and its subsidiaries and our ability to recognize revenue in that quarter in accordance with our revenue recognition policies. Our sales activity is difficult to forecast for a variety of reasons, including the following:

- a. we complete a significant portion of our client agreements within the last few weeks of each quarter; if an agreement includes cloud services that are performed over the term of the contract, this requires all revenue to be spread over the term of the contract;
- b. our sales cycle for products and services, including multiple levels of authorization required by some clients, is relatively long and variable because of the complex and mission-critical nature of our products;
- c. the demand for our products and services can vary significantly;
- d. the size of our transactions can vary significantly;

- e. the possibility of adverse global political or public health conditions and economic downturns, both domestic and international, characterized by decreased product demand, price erosion, technological shifts, work slowdowns and layoffs, may substantially reduce client demand and contracting activity;
- f. clients may unexpectedly postpone or cancel anticipated system replacement or new system evaluation and implementation due to changes in their strategic priorities, project objectives, budgetary constraints, internal purchasing processes or company management;
- g. client evaluation and purchasing processes vary from company to company and a client's internal approval and expenditure authorization process can be difficult and time-consuming, even after selection of a vendor; and
- h. the number, timing and significance of software product enhancements and new software product announcements by us and by our competitors may affect purchase decisions.

Variances or slowdowns in our contracting activity in prior quarters may affect current and future consulting, training and maintenance revenue, since these types of revenue typically follow license or subscription fee revenue. Our ability to maintain or increase services revenue primarily depends on our ability to increase the number and size of our client agreements. In addition, we base our budgeted operating costs and hiring plans primarily on our projections of future revenue. Because most of our expenses, including employee compensation and rent, are relatively fixed in the near term, if our actual revenue falls below projections in any particular quarter, our business, operating results and financial condition could be materially and adversely affected. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period-to-period comparisons of our revenue and operating results are not necessarily meaningful. Therefore, predictions of our future performance should not be based solely on our historical quarterly revenue and operating results.

Our stock price is volatile and there is a risk of litigation.

The trading price of our common stock has been in the past and in the future may be subject to wide fluctuations in response to factors such as the following:

- a. general market conditions including an economic recession;
- b. revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
- c. client order deferrals resulting from the anticipation of new products, economic uncertainty, disappointing operating results by the client, management changes, corporate reorganizations or otherwise;
- d. reduced investor confidence in equity markets, due in part to corporate collapses in recent years;
- e. speculation in the press or analyst community;
- f. wide fluctuations in stock prices, particularly in relation to the stock prices for other technology companies;
- g. announcements of technological innovations by us or our competitors;
- h. new products or the acquisition or loss of significant clients by us or our competitors;
- i. developments with respect to our proprietary rights or those of our competitors;
- j. changes in interest rates and inflation rates;
- k. changes in investors' beliefs as to the appropriate price-earnings ratios for us and our competitors;
- l. changes in recommendations or financial estimates by securities analysts who track our common stock or the stock of other software companies;
- m. changes in management;
- n. sales of common stock by our controlling shareholder, directors and executive officers;
- o. rumors or dissemination of false or misleading information, particularly through the Internet (e.g. social media) and other rapid-dissemination methods;
- p. conditions and trends in the software industry generally;
- q. the announcement of acquisitions or other significant transactions by us or our competitors;
- r. adoption of new accounting standards affecting the software industry;
- s. domestic or international terrorism, global or regional conflicts including the Hamas-Israel and Russia-Ukraine conflicts, major public health concern including the COVID-19 pandemic and other significant external factors; and
- t. other factors described in these "Risk Factors."

Fluctuations in the price of our common stock may expose us to the risk of securities class action lawsuits. Although no such lawsuits are currently pending against us and we are not aware that any such lawsuit is threatened to be filed in the future, there is no assurance that we will not be sued based on fluctuations in the price of our common stock. Defending against such lawsuits could result in substantial cost and divert management's attention and resources. In addition, any settlement or adverse determination of these lawsuits could subject us to significant liabilities.

Our dividend policy is subject to change.

On May 30, 2024, our Board of Directors declared a quarterly cash dividend of \$0.11 per share of our Class A and Class B common stock. The cash dividend will be payable on August 30, 2024 to Class A and Class B shareholders of record at the close of business on August 16, 2024. We currently expect to declare and pay cash dividends at this level on a quarterly basis in the future. However, our dividend policy may be affected by, among other things, our views on business conditions, financial position, earnings, earnings outlook, capital spending plans and other factors that our Board of Directors considers relevant at that time. Our dividend policy has changed in the past and may change from time to time and we cannot provide assurance that we will continue to declare dividends in any particular amounts or at all. A change in our dividend policy could have a negative effect on the market price of our common stock.

The price of our common stock may decline due to shares eligible for future sale or actual future sales of substantial amounts of our common stock.

Sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could cause the market price of our common stock to decline. As of June 24, 2024, if all of our outstanding Class B common shares were converted into Class A common shares, our current directors and executive officers of the Company as a group would beneficially own approximately 11.69% of all outstanding Class A common shares after giving effect to such conversion. Sales of substantial amounts of our common stock in the public market by these persons, or the perception that such sales may occur, could cause the market price of our common stock to decline and could impair our ability to raise capital through the sale of additional equity securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Description of Company's processes for assessing, identifying and managing cybersecurity risks

The Company takes an integrated, holistic approach to managing risks that pose a significant threat to the Company's business, which includes, but is not limited to its personnel, assets and revenue, as well as those of its clients and vendors. Those assets include systems, networks and data of our clients and our Company, as well as our employees, our application software, our confidential information and other forms of our intellectual property, among other examples. Cybersecurity threats are an important, but not all-inclusive, risk to the Company's business.

The Company's Enterprise Risk Committee provides high-level guidance and direction regarding the assessment, identification and management of cybersecurity risks. Key members of the Enterprise Risk Committee, such as our Chief Executive Officer, Chief Financial Officer and General Counsel, participate in all or substantially all of the meetings of the Committee and make decisions to address cybersecurity and non-cybersecurity risks across the enterprise on a prioritized basis. The Committee meets regularly, usually on a quarterly basis, to reassess the risks facing the Company, as cybersecurity and other risks change from time to time, both in their nature and potential impact to the Company. The Company identifies cybersecurity risks through a layered system of automated and human-staffed monitoring systems and controls, as well as through guidance from internal and external subject matter experts. Potential cybersecurity incidents are subsequently assessed through both automated and human-staffed systems and controls that prioritize event review based on their likelihood or probability of occurrence, together with their potential harm or impact.

Beyond identification and assessment, the Company uses automated and human-staffed monitoring and other systems to respond to and otherwise manage cybersecurity threats and potential cybersecurity incidents. The Company has developed and implemented practices and policies that will guide the Company through responding to actual and suspected cybersecurity incidents.

Training the Company's personnel is a vital part of how the Company manages cybersecurity threat risks. Effective training can both prevent cybersecurity incidents from occurring and can also enable the Company to rapidly and effectively respond to an actual cybersecurity incident through fast reporting. Company personnel are required to participate in new hire, annual and monthly training. In regular town hall meetings, a member of our information security team speaks to the entire Company, focusing Company personnel's attention on a specific risk or scenario in real-time, with the opportunity for Company personnel to ask questions. In addition, on an on going-basis, the Company's information security team has and will test Company personnel to see how they respond to phishing emails or similar communications that originate from the Company.

Integration into the Company's overall risk management system or processes

To take a holistic perspective on risk, the Company's processes regarding identification, assessment and management of cybersecurity risks are integrated into the Company's overall risk management system and processes. As a result, as examples, the Company's insurance programs, standard and negotiated contract terms with clients and vendors, operational processes, other procedures, and communication protocols in the event of a crisis take into account both cybersecurity threat and non-cybersecurity threat risks, with differentiation based on the nature of the risk.

Engagement of assessors, consultants, auditors, or other such processes by the Company

The Company engages outside consultants to conduct vulnerability scans and penetration tests to help the Company find and then mitigate cybersecurity threats. As noted above in Item 1 Business under the sub-heading Data Security, the Company also uses an external auditor to conduct an annual SOC 2 Audit.

Processes to oversee and identify such cybersecurity threat risks associated with third party service providers

The Company performs risk assessments on critical third party service providers, software and other tools used in the Company's operations that may have the potential to create material cybersecurity threats to our business.

Cybersecurity Risk & Material Effects on the Company

The Company does not believe that any risks from past cybersecurity incidents have materially affected the Company or are reasonably likely to materially affect the Company. As to ongoing risks from cybersecurity threats, see Item 1A, "Risk Factors."

Governance

The Board's oversight of risks from cybersecurity threats

The full Board of Directors receives a report from the Company's Enterprise Risk Committee in connection with each of their quarterly, regularly scheduled meetings. Twice a year, an executive employee member of the Committee presents during those Board meetings, with the opportunity for the Board to ask questions and engage in discussions regarding risks and cybersecurity threats, and the Company's plans and efforts to address them. The materials presented to the Board may include, among other topics, updates and information regarding risk controls and related initiatives, cybersecurity monitoring data, cybersecurity threats and related risks, our SOC 2 Audit, and cybersecurity insurance. Our Chief Executive Officer, our Chief Financial Officer, and our General Counsel, who are members of our Enterprise Risk Committee, regularly attend Board meetings and are available to liaise between the Board and the rest of the Enterprise Risk Committee, should the Board have additional questions or concerns that need to be addressed.

Management's role in assessing and managing material risks from cybersecurity threats

The Company's Enterprise Risk Committee, described above, includes our Chief Executive Officer, Chief Financial Officer, General Counsel and our Chief Technology Officer. Depending on the nature of the risk at issue, other managers and employees of the Company may participate in the work of the Enterprise Risk Committee. As to cybersecurity threat risks, the following individuals play a role:

- **Chief Financial Officer and Executive Vice President Information, Technology & Risk** – The Company's information security and information technology team reports to our Chief Financial Officer ("CFO"). For example, our EVP Information, Technology & Risk reports to our CFO ("EVP, IT & Risk"). Our Chief Financial Officer and EVP, IT & Risk have familiarity with cybersecurity matters, appropriate for their position. Our EVP, IT & Risk is a member of our Enterprise Risk Committee as to cybersecurity threat risks and also participates in Board discussions regarding those risks.
- **Manager, Information Security** – Our Manager, Information Security identifies, assesses and manages our day to day cybersecurity threats and related risks on a daily basis. He reports to the EVP, IT & Risk and is a member of our Enterprise Risk Committee as to cybersecurity threat risks and has eight years of experience as an information security professional.
- **General Counsel** – Our General Counsel has experience advising on cybersecurity-related matters, including cybersecurity incidents, cybersecurity risk program design and execution. He is also experienced in other related cybersecurity risk management practices, such as engaging with outside advisors and risk managers, among other examples.

How the Enterprise Risk Committee is informed about and monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents

The Enterprise Risk Committee meets on a regular basis at least quarterly to review and assess the Company's cybersecurity threat risk and other risk posture, new controls and initiatives to prevent or mitigate cybersecurity threat risks and potentially evaluate relevant Company policies. Where appropriate, other managers and personnel participate in Committee meetings. Members of the Committee inform the Board, as noted above.

ITEM 2. PROPERTIES

Our corporate headquarters are located in an approximately 100,000 square foot office building that we own at 470 East Paces Ferry Road, N.E., Atlanta, Georgia.

We have entered into leases for sales and technology development offices located in various cities in the United States and overseas. We believe our existing facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed on commercially reasonable terms.

Each of our two segments makes use of the property at 470 East Paces Ferry Road and our SCM segment occupies office space that we lease in Belgium, the United Kingdom, Germany, India and New Zealand.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Trading Market

Our Class A common shares are listed on the NASDAQ Global Select Market under the symbol “AMSWA”. As of June 24, 2024, there were approximately 11,904 holders of Class A common shares who held their stock either individually or in nominee or “street” names through various brokerage firms and one holder of Class B common shares.

Equity Compensation Plans

The following table discloses information regarding the Company’s equity compensation plans as of April 30, 2024:

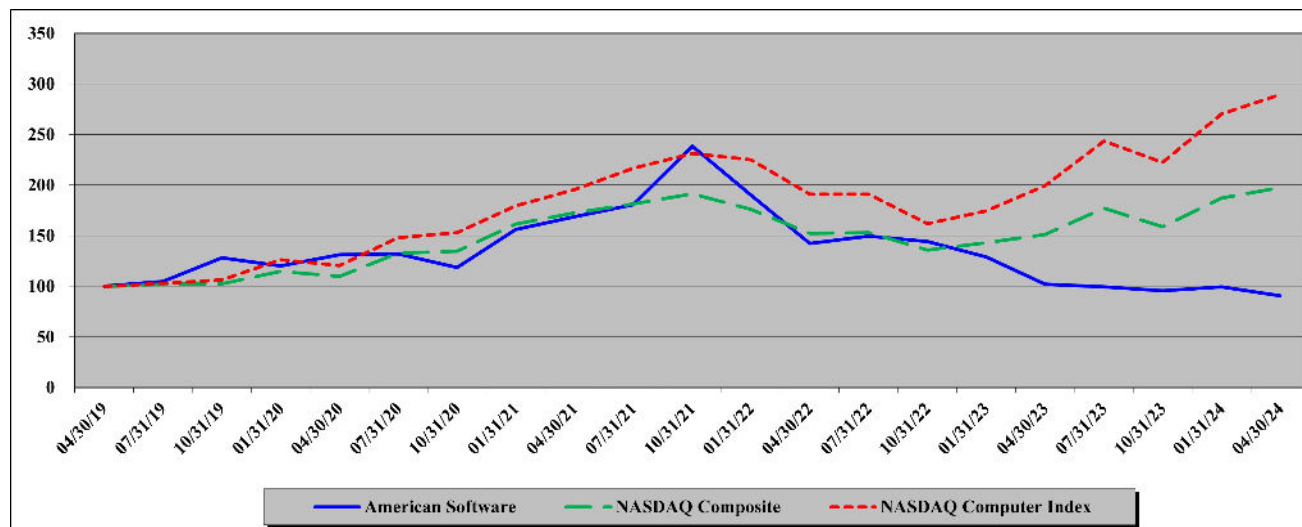
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	6,402,404	\$ 15.71	\$ 248,930

Dividend Policy

Since the third quarter of fiscal 2013, our Board of Directors had declared quarterly dividends of \$0.10 per share. On May 11, 2016, our Board increased the quarterly dividends to \$0.11 per share, payable to our Class A and Class B common stockholders. We currently expect to declare and pay cash dividends at this level on a quarterly basis in the future. The continuation of this policy and payment of future cash dividends, will be at the sole discretion of the Board of Directors. In exercising this discretion, the Board will consider our profitability, financial condition, cash requirements, future prospects and other relevant factors. Our dividend policy has changed in the past and may change from time to time and we cannot provide assurance that we will continue to declare dividends in any particular amounts or at all.

Stock Price Performance Graph

The graph below reflects the cumulative stockholder return on the Company’s shares compared to the return of the NASDAQ Stock Market – US Companies ("NASDAQ Composite Index") and a peer group index on a quarterly basis. The graph reflects the investment of \$100 on April 30, 2019 in the Company’s stock, the NASDAQ Composite Index and the NASDAQ Computer Index, a published industry peer group index. The NASDAQ Computer Index consists of approximately 451 NASDAQ-listed companies, including computer hardware and software companies that furnish computer programming and data processing services and firms that produce computers, office equipment and electronic component/accessories. The total cumulative dollar returns shown below represent the value that such investments would have had on April 30, 2024.



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
American Software(a)	\$ 100	\$ 131	\$ 169	\$ 142	\$ 102	\$ 91
NASDAQ Composite	100	110	172	152	151	197
NASDAQ Computer Index	100	120	196	191	199	290

(a) This series includes dividends paid over the disclosed period.

Purchases of Equity Securities by the Company

Issuer Purchases of Equity Securities*

On August 19, 2002, our Board of Directors authorized the repurchase of up to an additional 2.0 million shares of our Class A common stock. We made these repurchases through open market purchases at prevailing market prices. Under this repurchase plan, through April 30, 2024, we completed our repurchase of 2.0 million shares of Class A common stock at a cost of approximately \$16.4 million, which had a \$10.2 million impact on fiscal 2024. As of April 30, 2024, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 5,534,953 shares of common stock at a cost of approximately \$35.8 million.

The following table presents information related to repurchases of common stock the Company made during the quarter ended April 30, 2024:

Fiscal 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*
February 1, 2024 through February 28, 2024	—	\$ —	—	—
March 1, 2024 through March 31, 2024	—	\$ —	—	—
April 1, 2024 through April 31, 2024	—	\$ —	—	—
Total Fiscal 2024 Forth Quarter	—			

*Subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions or pursuant to derivative instruments and plans complying with Rule 10b5-1 under the Exchange Act, among other types of transactions and arrangements.

The following table summarizes repurchases of our stock in the year ended April 30, 2024:

Fiscal 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*
May 1, 2023 through July 31, 2023	—	\$ —	—	946,632
August 1, 2023 through October 31, 2023	430,576	\$ 11.33	—	516,056
November 1, 2023 through January 31, 2024	516,056	\$ 10.62	—	—
February 1, 2024 through April 30, 2024	—	\$ —	—	—
Total Fiscal 2024	946,632			

*Subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions or pursuant to derivative instruments and plans complying with Rule 10b5-1 under the Exchange Act, among other types of transactions and arrangements.

Transfer Agent

Broadridge Shareholder Services
c/o Broadridge Corporate Issuer Solutions
1155 Long Island Avenue
Edgewood, NY 11717-8309
Toll-Free: 1-877-830-4936
(Intl): 1-720-378-5591
<https://shareholder.broadridge.com>

Inquiries regarding stock transfers, lost certificates or address changes should be directed to the above address.

Market Makers

The following firms make a market in the Class A common shares of American Software, Inc.

American Stock Exchange	Stifel Nicolaus & Co.
Archipelago Stock Exchange	StoneX Financial Inc.
B. Riley Securities, Inc.	Summit Securities Group LLC
Barclays Capital Inc./Le	Truist Capital Markets Inc
BofA Securities, Inc.	Susquehanna Financial Group
Canaccord Genuity, Inc.	Susquehanna Securities
Cboe Trading, Inc.	Two Sigma Securities LLC
Chicago Stock Exchange	UBS Securities LLC
Citadel Securities LLC	Virtu Americas LLC
Cowen and Company LLC	Wall Street Investor Services
Direct Edge ECN LLC	Wells Fargo Advisors LLC
G1 Execution Services LLC	William Blair
Goldman Sachs & Co. LLC	
GTS Securities LLC	
IEX Services	
IMC Financial Markets	
Keybank Capital Markets, Inc.	
Latour Trading LLC	
Maxim Group LLC	
MEMX Execution Services LLC	
MIAX Pearl	
Morgan Stanley & Co. LLC	
Nasdaq Execution Services LLC	
Nasdaq OMX PHLX LLC	
New York Stock Exchange	
Raymond, James & Associates	
RBC Capital Markets LLC	
Robert W. Baird & Co Inc	
SG Americas Securities LLC	

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with “Item 8. Consolidated Financial Statements and Supplementary Data”. This discussion contains forward-looking statements relating to our future financial performance, business strategy, financing plans and other future events that involve uncertainties and risks. You can identify these statements by forward-looking words such as “anticipate,” “intend,” “plan,” “continue,” “could,” “grow,” “may,” “potential,” “predict,” “strive,” “estimate,” “believe,” “expect” and similar expressions that convey uncertainty of future events or outcomes. Any forward-looking statements herein are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Our actual results could differ materially from the results anticipated by these forward-looking statements as a result of many known and unknown factors that are beyond our ability to control or predict, including but not limited to those discussed above in “Risk Factors” and elsewhere in this report. See also “Special Cautionary Notice Regarding Forward-Looking Statements” at the beginning of “Item 1. Business.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have based the following discussions and analysis of financial condition and results of operations on our consolidated financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Note 1 to the Consolidated Financial Statements for the fiscal year ended April 30, 2024, describes the significant accounting policies that we have used in preparing our consolidated financial statements. On an ongoing basis, we evaluate our estimates, including, but not limited to, those related to revenue/collectability. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results could differ materially from these estimates under different assumptions or conditions.

We believe the critical accounting policies listed below affect significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition. The most critical judgments required in applying Accounting Standards Codification ("ASC") 606, *Revenue Recognition from Customers ("Topic 606")* and our revenue recognition policy relate to the determination of distinct performance obligations and the evaluation of the standalone selling price ("SSP") for each performance obligation.

Some of our contracts with clients contain multiple performance obligations. For these contracts, we account for the individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and entity-specific factors, including the value of our arrangements, length of term, client demographics and the numbers and types of users within our arrangements.

While changes in assumptions or judgments or changes to the elements of the arrangement could cause an increase or decrease in the amount of revenue that we report in a particular period, these changes have not historically been significant because our recurring revenue is primarily subscription and support revenue.

RESULTS OF OPERATIONS

The following table sets forth certain revenue and expense items as a percentage of total revenue for the three years ended April 30, 2024, 2023 and 2022 and the percentage increases or decreases in those items for the years ended April 30, 2024 and 2023:

	Percentage of Total Revenue			Pct. Change in Dollars	Pct. Change in Dollars
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Revenue:					
Subscription fees	54 %	47 %	40 %	10 %	20 %
License fees	1 %	2 %	5 %	(65)%	(49)%
Professional services and other	14 %	19 %	21 %	(28)%	(9)%
Maintenance	31 %	32 %	34 %	(9)%	(6)%
Total revenue	100 %	100	100	(5)	2
Cost of revenue:					
Subscription fees	18 %	15 %	13 %	15 %	18 %
License fees	— %	1 %	1 %	(69)%	(36)%
Professional services and other	11 %	13 %	13 %	(19)%	2 %
Maintenance	6 %	6 %	7 %	(2)%	(8)%
Total cost of revenue	35 %	35 %	34 %	(75)%	(24)%
Gross margin	65 %	65 %	66 %	(7)%	24 %
Research and development	17 %	16 %	17 %	(1)%	1 %
Sales and marketing	21 %	19 %	19 %	5 %	(2)%
General and administrative	22 %	21 %	20 %	(2)%	9 %
Amortization of acquisition-related intangibles	1 %	— %	— %	412 %	— %
Total operating expenses	61 %	56 %	56 %	2 %	3 %
Operating income	4 %	9 %	4 %	(58)%	(14)%
Other income:					
Interest income	4 %	2 %	— %	78 %	450 %
Other, net	4 %	— %	— %	1865 %	(93)%
Earnings from continuing operations before income taxes	12 %	11 %	4 %	(5)%	— %
Income tax expense	2 %	2 %	1 %	(16)%	298 %
Net earnings from continuing operations	10 %	9 %	3 %	(3)%	(15)%
Gain on disposal of discontinued operations	2 %	— %	— %	— %	— %
Earnings from operations of discontinued operations	— %	1 %	2 %	(54)%	(66)%
Income tax expense of discontinued operations	1 %	— %	— %	— %	— %
Earnings from discontinued operations, net of taxes	2 %	1 %	2 %	413 %	(71)%
Net earnings	11 %	10 %	5 %	411 %	(86)%

Economic Overview and Significant Trends in Our Business

Global macro-economic trends, technology spending and supply chain management market growth are important barometers for our business. In fiscal 2024, approximately 79% of our total revenue was generated in the United States, 11% was in the Europe, Middle East and Africa ("EMEA") and the remaining balance in Asia Pacific ("APAC"), Canada and Latin America. Gartner Inc. ("Gartner"), an information technology research and advisory company, estimates that nearly 79% of every supply chain solutions dollar invested is spent in North America and Western Europe, consequently, the health of those economies have a meaningful impact on our financial results.

In April 2024, the International Monetary Fund (“IMF”) provided an update to the World Economic Outlook for the 2024 world economic growth forecast. The update noted that, “*The baseline forecast is for the world economy to continue growing at 3.2 percent during 2024 and 2025, at the same pace as in 2023. A slight acceleration for advanced economies—where growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025—will be offset by a modest slowdown in emerging market and developing economies from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. The forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is generally projected to decline more gradually.*”

For fiscal 2025, we believe that the mission critical nature of our software, combined with a challenging global macro economic environment from increased global disruptions on companies’ supply chains will require them to improve productivity and profitability by upgrading their technology systems, which may result in an improved selling environment. Although this improvement could slow or regress at any time, due in part to the effects of a possible recession and trade conflicts on global capital markets, we believe that our organizational and financial structure will enable us to take advantage of any sustained economic rebound. That said, the current business climate within the United States and geographic regions in which we operate may affect clients’ and prospects’ decisions regarding timing of strategic capital expenditures by taking longer periods to evaluate discretionary software purchases.

Business Opportunities and Risks

We currently view the following factors as the primary opportunities and risks associated with our business:

- *Dependence on Capital Spending Patterns.* There is risk associated with our dependence on the capital spending patterns of U.S. and international businesses, which in turn are functions of economic trends and conditions over which we have no control.
- *Acquisition Opportunities.* There are opportunities for selective acquisitions or investments to expand our sales distribution channels and/or broaden our product offering by providing additional software and services for our target markets.
- *Acquisition Risks.* There are risks associated with acquisitions of complementary companies, products and technologies, including the risks that we will not achieve the financial and strategic goals that we contemplate at the time of the transaction. More specifically, in any acquisition we will face risks and challenges associated with the uncertain value of the acquired business or assets, the difficulty of assimilating operations and personnel, integrating acquired technologies and products and maintaining the loyalty of the clients of the acquired business.
- *Competitive Technologies.* There is a risk that our competitors may develop technologies that are substantially equivalent or superior to our technology.
- *Competition in General.* There are risks inherent in the market for business application software and related services, which has been and continues to be intensely competitive; for example, some of our competitors may become more aggressive with their prices and/or payment terms, which may adversely affect our profit margins.

For more information, please see “Risk Factors” in Item 1A. above.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our consolidated financial statements, if any, see Note 1(n) of Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

Market Conditions by Operating Segment

We operate and manage our business in two segments based on software and services provided in two key product markets: (1) SCM, which provides collaborative supply chain software and services to streamline and optimize the production, distribution and management of products between trading partners; and (2) Other, which consists of (i) American Software ERP, a provider of purchasing and materials management, client order processing, financial, human resources and manufacturing software and services and (ii) unallocated corporate overhead expenses.

Our SCM segment experienced a 5% decrease in revenue during fiscal 2024 when compared to fiscal 2023, primarily due to a 67% decrease in license fees, a 29% decrease in professional services and other revenue, a 10% decrease in maintenance revenue, partially offset by a 10% increase in subscription fees revenue.

The Other segment revenue remained relatively flat in fiscal 2024 when compared to fiscal 2023, primarily due to a 7% decrease in professional services and other revenue, partially offset by a 188% increase in license fees and a 2% increase in maintenance revenue.

REVENUE

	Years Ended April 30,							
	2024	2023	2022	% Change		% of Total Revenue		
				2024 vs. 2023	2023 vs. 2022	2024	2023	2022
	(in thousands)							
Subscription fees	\$ 55,294	\$ 50,412	\$ 42,066	10 %	20 %	54 %	47 %	40 %
License fees	955	2,752	5,390	(65)%	(49)%	1 %	2 %	5 %
Professional service and other	14,848	20,531	22,444	(28)%	(9)%	14 %	19 %	21 %
Maintenance	31,418	34,557	36,621	(9)%	(6)%	31 %	32 %	34 %
Total revenue	\$ 102,515	\$ 108,252	\$ 106,521	(5)%	2 %	100 %	100 %	100 %

For the year ended April 30, 2024, the 5% decrease in total revenue compared to fiscal 2023 was attributable primarily to a 65% decrease in license revenue, a 28% decrease in professional services and other revenue, a 9% decrease in maintenance revenue, partially offset by a 10% increase in subscription fees revenue.

Due to intensely competitive markets, we discount subscription and license fees from our published list price due to pricing pressure in our industry. Numerous factors contribute to the amount of the discounts provided, such as previous client purchases, the number of client sites utilizing the software, the number of modules purchased and the number of users, the type of platform deployment, as well as the overall size of the contract. While all these factors affect the discount amount of a particular contract, the overall percentage discount has not materially changed in the recent reported fiscal periods.

The change in our revenue from period to period is primarily due to the volume of products and related services sold in any period and the amounts of products or modules purchased with each sale.

International revenue represented approximately 21% of total revenue for the year ended April 30, 2024 and 22% of total revenue for the year ended April 30, 2023. Our international revenue may fluctuate substantially from period to period primarily because we derive this revenue from a relatively small number of clients.

Subscription Fees Revenue

	Years Ended April 30,					
	2024	2023	2022	% Change		
				2024 vs. 2023	2023 vs. 2022	
	(in thousands)					
Supply Chain Management	\$ 55,294	\$ 50,412	\$ 42,066	10 %	20 %	
Total subscription fees revenue	\$ 55,294	\$ 50,412	\$ 42,066	10 %	20 %	

For the year ended April 30, 2024, subscription fee revenue increased by 10% when compared to the same period in the prior year primarily due to an increase in subscription bookings. This increase was attributable to an increase in the number of contracts, contracts with a higher subscription Annual Contract Value ("ACV"), as well as an increase in the value of multi-year contracts (typically three to five years). This is evidence of our successful transition to the cloud subscription model.

The direct sales channel provided approximately 91% of subscription fee revenue for the year ended April 30, 2024, compared to approximately 82% in fiscal 2023. The increase in direct subscription fees from fiscal 2023 to fiscal 2024 was largely due to an increase in subscription bookings this year compared to last year.

License Fees Revenue

	Years Ended April 30,				
	2024	2023	2022	% Change	
				2024 vs. 2023	2023 vs. 2022
	(in thousands)				
Supply Chain Management	\$ 909	\$ 2,736	\$ 5,369	(67)%	(49)%
Other	46	16	21	188 %	(24)%
Total license fees revenue	<u>\$ 955</u>	<u>\$ 2,752</u>	<u>\$ 5,390</u>	(65)%	(49)%

For the year ended April 30, 2024, total license fee revenue decreased by 65% when compared to the previous year. Our SCM segment experienced a 67% decrease in license fees, primarily due to a decrease in the number of existing clients choosing to deploy our software on-premise this year and we are not selling on-premise licenses to new clients. Our Other business segment experienced a 188% increase in license fees revenue for the year ended April 30, 2024 when compared to the same period in the prior year due to the timing of selling into the installed client base. We anticipate that the majority of future license fee sales will be to existing on-premise clients for add-on expansion. The SCM segment constituted 95% and 99% of our total license fee revenue for the years ended April 30, 2024 and 2023, respectively.

The direct sales channel provided approximately 100% of license fee revenue for the year ended April 30, 2024, compared to approximately 58% in fiscal 2023. The increase in direct license fees from fiscal 2023 to fiscal 2024 was largely due to an increase in international license fee deals to existing clients this year compared to last year.

For the year ended April 30, 2024, our margins after commissions on direct sales were approximately 93% and our margins after commissions on indirect sales were approximately 54%. For the year ended April 30, 2023, our margins after commissions on direct sales were approximately 91% and our margins after commissions on indirect sales were approximately 62%. The margins after commissions for direct and indirect sales were relatively consistent between 93% and 91%, respectively and between 54% to 62%, respectively. The indirect channel margins for the fiscal year ended April 30, 2024 decreased when compared to the same periods in the prior year due to the mix of value-added reseller (“VAR”) commission rates. The commission percentage on our indirect sales varies based on whether the sale is domestic or international.

Professional Services and Other Revenue

	Years Ended April 30,				
	2024	2023	2022	% Change	
				2024 vs. 2023	2023 vs. 2022
	(in thousands)				
Supply Chain Management	\$ 14,042	\$ 19,660	\$ 21,475	(29)%	(8)%
Other	806	871	969	(7)%	(10)%
Total professional services and other revenue	<u>\$ 14,848</u>	<u>\$ 20,531</u>	<u>\$ 22,444</u>	(28)%	(9)%

The 28% decrease in total professional services and other revenue for the year ended April 30, 2024 was due to a 29% decrease in our SCM segment professional services primarily due to a decrease in project implementation work resulting from lower license fee sales and a 7% decrease in our Other segment due to lower utilization from project implementation services and services activity in fiscal 2024.

We have observed that there is a tendency for professional services and other revenue to lag changes in subscription and license revenue by one to three quarters, as new bookings in one quarter often involve implementation and consulting services in subsequent quarters, for which we recognize revenue only as we perform those services.

Maintenance Revenue

	Years Ended April 30,				
	2024	2023	2022	% Change	
				2024 vs. 2023	2023 vs. 2022
	(in thousands)				
Supply Chain Management	\$ 30,153	\$ 33,319	\$ 35,379	(10)%	(6)%
Other	1,265	1,238	1,242	2 %	— %
Total maintenance revenue	<u>\$ 31,418</u>	<u>\$ 34,557</u>	<u>\$ 36,621</u>	(9)%	(6)%

The 9% decrease in total maintenance revenue for the year ended April 30, 2024 was primarily due to a 10% decrease in maintenance revenue from our SCM segment due to normal client attrition and clients converting from on-premise support to our SaaS cloud platform, partially offset by a 2% increase in our Other segment.

The SCM segment’s maintenance revenue constituted 96% of total maintenance revenue for the years ended April 30, 2024 and 2023, respectively. Typically, our maintenance revenue has had a direct relationship to current and historic license fee revenue, since new licenses are the potential source of new maintenance clients.

GROSS MARGIN

The following table provides both dollar amounts and percentage measures of gross margin:

	Years Ended April 30,					
	2024		2023		2022	
	(in thousands)					
Gross margin on subscriptions fees	\$ 37,086	67 %	\$ 34,581	69 %	\$ 28,683	68 %
Gross margin on license fees	736	77 %	2,047	74 %	4,286	80 %
Gross margin on professional services and other	3,455	23 %	6,457	31 %	8,615	38 %
Gross margin on maintenance	25,145	80 %	28,148	81 %	29,656	81 %
Total gross margin	<u>\$ 66,422</u>	65 %	<u>\$ 71,233</u>	66 %	<u>\$ 71,240</u>	67 %

The total gross margin percentage for the year ended April 30, 2024 decreased to 65% when compared to the same period in the prior year due to decreases in subscription fees, professional services and other, and maintenance gross margins, partially offset by an increase in gross margin percentage for license fees.

Gross Margin on Subscription Fees

For the year ended April 30, 2024, our gross margin percentage on subscription fees decreased from 69% in fiscal 2023 to 67% primarily due to an increase in personnel costs, cost of hosting and intangible amortization due to the Garvis Acquisition.

Gross Margin on License Fees

The 3% increase in license fee gross margin percentage for the year ended April 30, 2024 when compared to fiscal 2023 was primarily due to lower capitalized software expense and agents' commissions.

License fee gross margin percentage tends to be directly related to the level of license fee revenue due to the relatively fixed cost of capitalized software amortization expense, amortization of acquired software and the sales mix between our direct and indirect channels.

Gross Margin on Professional Services and Other

For the year ended April 30, 2024, our gross margin percentage on professional services and other decreased from 31% in fiscal 2023 to 23%, primarily due to decreased gross margins in our SCM segment which decreased from 31% in fiscal 2023 to 22% in fiscal 2024 due to a decrease in revenue and lower billing utilization. Our Other segment increased from 39% in fiscal 2023 to 43% in fiscal 2024 due to the timing of project work.

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Our SCM segment was 95% and 96% of the Company's professional services and other revenue in fiscal 2024 and 2023, respectively. Our Other segment was 5% and 4% of the Company's professional services and other revenue in fiscal 2024 and 2023, respectively.

Gross Margin on Maintenance

Maintenance gross margin decreased from 81% in fiscal 2023 to 80% fiscal 2024 due to maintenance revenue cost containment efforts. The primary cost component is maintenance staffing, which is relatively inelastic in the short term.

EXPENSES

	Years Ended April 30,					
				% of Revenue		
	2024	2023	2022	2024	2023	2022
	(in thousands)					
Research and development	\$ 17,656	\$ 17,767	\$ 17,600	17 %	16 %	17 %
Sales and marketing	\$ 21,443	\$ 20,339	\$ 20,697	21 %	19 %	19 %
General and administrative	\$ 22,672	\$ 23,134	\$ 21,176	22 %	21 %	20 %
Amortization of acquisition-related intangible assets	\$ 543	\$ 106	\$ 212	1 %	— %	— %
Other income, net	\$ 7,475	\$ 2,336	\$ 681	7 %	2 %	1 %
Income tax expense	\$ 1,889	\$ 2,238	\$ 562	2 %	2 %	1 %

Research and Development

Gross product research and development costs include all non-capitalized and capitalized software development costs.

A breakdown of the research and development costs is as follows (in thousands):

	Years Ended April 30,				
	2024	Percent Change	2023	Percent Change	2022
Total research and development expense	\$ 17,656	(1)%	\$ 17,767	4 %	\$ 17,600
Percentage of total revenue	17 %		16 %		17 %
Total amortization of capitalized computer software development costs*	\$ 380	(68)%	\$ 1,195	(62)%	\$ 3,181

* Included in cost of license fees and cost of subscription fees.

For the year ended April 30, 2024, gross product research and development costs remained flat primarily due to cost containment related to third-party contractors compared to fiscal 2023. During fiscal 2022 the Company completed its transition to an agile development approach. As a result, the Company's capitalization window is significantly shorter under the agile approach and ultimately results in the Company expensing software development costs as incurred. Amortization of capitalized software development decreased 68% in fiscal 2024 when compared to fiscal 2023 as some projects were fully amortized.

Sales and Marketing

For the year ended April 30, 2024, the increase in sales and marketing expenses compared to fiscal 2023 was due primarily to increases in personnel costs and marketing spend.

General and Administrative

For the year ended April 30, 2024, general and administrative expenses decreased when compared to fiscal 2023 primarily due to decreases in variable compensation expense, internal IT costs, rent expense and recruiting fees.

The total number of full-time personnel was 412, which includes 331 employees and 81 third-party contractors on April 30, 2024, compared to 449 full-time personnel which included 342 employees and 107 third-party contractors on April 30, 2023.

Amortization of Acquisition-related Intangible Assets

For the year ended April 30, 2024, we recorded \$2.6 million in intangible amortization expense, of which \$0.6 million is included in operating expense and \$2.0 million is included in cost of subscription fees.

For the year ended April 30, 2023, we recorded \$0.8 million in intangible amortization expense, of which \$0.1 million is included in operating expense and \$0.7 million is included in cost of subscription fees.

Operating Income/(Loss)

	Years Ended April 30,				
	2024	2023	2022	% Change	
				2024 vs. 2023	2023 vs. 2022
	(in thousands)				
Supply Chain Management	\$ 24,304	\$ 29,925	\$ 29,164	(19)%	3 %
Other*	(20,196)	(20,038)	(17,609)	1 %	14 %
Total Operating Income	<u>\$ 4,108</u>	<u>\$ 9,887</u>	<u>\$ 11,555</u>	(58)%	(14)%

* Includes certain unallocated expenses.

Our SCM segment operating income decreased by 19% in fiscal 2024 compared to fiscal 2023, primarily due to a 5% decrease in revenue.

The increase in the Other segment operating loss in fiscal 2024 when compared to fiscal 2023 was due primarily to increases in legal fees, tax expense, audit consulting fees and stock option expense.

Other Income

Other income is comprised of net interest and dividend income, rental income net of related depreciation expenses, exchange rate gains and losses, realized and unrealized gains and losses from investments. Other income was approximately \$7.5 million in the year ended April 30, 2024 compared to \$2.3 million in fiscal 2023. The increase was primarily due to dividend income of \$2.0 million and interest income of \$1.8 million in fiscal 2024, compared to dividend income of \$1.2 million and interest income of \$1.0 million for the same period last year. Additionally, we had a \$1.4 million gain on the sale of TRS (defined below in Item 8, Notes to Consolidated Financial Statements, Item 12) and \$2.3 million in net realized gains on investments in fiscal 2024, compared to \$0.1 million in net realized gains on investments for the same period last year.

For the years ended April 30, 2024 and 2023, our investments generated an annualized yield of approximately 4.2% and 2.1%, respectively.

Income Taxes

During the year ended April 30, 2024, we recorded income tax expense of \$1.9 million compared to \$2.2 million in fiscal 2023. Our effective income tax rate takes into account the source of taxable income by state and available income tax credits. Our effective tax rate was 16.3% and 18.3% in fiscal 2024 and 2023, respectively. The effective tax rate for fiscal 2024 is lower compared to fiscal 2023 due to increases in research and development credits and foreign tax credits.

Operating Pattern

We experience an irregular pattern of quarterly and annual operating results, caused primarily by fluctuations in both the number and size of software contracts received and delivered from quarter to quarter and our ability to recognize revenue in that quarter and annually in accordance with our revenue recognition policies. We expect this pattern to continue.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

We have historically funded and continue to fund, our operations and capital expenditures primarily with cash generated from operating activities. The changes in net cash that our operating activities provide generally reflect the changes in net earnings and non-cash operating items plus the effect of changes in operating assets and liabilities, such as investment trading securities, trade accounts receivable, trade accounts payable, accrued expenses and deferred revenue. We have no debt obligations or off-balance sheet financing arrangements and therefore, we used no cash for debt service purposes.

The following tables provide information about our cash flows and liquidity positions as of and for the fiscal years ended April 30, 2024, 2023 and 2022. You should read these tables and the discussion that follows in conjunction with our consolidated statements of cash flows contained in Item 8 of this report.

	Years ended April 30,		
	2024	2023	2022
	(in thousands)		
Net cash provided by (used in) operating activities	\$ 16,811	\$ (380)	\$ 29,020
Net cash used in investing activities	(23,123)	(10,422)	(934)
Net cash used in financing activities	(24,872)	(9,192)	(6,054)
Net change in cash and cash equivalents	<u>\$ (31,184)</u>	<u>\$ (19,994)</u>	<u>\$ 22,032</u>

The increase in cash provided by operating activities in fiscal 2024 compared to fiscal 2023 was due primarily to: (1) an increase in the net proceeds from sales and maturities of trading securities due to timing of sales and maturity dates, (2) an increase in deferred revenue in fiscal 2024 when compared to fiscal 2023 primarily due to the timing of subscription and maintenance revenue recognition, (3) an increase in prepaid expenses and other assets in fiscal 2024 compared to the decrease in fiscal 2023 due to timing of purchases, (4) a decrease in accounts receivable in fiscal 2024 compared to fiscal 2023 due to timing of sales and billing, (5) an increase in depreciation and amortization expense due to the acquisition of Garvis, (6) higher stock-based compensation expense in fiscal 2024 due to an increase in the value of options granted, (7) an increase in net earnings and (8) a decrease in accounts payable and other liabilities during fiscal 2024 and 2023.

These factors were partially offset by: (1) an increase in the purchases of trading securities due to timing, (2) an increase in realized gains on investments due to timing of sales of investments, (3) an increase in gain on sale of discontinued operations, (4) an increase in deferred income taxes in fiscal 2024 compared to fiscal 2023 due to timing, (5) a gain on sale of TRS and (6) an increase in earning from discontinued operations. For more information about our divestitures, please see the discussion in Note 11 to the Consolidated Financial Statements.

The increase in cash used in investing activities in fiscal 2024 compared to cash used in investing activities in fiscal 2023 was due to due primarily to the Garvis Acquisition compared to the purchase of certain assets of Starboard during the prior year, partially offset by a decrease in purchases of property and equipment and proceeds from sale of a business. For more information about our business combinations, please see the discussion in Note 5 to the Consolidated Financial Statements.

The increase in cash used in financing activities in fiscal 2024 when compared to fiscal 2023 was due primarily to repurchases of common stock, a decrease in proceeds from the exercise of stock options and an increase in cash dividends paid on common stock in fiscal 2024 due to an increase in the number of shares outstanding.

The following table provides information regarding the changes in our total cash and investments position:

	As of April 30,	
	2024	2023
	(in thousands)	
Cash and cash equivalents	\$ 59,512	\$ 90,696
Investments	24,261	23,937
Total cash and investments	<u>\$ 83,773</u>	<u>\$ 114,633</u>
Net (decrease) increase in total cash and investments	(30,860)	12,883

As of April 30, 2024, we had \$83.8 million in total cash and investments, with no outstanding debt and believe that our sources of liquidity and capital resources will be sufficient to satisfy our presently anticipated requirements for working capital, capital expenditures and other corporate needs during at least the next twelve months. However, at some future date we may need to seek additional sources of capital to meet our requirements. If such need arises, we may be required to raise additional funds through equity or debt financing. We currently do not have a bank line of credit. We can provide no assurance that bank lines of credit or other financing will be available on terms acceptable to us. If available, such financing may result in dilution to our shareholders or higher interest expense.

Days Sales Outstanding ("DSO") in accounts receivable were 101 and 86 days as of April 30, 2024 and April 30, 2023, respectively. Our current ratio was 2.0 to 1 for April 30, 2024 and 2.7 to 1 for April 30, 2023. DSO can fluctuate significantly on a quarterly basis due to a number of factors including the percentage of total revenue that comes from software license sales (which typically have installment payment terms), seasonality, shifts in client buying patterns, the timing of client payments and annual SaaS and maintenance renewals, lengthened contractual payment terms in response to competitive pressures, the underlying mix of products and services and the geographic concentration of revenue.

On August 19, 2002, our Board of Directors authorized the repurchase of up to an additional 2.0 million shares of our Class A common stock. We made these repurchases through open market purchases at prevailing market prices. Under this repurchase plan, through April 30, 2024, we completed our repurchase of 2.0 million shares of Class A common stock at a cost of approximately \$16.4 million, which had a \$10.2 million impact on fiscal 2024. As of April 30, 2024, under all repurchase plans previously authorized, including this most recent plan, we have repurchased 5,534,953 shares of common stock at a cost of approximately \$35.8 million.

SUPPLEMENTARY DATA

Unaudited Quarterly Results

As discussed in Note 11 to the consolidated financial statements, we disposed of our 100% equity interest in TPM. The results of TPM are presented as discontinued operations in the accompanying consolidated financial statements and, as such, the following tables present unaudited quarterly financial data, recast for discontinued operations presentation, for each of the four quarters of fiscal 2024 and 2023 (in thousands, except for per share data):

	Fiscal Year 2024				Fiscal Year 2023			
	July 31, 2023	October 31, 2023	January 31, 2024	April 30, 2024	July 31, 2022	October 31, 2022	January 31, 2023	April 30, 2023
Total revenue	\$ 25,901	\$ 25,690	\$ 25,536	\$ 25,387	\$ 26,781	\$ 27,279	\$ 27,427	\$ 26,765
Total cost of revenue	9,044	9,289	9,090	8,667	8,974	9,220	9,468	9,351
Gross margin	16,857	16,401	16,446	16,720	17,807	18,059	17,959	17,414
Total operating expense	15,465	15,172	15,631	16,046	15,465	15,509	15,214	15,165
Operating earnings	1,392	1,229	815	674	2,342	2,550	2,745	2,249
Other Income/(Loss)	1,886	(577)	4,417	1,749	119	(145)	1,334	1,027
Earnings from continuing operations before income taxes	3,278	652	5,232	2,423	2,461	2,405	4,079	3,276
Income Tax Expense	664	31	1,080	114	486	489	907	356
Net earnings from continuing operations	2,614	621	4,152	2,309	1,975	1,916	3,172	2,920
Earnings/(Loss) from discontinued operations, net of income taxes	134	1,742	(64)	(133)	89	189	45	4
Net earnings	\$ 2,748	\$ 2,363	\$ 4,088	\$ 2,176	\$ 2,064	\$ 2,105	\$ 3,217	\$ 2,924
Earnings per common share from continuing operations								
Basic	\$ 0.08	\$ 0.02	\$ 0.12	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.09	\$ 0.09
Diluted	\$ 0.08	\$ 0.02	\$ 0.12	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.09	\$ 0.09
Earnings/(Loss) per common share from discontinued operations								
Basic	\$ —	\$ 0.05	\$ —	\$ —	\$ 0.01	\$ —	\$ —	\$ —
Diluted	\$ —	\$ 0.05	\$ —	\$ —	\$ 0.01	\$ —	\$ —	\$ —
Earnings per common share								
Basic	\$ 0.08	\$ 0.07	\$ 0.12	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.09	\$ 0.09
Diluted	\$ 0.08	\$ 0.07	\$ 0.12	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.09	\$ 0.09

This section generally discusses fiscal 2024 compared to fiscal 2023. Discussions of fiscal 2023 compared to fiscal 2022 not included herein can be found in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for fiscal 2023, filed with the Securities and Exchange Commission on July 13, 2023.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency. For the fiscal years ended April 30, 2024 and 2023, we generated 21% and 22%, respectively, of our revenue outside of the United States. We typically denominate our international sales in U.S. dollars, Euros or British pounds sterling. Our consolidated financial statements are presented in U.S. dollars, which is also the functional currency for our foreign operations. Where transactions may be denominated in foreign currencies, we are subject to market risk with respect to fluctuations in the relative value of currencies. We recorded exchange rate losses of \$0.4 million in fiscal 2024, compared to exchange rate losses of approximately \$0.2 million in fiscal 2023. We estimate that a 10% movement in foreign currency rates would have the effect of creating an exchange gain or loss of approximately \$0.6 million for fiscal 2024.

Interest Rates and Other Market Risks. We manage our interest rate risk by maintaining an investment portfolio of trading investments with high credit quality and relatively short average maturities. These instruments include, but are not limited to, money-market instruments, bank time deposits and taxable and tax-advantaged variable rate and fixed rate obligations of corporations, municipalities and national, state and local government agencies. These instruments are denominated in U.S. dollars. The fair market value of our cash equivalents and investments decreased 26% to approximately \$77.8 million in fiscal 2024 from \$105.3 million in the prior year.

We also hold cash balances in accounts with commercial banks in the United States and foreign countries. These cash balances represent operating balances only and are invested in short-term time deposits of the local bank. Such operating cash balances held at banks outside the United States are denominated in the local currency and are nominal.

Many of our investments carry a degree of interest rate risk. When interest rates fall, our income from investments in variable-rate securities declines. When interest rates rise, the fair market value of our investments in fixed-rate securities declines. In addition, our investments in equity securities are subject to stock market volatility. Due in part to these factors, our future investment income may fall short of expectations or we may suffer losses in principal if forced to sell securities, which have seen a decline in market value due to changes in interest rates. We attempt to mitigate risk by holding fixed-rate securities to maturity, but if our liquidity needs force us to sell fixed-rate securities prior to maturity, we may experience a loss of principal. We believe that a 10% fluctuation in interest rates would not have a material effect on our financial condition or results of operations.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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(a) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Management with participation of the Chief Executive Officer and Chief Financial Officer, under the oversight of our Board of Directors, conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was not effective as of April 30, 2024 because of the material weakness in internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified that certain process-level controls over the reconciliation of cash, accounts receivable, accounts payable, accrued compensation, and related costs and cost of revenues were not designed or operated effectively. These ineffective controls were attributable to insufficient risk assessment, policies and procedures and training that impaired our ability to timely investigate and resolve reconciling items.

These control deficiencies resulted in immaterial misstatements in related accounts. Furthermore, the control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. Therefore, we concluded that the deficiencies, in the aggregate, represent a material weakness in the Company’s internal control over financial reporting and our internal control over financial reporting was not effective as of April 30, 2024.

In connection therewith, our independent registered public accounting firm, KPMG LLP, who audited the consolidated financial statements included in the Original Form 10-K, issued an adverse opinion on the effectiveness of the Company’s internal control over financial reporting. KPMG LLP’s report appears in Item 8 below.

Management’s Plan to Remediate the Identified Material Weaknesses

With regard to the above-described material weakness, the Company implemented enhanced policies and procedures over reconciliations and related training, including a focus on expectations and procedures for investigating and resolving reconciling items on a timely basis.

We anticipate that the material weakness will be fully remediated before July 31, 2024, but the material weakness cannot be considered fully remediated until the updated policies and training have been in place and operated for a sufficient period of time to enable management and KPMG LLP to test and to conclude on the operating effectiveness of the controls.

Changes in Internal Control Over Financial Reporting

Except as related to the identification of the material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal year ended April 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(b) Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
American Software, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited American Software, Inc. and subsidiaries' (the Company) internal control over financial reporting as of April 30, 2024, based on criteria established in *Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission*. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of April 30, 2024, based on criteria established in *Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of April 30, 2024 and April 30, 2023, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2024, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated June 28, 2024 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to certain account reconciliations has been identified and included in management's assessment. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Atlanta, Georgia

June 28, 2024

(c) Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
American Software, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of American Software, Inc. and subsidiaries (the Company) as of April 30, 2024 and April 30, 2023, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2024, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2024 and April 30, 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended April 30, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 30, 2024, based on criteria established in *Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission*, and our report dated June 28, 2024 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Testing of Revenue

As discussed in Note 1 to the consolidated financial statements, the Company recognizes revenue when they transfer control of the promised goods or services to their clients, in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company's revenue consists of the following types of revenue streams: i) subscription fees, ii) license, iii) maintenance, and iv) professional services and other. Total revenue recorded by the Company amounted to \$102.5 million in fiscal 2024.

We identified the sufficiency of audit evidence over the subscription fees, maintenance, and professional services and other revenue streams as a critical audit matter. Evaluating the sufficiency of audit evidence required subjective auditor judgment

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because of the large volume of data and the information technology (IT) applications utilized in the revenue recognition process to capture and aggregate the data.

The following are the primary procedures we performed to address this critical audit matter. Based on our knowledge of the Company, we applied auditor judgment to determine the nature and extent of procedures to be performed over revenue. Specifically, we:

- i. evaluated the design and tested the operating effectiveness of certain internal controls related to the processing and recording of revenue, including general IT controls and IT application controls,
- i. involved IT professionals with specialized skills and knowledge who assisted in the identification and testing of certain IT systems, including the design of audit procedures, used by the Company for the processing and recording of revenue, and
- ii. recalculated the recorded revenue for a sample of transactions by comparing the amounts recognized for consistency with the Company's accounting policies and underlying documentation, including contracts with customers and other relevant and reliable third-party data

We evaluated the sufficiency of the audit evidence obtained by assessing the results of the procedures performed over revenue.

/s/ KPMG LLP

We have served as the Company's auditor since 1982.

Atlanta, Georgia
June 28, 2024

American Software, Inc. and Subsidiaries
Consolidated Balance Sheets
April 30, 2024 and 2023
(in thousands, except share data)

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,512	\$ 90,696
Investments	24,261	23,451
Trade accounts receivable, less allowance for doubtful accounts of \$143 at April 30, 2024 and \$417 at April 30, 2023:		
Billed	28,043	24,653
Unbilled	296	2,604
Prepaid expenses and other current assets	6,584	7,833
Total current assets	118,696	149,237
Investments-noncurrent	—	486
Property and equipment, net	5,554	6,444
Capitalized software, net	11	391
Goodwill	45,782	29,558
Other intangibles, net	10,567	2,143
Other assets	11,834	6,609
Total assets	\$ 192,444	\$ 194,868
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,248	\$ 2,142
Accrued compensation and related costs	2,805	4,268
Dividends payable	3,657	3,756
Other current liabilities	5,012	3,733
Deferred revenue	47,621	43,124
Total current liabilities	60,343	57,023
Other long-term liabilities	1,620	288
Total liabilities	61,963	57,311
Shareholders' equity:		
Common stock:		
Class A, \$0.10 par value. Authorized 50,000,000 shares: Issued and outstanding 36,933,495 (31,398,452, net) shares at April 30, 2024 and 36,907,242 (32,318,610, net) shares at April 30, 2023	3,693	3,691
Class B, \$0.10 par value. Authorized 10,000,000 shares: Issued and outstanding 1,821,587 shares at April 30, 2024 and 1,821,587 shares at April 30, 2023; convertible into Class A shares on a one-for-one basis	182	182
Additional paid-in capital	189,330	182,722
Retained deficit	(26,930)	(23,479)
Class A treasury stock, 5,534,953 shares at April 30, 2024 and 4,588,632 shares at April 30, 2023, at cost	(35,794)	(25,559)
Total shareholders' equity	130,481	137,557
Commitments and contingencies		
Total liabilities and shareholders' equity	\$ 192,444	\$ 194,868

See accompanying notes to consolidated financial statements.

American Software, Inc. and Subsidiaries
Consolidated Statements of Operations
Years ended April 30, 2024, 2023 and 2022
(in thousands, except per share data)

	2024	2023	2022
Revenue:			
Subscription fees	\$ 55,294	\$ 50,412	\$ 42,066
License	955	2,752	5,390
Professional services and other	14,848	20,531	22,444
Maintenance	31,418	34,557	36,621
Total revenue	<u>102,515</u>	<u>108,252</u>	<u>106,521</u>
Cost of revenue:			
Subscription fees	18,208	15,831	13,383
License	219	705	1,104
Professional services and other	11,393	14,074	13,829
Maintenance	6,273	6,409	6,965
Total cost of revenue	<u>36,093</u>	<u>37,019</u>	<u>35,281</u>
Gross margin	<u>66,422</u>	<u>71,233</u>	<u>71,240</u>
Research and development	17,656	17,767	17,600
Sales and marketing	21,443	20,339	20,697
General and administrative	22,672	23,134	21,176
Amortization of acquisition-related intangibles	543	106	212
Total operating expenses	<u>62,314</u>	<u>61,346</u>	<u>59,685</u>
Operating income	4,108	9,887	11,555
Other income:			
Interest income	3,820	2,150	391
Other, net	3,655	186	290
Earnings from continuing operations before income taxes	<u>11,583</u>	<u>12,223</u>	<u>12,236</u>
Income tax expense	1,889	2,238	562
Net earnings from continuing operations	<u>\$ 9,694</u>	<u>\$ 9,985</u>	<u>\$ 11,674</u>
Discontinued operations (Note 11)			
Gain on disposal of discontinued operations	2,124	—	—
Earnings from operations of discontinued operations	255	554	1,624
Income tax expense of discontinued operations	700	227	493
Earnings from discontinued operations, net of income taxes	<u>\$ 1,679</u>	<u>\$ 327</u>	<u>\$ 1,131</u>
Net earnings	<u>\$ 11,373</u>	<u>\$ 10,312</u>	<u>\$ 12,805</u>
Earnings per common share from continuing operations: (a)			
Basic	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.35</u>
Earnings per common share from discontinued operations: (a)			
Basic	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Earnings per common share: (a)			
Basic	<u>\$ 0.34</u>	<u>\$ 0.30</u>	<u>\$ 0.38</u>
Diluted	<u>\$ 0.34</u>	<u>\$ 0.30</u>	<u>\$ 0.38</u>
Shares used in the calculation of earnings per common share:			
Basic	33,689	33,761	33,365
Diluted	33,725	33,992	34,305

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- (a) Diluted per share amounts for Class A shares are shown above. Diluted per share for Class B shares under the two-class method are \$0.34, \$0.30 and \$0.38 for the years ended April 30, 2024, 2023 and 2022, respectively. See Note 1(s) to the Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

American Software, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Years ended April 30, 2024, 2023 and 2022
(in thousands, except share data)

	Common stock				Additional paid-in capital	Retained earnings/ deficit	Treasury stock	Total shareholders' equity
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance at April 30, 2021	35,629,566	\$ 3,563	1,821,587	\$ 182	\$ 159,492	\$(16,976)	\$(25,559)	\$ 120,702
Proceeds from stock options exercised	776,129	78	—	—	8,500	—	—	8,578
Stock-based compensation	—	—	—	—	3,956	—	—	3,956
Net earnings	—	—	—	—	—	12,805	—	12,805
Dividends declared (\$0.44 per share)	—	—	—	—	—	(14,731)	—	(14,731)
Balance at April 30, 2022	36,405,695	3,641	1,821,587	182	171,948	(18,902)	(25,559)	131,310
Proceeds from stock options exercised	501,547	50	—	—	5,591	—	—	5,641
Stock-based compensation	—	—	—	—	5,183	—	—	5,183
Net earnings	—	—	—	—	—	10,312	—	10,312
Dividends declared* (\$0.44 per share)	—	—	—	—	—	(14,889)	—	(14,889)
Balance at April 30, 2023	36,907,242	3,691	1,821,587	182	182,722	(23,479)	(25,559)	137,557
Proceeds from stock options exercised*	26,253	2	—	—	288	—	—	290
Purchases of common stock	—	—	—	—	—	—	(10,235)	(10,235)
Stock-based compensation	—	—	—	—	6,320	—	—	6,320
Net earnings	—	—	—	—	—	11,373	—	11,373
Dividends declared* (\$0.44 per share)	—	—	—	—	—	(14,824)	—	(14,824)
Balance at April 30, 2024	<u>36,933,495</u>	<u>\$ 3,693</u>	<u>1,821,587</u>	<u>\$ 182</u>	<u>\$ 189,330</u>	<u>\$(26,930)</u>	<u>\$(35,794)</u>	<u>\$ 130,481</u>

See accompanying notes to consolidated financial statements.

*Amounts adjusted for rounding

American Software, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended April 30, 2024, 2023 and 2022
(in thousands)

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	2024	2023	2022
Cash flows from operating activities:			
Net earnings	\$ 11,373	\$ 10,312	\$ 12,805
Earnings from discontinued operations, net of tax	(1,679)	(327)	(1,131)
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,439	3,161	4,138
Stock-based compensation expense	6,320	5,152	3,935
Net gain on investments	(2,286)	(133)	(394)
Net gain on sale of fixed assets	—	—	(36)
Gain on the sale of business	(1,438)	—	—
Deferred income tax benefit	(5,893)	(4,092)	(854)
Gain on the sale of discontinued operations	(2,124)	—	—
Changes in operating assets and liabilities, net of effects of acquisition:			
Purchases of trading securities	(26,008)	(8,599)	(1,713)
Proceeds from sales and maturities of trading securities	27,969	1,620	1,287
Accounts receivable, net	(728)	(4,401)	3,031
Prepaid expenses and other assets	1,669	(2,088)	450
Accounts payable and other liabilities	(1,651)	(2,515)	1,540
Deferred revenue	5,169	1,171	4,811
Net cash provided by (used in) operating activities of continuing operations	15,132	(739)	27,869
Cash provided by operating activities of discontinued operations	1,679	359	1,151
Net cash provided by (used in) operating activities	16,811	(380)	29,020
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	(567)	(3,922)	(934)
Proceeds from sale of a business	660	—	—
Purchase of business, net of cash acquired	(25,041)	(6,500)	—
Net cash used in investing activities of continuing operations	(24,948)	(10,422)	(934)
Net cash provided by discontinued operations	1,825	—	—
Net cash used in investing activities	(23,123)	(10,422)	(934)
Cash flows from financing activities:			
Repurchase of common stock	(10,235)	—	—
Proceeds from the exercise of stock options	290	5,641	8,578
Dividends paid	(14,927)	(14,833)	(14,632)
Net cash used in financing activities of continuing operations	(24,872)	(9,192)	(6,054)
Net change in cash and cash equivalents	(31,184)	(19,994)	22,032
Cash and cash equivalents at beginning of year	90,696	110,690	88,658
Cash and cash equivalents at end of year	\$ 59,512	\$ 90,696	\$ 110,690
Supplemental disclosures of cash paid during the year for:			
Income taxes	\$ 5,754	\$ 8,511	\$ 300
Supplemental disclosures of noncash operating, investing and financing activities:			
Accrual of dividends payable	\$ 3,657	\$ 3,756	\$ 3,700

See accompanying notes to consolidated financial statements.

American Software, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
April 30, 2024, 2023 and 2022

(1) Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

Founded in 1970 and headquartered in Atlanta, Georgia, American Software, Inc. and its subsidiaries (collectively, the “Company”) are engaged in the development, marketing and support activities of a broad range of computer business application software products. The Company’s operations are principally in the computer software industry and its products and services are used by clients within the United States and certain international markets. We provide our software and services through two major business segments. The two operating segments are: (1) Supply Chain Management (“SCM”) and (2) Other.

- The SCM segment consists of Logility, Inc. (see Note 10), which provides collaborative supply chain software and services to streamline and optimize the production, distribution and management of products between trading partners.
- The Other segment consists of (i) American Software ERP, which provides purchasing and materials management, client order processing, financial, e-commerce and traditional manufacturing software and services and (ii) unallocated corporate overhead expenses.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of American Software, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

In September 2023, we disposed of our 100% equity interest in our information technology staffing firm, The Proven Method (“TPM”) for approximately \$2.1 million in cash. For further information regarding the transaction, see Note 11 to the accompanying consolidated financial statements.

(c) Revenue Recognition

In accordance with Topic 606, we recognize revenue when we transfer control of the promised goods or services to our clients, in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We derive our revenue from software licenses, maintenance services, consulting, implementation and training services and Software-as-a-Service (“SaaS”), which includes a subscription to our software as well as support, hosting and managed services.

The Company determines revenue recognition through the following steps:

Step 1 - Identification of the Contract with the Client

Step 2 - Identification of Promised Goods and Services and Evaluation of Whether the Promised Goods and Services are Distinct Performance Obligations

Step 3 - Determination of the Transaction Price

Step 4 - Allocation of the Transaction Price to Distinct Performance Obligations

Step 5 - Attribution of Revenue for Each Distinct Performance Obligation

Nature of Products and Services.

Subscription. Subscription fees include SaaS revenue for the right to use the software for a limited period of time in an environment hosted by the Company or by a third party. The client accesses and uses the software on an as needed basis over the Internet or via a dedicated line; however, the client has no right to take delivery of the software. The underlying arrangements typically include a single fee for the service that is billed monthly, quarterly or annually. The Company’s SaaS solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the client. Revenue from a SaaS solution is generally recognized ratably over the term of the arrangement.

License. Our perpetual software licenses provide the client with a right to use the software as it exists at the time of purchase. We recognize revenue for distinct software licenses once the license period has begun and we have made the software available to

the client. Our perpetual software licenses are sold with maintenance under which we provide clients with telephone consulting, product updates on a when available basis and releases of new versions of products previously purchased by the client, as well as error reporting and correction services.

Professional Services and Other. Our professional services revenue consists of fees generated from consulting, implementation and training services, including reimbursements of out-of-pocket expenses in connection with our services. These services are typically optional to our clients and are distinct from our software. Fees for our professional services are separately priced and are generally billed on an hourly basis and revenue is recognized over time as the services are performed. We believe the output method of hours worked provides the best depiction of the transfer of our services since the client is receiving the benefit from our services as the work is performed. Reimbursements received from clients for out-of-pocket expenses were recorded in revenue and totaled approximately \$154,000, \$320,000 and \$47,000 for fiscal 2024, 2023 and 2022, respectively.

Maintenance. Revenue is derived from maintenance and support services, under which we provide clients with telephone consulting, product updates on a when available basis and releases of new versions of products previously purchased by the client, as well as error reporting and correction services. Maintenance for perpetual licenses is renewable, generally on an annual basis, at the option of the client. Maintenance terms typically range from one to three years. Revenue related to maintenance is generally paid in advance and recognized ratably over the term of the agreement since the Company is standing ready to provide a series of maintenance services that are substantially the same each period over the term; therefore, time is the best measure of progress. Support services for subscriptions are included in the subscription fees and are recognized as a component of such fees.

Indirect Channel Revenue. We record revenue from sales made through the indirect sales channels on a gross basis, because we control the goods or services and act as the principal in the transaction. In reaching this determination, we evaluate sales through our indirect channel on a case-by-case basis and consider a number of factors including indicators of control such as the party having the primary responsibility to provide specified goods or services and the party having discretion in establishing prices.

Sales Taxes. We account for sales taxes collected from clients on a net basis.

Contract Balances. Timing of invoicing to clients may differ from timing of revenue recognition and these timing differences result in unbilled accounts receivables or contract liabilities (deferred revenue) on the Company’s consolidated balance sheets. Fees for our software licenses are generally due within 30 days of contract execution. We have an established history of collecting under the terms of our software license contracts without providing refunds or concessions to our clients. SaaS services and maintenance are typically billed in advance on a monthly, quarterly, or annual basis. Services are typically billed as performed. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide clients with predictable ways to purchase our software and services, not to provide or receive financing. Additionally, we are applying the practical expedient to exclude any financing component from consideration for any contracts with payment terms of one year or less since we rarely offer terms extending beyond one year. Generally, the consideration in our client contracts is fixed.

We have an unconditional right to consideration for all goods and services transferred to our clients. That unconditional right to consideration is reflected in billed and unbilled accounts receivable in the accompanying consolidated balance sheets in accordance with Topic 606.

Deferred revenue consists of amounts collected prior to having completed the performance of maintenance, SaaS, hosting and managed services. We typically invoice clients for cloud subscription and support fees in advance on a monthly, quarterly or annual basis, with payment due at the start of the cloud subscription or support term. During the twelve months ended April 30, 2024, the Company recognized \$41.8 million of revenue that was included in the deferred revenue balance as of April 30, 2023.

	Years ended April 30,	
	2024	2023
	(in thousands)	
Deferred revenue, current	\$ 47,621	\$ 43,124

Remaining Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the client and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the client. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract. Remaining performance obligations represent the

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transaction price of orders for which products have not been delivered or services have not been performed. As of April 30, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$128.0 million. The Company expects to recognize revenue on 51% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter.

Disaggregated Revenue. The Company disaggregates revenue from contracts with clients by geography, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company's revenue by geography is as follows:

	Years ended April 30,	
	2024	2023
Revenue:	(in thousands)	
Domestic	\$ 80,893	\$ 84,361
International	21,622	23,891
	<u>\$ 102,515</u>	<u>\$ 108,252</u>

Practical Expedients and Exemptions. There are several practical expedients and exemptions allowed under Topic 606 that impact the timing of revenue recognition and the Company's disclosures. Below is a list of practical expedients:

- The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the client.
- The Company does not disclose the value of unsatisfied performance obligations for contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (this applies to time-and-material engagements).

Contract Costs. The Company capitalizes the incremental costs of obtaining a contract with a client if the Company expects to recover those costs. The incremental costs of obtaining a contract are those that the Company incurs to obtain a contract with a client that it would not have incurred if the contract had not been obtained (for example, a sales commission). The Company capitalizes the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

Certain sales commissions incurred by the Company were determined to be incremental costs to obtain the related contracts, which are deferred and amortized ratably over the economic benefit period for license and term subscriptions. These deferred commission costs are classified as current or non-current based on the timing of when the Company expects to recognize the expense. The current and non-current portions of deferred commissions are included in prepaid expenses and other current assets and in other assets within long-term assets, respectively, in the Company's consolidated balance sheets. Total deferred commissions at April 30, 2024 and April 30, 2023 were \$2.5 million and \$3.0 million, respectively. Amortization of sales commissions was \$1.6 million, \$1.7 million and \$2.1 million for years ended April 30, 2024, 2023 and 2022, respectively which is included in sales and marketing expense in the accompanying consolidated statements of operations. During the fiscal 2024, 2023 and 2022 impairment analyses, no losses were recognized.

Unbilled Accounts Receivable. The unbilled receivable balance consists of amounts generated from license fee and services revenue. At April 30, 2024 and 2023, unbilled license fees were approximately \$0.1 million and \$0.3 million, respectively and unbilled services revenue was approximately \$0.3 million and \$2.6 million, respectively. Unbilled license fee accounts receivable represents revenue that has been recognized but under the terms of the license agreements, which include specified payment terms

that are considered normal and customary, certain payments have not yet been invoiced to the clients. Unbilled services revenue primarily occurs due to the timing of the billings, which occur subsequent to the end of each reporting period.

(d) Cost of Revenue

Cost of revenue for licenses includes amortization of developed technology and capitalized computer software development costs, salaries and benefits and value-added reseller ("VAR") commissions. Costs for maintenance and services revenue includes the cost of personnel to conduct implementations, client support and consulting and other personnel-related expenses as well as agent commission expenses related to maintenance revenue generated by the indirect channel. Costs for subscriptions revenue includes amortization of developed technology and capitalized computer software development costs, third-party hosting costs, salaries and benefits and value-added reseller commissions. Commission costs for maintenance are deferred and amortized over the related maintenance term. Commission costs for subscriptions are deferred and amortized over the related subscription term.

(e) Cash Equivalents

Cash equivalents of \$53.5 million and \$81.4 million at April 30, 2024 and 2023, respectively, consist of overnight repurchase agreements and money market deposit accounts. The Company considers all such investments with original maturities of three months or less to be cash equivalents for purposes of the consolidated statements of cash flows.

(f) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. The Company maintains cash and cash equivalents and short-term investments with various financial institutions. The Company's sales are primarily to companies located in North America and Europe. The Company performs periodic credit evaluations of its clients' financial condition and does not require collateral. Accounts receivable are due principally from companies under stated contract terms.

(g) Returns and Allowances

The Company has not experienced significant returns or warranty claims to date and, as a result, the allowance for the cost of returns and product warranty claims at April 30, 2024 and 2023 is not material.

The Company records an allowance for doubtful accounts based on the historical experience of write-offs and a detailed assessment of accounts receivable. The total amounts of expense to operations were approximately \$0 for fiscal 2024 and 2023 and 2022, which are included in general and administrative expenses in the accompanying consolidated statements of operations. In estimating the allowance for doubtful accounts, management considers the age of the accounts receivable, the Company's historical write-offs and the credit worthiness of the client, among other factors. Should any of these factors change, the estimates made by management will also change accordingly, which could affect the level of the Company's future provision for doubtful accounts. Uncollectible accounts are written off when it is determined that the specific balance is not collectible.

(h) Investments

Investments consist of commercial paper, corporate bonds, government securities, certificates of deposits and marketable equity securities. The Company accounts for its investments in accordance with the *Investments – Debt Securities (Topic 320)* and *Investments—Equity Securities (Topic 321)*. The Company has classified its investment portfolio as "trading." "Trading" securities are bought and held principally for the purpose of selling them in the near term and are recorded at fair value. Unrealized gains and losses on trading securities are included in the determination of net earnings. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. Investments with maturities less than one year as of the consolidated balance sheet date are classified as short-term investments and those that mature greater than one year are classified as long-term investments.

(i) Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation of buildings, computer equipment, purchased computer software, office furniture and equipment is calculated using the straight-line method based upon the estimated useful lives of the assets (three years for computer equipment and software, seven years for office furniture and equipment, seven to fifteen years for building improvements and thirty years for buildings). Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the assets or the related lease term, whichever is shorter. Depreciation and amortization expense on buildings, furniture, equipment and purchased computer software was \$1.5 million, \$1.2 million and \$0.7 million in fiscal 2024, 2023 and 2022, respectively.

(j) Capitalized Computer Software Development Costs

The Company capitalizes certain computer software development costs in accordance with the Costs of Software to be Sold, Leased or Marketed under ASC 985-20. Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to clients.

The Company makes ongoing evaluations of the recoverability of its capitalized software projects by comparing the net amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Company writes off the amount by which the unamortized software development costs exceed net realizable value. Capitalized computer software development costs are amortized ratably based on the projected revenue associated with the related software or on a straight-line basis over three years, whichever method results to a shorter amortization period. Amortization of capitalized computer software development costs is included in the cost of license and subscription revenue in the consolidated statements of operations.

Total Expenditures and Amortization. Total expenditures for capitalized computer software development costs, total research and development expense and total amortization of capitalized computer software development costs are as follows:

	Years ended April 30,		
	2024	2023	2022
	(in thousands)		
Total research and development expense	\$ 17,656	\$ 17,767	\$ 17,600
Percentage of total revenue	17 %	16 %	17 %
Total amortization of capitalized computer software development costs	\$ 380	\$ 1,195	\$ 3,181

Capitalized computer software development costs consist of the following at April 30, 2024 and 2023 (in thousands):

	2024	2023
Capitalized computer software development costs	\$ 43,593	\$ 43,593
Accumulated amortization	(43,582)	(43,202)
	<u>\$ 11</u>	<u>\$ 391</u>

Of the Company's capitalized software projects that are currently completed and being amortized, the Company expects amortization expense for the next year to be \$11,000.

(k) Acquisition-Related Intangible Assets

Acquisition-related intangible assets are stated at historical cost and include acquired software and certain other intangible assets with definite lives. Intangible assets are being amortized over a period ranging from one to eight years. For 2024, total amortization expense related to acquisition-related intangible assets was approximately \$2.6 million, with \$0.6 million included in operating expense and \$2.0 million included in cost of subscription fees in the accompanying consolidated statements of operations. For 2023, total amortization expense related to acquisition-related intangible assets was approximately \$0.8 million, with \$0.1 million included in operating expense and \$0.7 million included in cost of subscription fees in the accompanying consolidated statements of operations. For 2022, total amortization expense related to acquisition-related intangible assets was approximately \$0.2 million which is included in operations expense in the accompanying consolidated statements of operations.

Acquisition-Related Intangible Assets consist of the following at April 30, 2024 and 2023 (in thousands):

	Weighted Average Amortization in Years	2024	2023
Current technology	4	\$ 17,500	\$ 8,500
Customer relationships	7	460	460
Non-compete	3	2,170	170
		20,130	9,130
Accumulated amortization		(9,563)	(6,987)
		<u>\$ 10,567</u>	<u>\$ 2,143</u>

The Company expects amortization expense for the next five years to be as follows based on intangible assets as of April 30, 2024 (in thousands):

2025	\$ 2,576
2026	1,830
2027	1,705
2028	1,455
Thereafter	3,001
	<u>\$ 10,567</u>

(l) Goodwill and Other Intangibles

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually in accordance with the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04 *Intangibles-Goodwill and Other (Topic 350)*. The Company evaluates the carrying value of goodwill annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

When evaluating whether the goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to its carrying amount, including goodwill. The Company identifies the reporting unit on a basis that is similar to its method for identifying operating segments as defined by the Segment Reporting Topic of the FASB ASC. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. This evaluation is applied annually on each impairment testing date (April 30) unless there is a triggering event present during an interim period.

For the years ended April 30, 2024 and 2023, the Company performed a qualitative assessment based on economic, industry and Company-specific factors as the initial step in the annual goodwill impairment test for all reporting units. Based on the results of the qualitative assessment, companies are only required to perform Step 1 of the annual impairment test for a reporting unit if the Company concludes that it is more likely than not that the unit's fair value is less than its carrying amount. To the extent the Company concludes it is more likely than not that a reporting unit's estimated fair value is less than its carrying amount, the two-step approach is applied. The first step would require a comparison of each reporting unit's fair value to the respective carrying value. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss, if any. The Company did not identify any macroeconomic, industry-specific, or Company-specific conditions as of April 30, 2024, that would indicate the fair value of the reporting units were more likely than not to be less than their respective carrying values. If circumstances change or events occur to indicate it is more likely than not that the fair value of any reporting units have fallen below their carrying value, the Company would test such reporting unit for impairment.

Intangible assets with estimable useful lives are required to be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with the ASU No. 2011-10, *Property, Plant and Equipment (Topic 360)*.

Goodwill consisted of the following by segment (in thousands):

	Supply Chain Management*	Other	Total
Balance at April 30, 2022	\$ 25,888	—	\$ 25,888
Goodwill related to the Starboard Acquisition	3,670	—	3,670
Balance at April 30, 2023	29,558	—	29,558
Goodwill related to the Garvis Acquisition	16,224	—	16,224
Balance at April 30, 2024	<u>\$ 45,782</u>	<u>\$ —</u>	<u>\$ 45,782</u>

* Goodwill related to Logility, Inc. and its acquisitions.

Intangible Assets (including Acquisition-Related Intangible Assets) consisted of the following by segment (in thousands):

	Supply Chain Management	Other	Total
Balance at April 30, 2022	\$ 147	\$ —	\$ 147
Intangibles related to the Starboard Acquisition	2,830	—	2,830
Amortization expense	(834)	—	(834)
Balance at April 30, 2023	2,143	—	2,143
Intangibles related to the Garvis Acquisition	11,000	—	11,000
Amortization expense	(2,576)	—	(2,576)
Balance at April 30, 2024	<u>\$ 10,567</u>	<u>\$ —</u>	<u>\$ 10,567</u>

(m) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Recent Accounting Pronouncements

ASU 2021-08— In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*." Under current GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with clients and other similar contracts that are accounted for in accordance with Topic 606, at fair value on the acquisition date. ASU 2021-08 requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts, which should generally result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements. This update also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company adopted this update prospectively on May 1, 2023 and it did not have a material impact to our consolidated financial statements.

ASU 2023-07 — In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*", which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The standard is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The Company is assessing the effect of this update on our consolidated financial statements and related disclosures.

ASU 2023-09 — In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*", which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The standard is effective for annual periods beginning after December 15, 2024, with early

adoption permitted. The Company is assessing the effect of this update on our consolidated financial statements and related disclosures.

(o) Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including, but not limited to, those related to revenue/reserves and allowances. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results could differ materially from these estimates under different assumptions or conditions.

(p) Stock-Based Compensation

The Company has two stock-based employee compensation plans under which one or more of restricted stock units ("RSUs") or options to purchase common stock of the Company were outstanding as of April 30, 2024. This plan is described more fully in Note 7.

The Company recorded compensation cost related to stock options of approximately \$5.3 million, \$5.2 million and \$4.0 million and related income tax benefits of approximately \$0, \$70,000 and \$1.7 million for the years ended April 30, 2024, April 30, 2023 and April 30, 2022, respectively. The Company recorded compensation cost related to RSUs of approximately \$1.0 million, \$0 and \$0 for the years ended April 30, 2024, April 30, 2023 and April 30, 2022, respectively. Stock-based compensation expense is recorded on a straight-line basis over the vesting period for the entire award directly to additional paid-in capital.

(q) Comprehensive Income

ASU 2018-02, *Comprehensive Income (Topic 220)*, establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements.

The Company did not have any other comprehensive income items for fiscal 2024, 2023, or 2022.

(r) Impairment of Long-Lived Assets

The Company reviews long-lived assets, such as property and equipment and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

(s) Earnings per Common Share

The Company has two classes of common stock. Class B common shares are convertible into Class A common shares at any time, on a one-for-one basis. Under the Company's Articles of Incorporation, if dividends are declared, holders of Class A common shares shall receive a \$0.05 dividend per share prior to the Class B common shares receiving any dividend and holders of Class A common shares shall receive a dividend at least equal to Class B common shares dividends on a per share basis. As a result, the Company has computed the earnings per share in compliance with the Earnings Per Share Topic of the FASB ASC, which requires companies that have multiple classes of equity securities to use the "two-class" method in computing earnings per share.

For the Company's basic earnings per share calculation, the Company uses the "two-class" method. Basic earnings per share are calculated by dividing net earnings attributable to each class of common stock by the weighted average number of shares outstanding. All undistributed earnings are allocated evenly between Class A and B common shares in the earnings per share calculation to the extent that earnings equal or exceed \$0.05 per share. This allocation is based on management's judgment after considering the dividend rights of the two-classes of common stock, the control of the Class B shareholders and the convertibility

rights of the Class B shares to Class A shares. If Class B shares convert to Class A shares during the period, the distributed net earnings for Class B shares is calculated using the weighted average common shares outstanding during the period.

Diluted earnings per share is calculated similarly to basic earnings per share, except that the calculation includes the dilutive effect of the assumed exercise of options and RSUs issuable under the Company’s stock incentive plans. For the Company’s diluted earnings per share calculation for Class A shares, the Company uses the “if-converted” method. This calculation assumes that all Class B common shares are converted into Class A common shares and, as a result, assumes there are no holders of Class B common shares to participate in undistributed earnings.

For the Company’s diluted earnings per share calculation for Class B shares, the Company uses the “two-class” method. This calculation does not assume that all Class B common shares are converted into Class A common shares. In addition, this method assumes the dilutive effect of Class A stock options were converted to Class A shares and the undistributed earnings are allocated evenly to both Class A and B shares including Class A shares issued pursuant to those converted stock options. This allocation is based on management’s judgment after considering the dividend rights of the two-classes of common stock, the control of the Class B shareholders and the convertibility rights of the Class B shares into Class A shares.

The following tables set forth the computation of basic earnings per common share and diluted earnings per common share (in thousands except for per share amounts). See Note 7 for total stock options outstanding and potential dilution:

Basic earnings per common share:

	Year Ended April 30, 2024		Year Ended April 30, 2023		Year Ended April 30, 2022	
	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares
Distributed earnings per share	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44
Undistributed loss per share	(0.10)	(0.10)	(0.14)	(0.14)	(0.06)	(0.06)
Total from continuing operations	\$ 0.29	\$ 0.34	\$ 0.29	\$ 0.30	\$ 0.35	\$ 0.38
Total from discontinued operations	0.05	—	0.01	—	0.03	—
Total per share	\$ 0.34	\$ 0.34	\$ 0.30	\$ 0.30	\$ 0.38	\$ 0.38
Distributed earnings	\$ 14,024	\$ 802	\$ 14,098	\$ 803	\$ 13,924	\$ 804
Undistributed loss	(3,266)	(187)	(4,342)	(248)	(1,816)	(105)
Total from continuing operations	\$ 9,079	\$ 615	\$ 9,430	\$ 555	\$ 10,975	\$ 699
Total from discontinued operations	1,679	—	327	—	1,131	—
Total	\$ 10,758	\$ 615	\$ 9,757	\$ 555	\$ 12,106	\$ 699
Basic weighted average common shares	31,867	1,822	31,939	1,822	31,543	1,822

Diluted EPS for Class A common shares using the If-Converted Method

Year Ended April 30, 2024

	Undistributed and distributed earnings to Class A Common Shares	Class A Common Shares	EPS*
Per basic	\$ 10,758	31,867	\$ 0.34
Common stock equivalents*	—	36	
	10,758	31,903	0.34
Class B Common Share Conversion	615	1,822	
Diluted EPS for Class A Common Shares	\$ 11,373	33,725	\$ 0.34

Year Ended April 30, 2023

	Undistributed and distributed earnings to Class A Common Shares	Class A Common Shares	EPS*
Per basic*	\$ 9,757	31,939	\$ 0.30
Common stock equivalents	—	231	
	9,757	32,170	0.30
Class B Common Share Conversion	555	1,822	
Diluted EPS for Class A Common Shares	<u>\$ 10,312</u>	<u>\$ 33,992</u>	<u>\$ 0.30</u>

Year Ended April 30, 2022

	Undistributed and distributed earnings to Class A Common Shares	Class A Common Shares	EPS*
Per basic	\$ 12,106	31,543	\$ 0.38
Common stock equivalents	—	940	
	12,106	32,483	0.38
Class B Common Share Conversion	699	1,822	
Diluted EPS for Class A Common Shares*	<u>\$ 12,805</u>	<u>\$ 34,305</u>	<u>\$ 0.38</u>

Diluted EPS for Class B common shares using the Two-Class Method

Year Ended April 30, 2024

	Undistributed and distributed earnings to Class B Common Shares	Class B Common Shares	EPS*
Per basic	\$ 615	1,822	\$ 0.34
Reallocation of undistributed earnings from Class A Common Shares to Class B Common Shares	1	—	
Diluted EPS for Class B Common Shares	<u>\$ 616</u>	<u>1,822</u>	<u>\$ 0.34</u>

Year Ended April 30, 2023

	Undistributed and distributed earnings to Class B Common Shares	Class B Common Shares	EPS*
Per basic	\$ 555	1,822	\$ 0.30
Reallocation of undistributed earnings from Class A Common Shares to Class B Common Shares	2	—	
Diluted EPS for Class B Common Shares*	<u>\$ 557</u>	<u>1,822</u>	<u>\$ 0.30</u>

Year Ended April 30, 2022

	Undistributed and distributed earnings to Class B Common Shares	Class B Common Shares	EPS*
Per basic	\$ 699	1,822	\$ 0.38
Reallocation of undistributed earnings from Class A Common Shares to Class B Common Shares	2	—	
Diluted EPS for Class B Common Shares	<u>\$ 701</u>	<u>1,822</u>	<u>\$ 0.38</u>

* Amounts adjusted for rounding

(t) Advertising

All advertising costs are expensed as incurred. Advertising expenses, which are included within sales and marketing expenses, were \$2.5 million, \$2.7 million and \$2.9 million in fiscal 2024, 2023 and 2022, respectively.

(u) Guarantees and Indemnifications

The Company accounts for guarantees in accordance with the Guarantee Topic of the FASB ASC. The Company's sales agreements with clients generally contain infringement indemnity provisions. Under these agreements, the Company agrees to indemnify, defend and hold harmless the client in connection with intellectual property infringement claims made by third parties with respect to the client's authorized use of the Company's products and services. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the client, as well as the Company's modification of the product so it is no longer infringing or, if it cannot be corrected, return of the product for a refund. The sales agreements with clients sometimes also contain indemnity provisions for breach of confidentiality and death, personal injury or property damage caused by the Company's personnel or contractors in the course of performing services to clients. Under these agreements, the Company agrees to indemnify, defend and hold harmless the client in connection with death, personal injury and property damage claims made by third parties and confidentiality breach claims with respect to actions of the Company's personnel or contractors. The indemnity provisions generally provide for the Company's control of defense and settlement and cover costs and damages finally awarded against the client. The indemnity obligations contained in sales agreements may have a limited monetary award. The Company has not previously incurred costs to settle claims or pay awards under these indemnification obligations. The Company accounts for these indemnity obligations in accordance with the Contingencies Topic of the FASB ASC and records a liability for these obligations when a loss is probable and reasonably estimable. The Company has not recorded any liabilities for these agreements as of April 30, 2024 or 2023.

The Company warrants to its clients that its software products will perform in all material respects in accordance with the standard specifications, generally for 90 days after delivery of the licensed products and for the subscription term for SaaS products. Additionally, the Company warrants to its clients that services will be performed consistent with generally accepted industry standards or specific service levels through completion of the agreed upon services. If necessary, the Company will provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. However, the Company has not incurred significant recurring expense under product or service warranties. Accordingly, the Company has no liabilities recorded for these agreements as of April 30, 2024 or 2023.

(v) Industry Segments

The Company operates and manages its business in two reportable segments. See Note 10 of the Consolidated Financial Statements.

(2) Investments

Investments consist of the following (in thousands):

	April 30,	
	2024	2023
Trading:		
U.S. Treasury securities	\$ 24,261	\$ 7,305
Marketable equity securities	—	16,632
	<u>\$ 24,261</u>	<u>\$ 23,937</u>

The total carrying value of all investments on a consolidated basis was approximately \$24.3 million and \$23.9 million at April 30, 2024 and 2023, respectively.

The U.S. Treasury securities at April 30, 2024 and 2023 were as follows (in thousands):

	2024	2023
Due within one year	\$ 24,261	\$ 6,819
Due within two years	—	486
	<u>\$ 24,261</u>	<u>\$ 7,305</u>

In fiscal 2024, 2023 and 2022, the Company’s investment portfolio experienced net realized and unrealized gains of \$2.3 million, net unrealized gains of \$0.1 million and net unrealized and realized gains of \$0.4 million, respectively. The increase in net realized gains in fiscal 2024 compared to the same period in the prior year is due to consolidating our investment portfolio to U.S. treasury securities.

(3) Fair Value of Financial Instruments

The Company measures its investments based on a fair value hierarchy disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. A number of factors affect market price observability including the type of asset or liability and its characteristics. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1—Quoted prices in active markets for identical instruments.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following is a general description of the valuation methodologies used for financial assets and liabilities measured at fair value, including the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash Equivalents—Cash equivalents include investments in government obligation based money-market funds, other money market instruments and interest-bearing deposits with initial or remaining terms of three months or less. The fair value of cash equivalents approximates its carrying value due to the short-term nature of these instruments.

Marketable Securities—Marketable securities utilizing Level 1 inputs include active exchange-traded equity securities and equity index funds and most U.S. government debt securities, as these securities all have quoted prices in active markets. Marketable securities utilizing Level 2 inputs include municipal bonds. We value these securities using market-corroborated pricing or other models that use observable inputs such as yield curves.

The following table presents our assets that we measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

	April 30, 2024				April 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 53,521	\$ —	\$ —	\$53,521	\$ 81,352	\$ —	\$ —	\$ 81,352
U.S. Treasury securities	24,261	—	—	24,261	7,305	—	—	7,305
Marketable securities	—	—	—	—	16,632	—	—	16,632
Total	<u>\$ 77,782</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$77,782</u>	<u>\$ 105,289</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$105,289</u>

The carrying amounts of cash, trade accounts receivable and unbilled accounts receivable, accounts payable, accrued compensation and related costs and other current liabilities approximate fair value because of their short-term maturities.

(4) Property and Equipment

Property and equipment consisted of the following at April 30, 2024 and 2023 (in thousands):

	2024	2023
Buildings and leasehold improvements	\$ 18,684	\$ 19,714
Computer equipment and purchased software	12,209	13,788
Office furniture and equipment	4,683	5,312
	35,576	38,815
Accumulated depreciation and amortization	(30,022)	(32,371)
	<u>\$ 5,554</u>	<u>\$ 6,444</u>

(5) Acquisitions

We account for business combinations using the acquisition method of accounting and accordingly, the identifiable assets acquired and liabilities assumed are recorded based upon management’s estimates of current fair values as of the acquisition date. The estimation process includes analyses based on income and market approaches. Goodwill represents the excess purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. The goodwill generated is due in part to the synergies that are not included in the fair value of identifiable intangible assets. Goodwill recorded in an acquisition is assigned to applicable reporting units based on expected revenues. Identifiable intangible assets with finite lives are amortized over their useful lives. Amortization of current technology is recorded in cost of revenue-subscription fees and amortization of all other intangible assets is recorded in amortization of acquisition-related intangibles. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in general and administrative expenses in the periods in which such costs are incurred. The results of operations of acquired businesses are included in the Consolidated Financial Statements from the acquisition date.

Effective September 5, 2023, the Company entered into a Stock Purchase Agreement (“Garvis Purchase Agreement”) with privately-held Garvis AI Limited, a private limited company organized and registered under the laws of England and Wales (“Garvis”). Pursuant to the Garvis Purchase Agreement, the Company acquired 100% of the total issued and outstanding shares of capital stock of Garvis, a visionary SaaS startup that can combine a large language model-based AI interface (e.g. ChatGPT) with AI-native demand forecasting.

Garvis designed from the ground up an AI-based forecasting solution now called DemandAI+. When combined with Generative AI, DemandAI+ creates a modern, more inclusive, and intuitive planning paradigm that quickly digitizes supply chain relationships and exposes that data to any stakeholder across the organization. By simply asking questions planners, executives, and non-planners alike get answers to unanticipated queries in real-time, providing transparency for more informed decisions that saves precious planning time. Demand AI+, built for the cloud, will be embedded into the Logility Digital Intelligence Platform. The combined solutions will enable a new supply chain planning paradigm with DemandAI+ that moves beyond conventional methods to plan demand and inventory at the speed of the market.

Under the terms of the Garvis Purchase Agreement, the Company acquired the capital stock for cash consideration paid net of cash acquired of approximately \$25.0 million, subject to certain post-closing adjustments. The Company incurred acquisition costs of approximately \$529,000, \$0 and \$0 during fiscal years 2024, 2023 and 2022, respectively. The operating results of Garvis

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are not material for proforma disclosure. The Company allocated \$16.2 million of the total purchase price to goodwill, which has been assigned to the Supply Chain Management segment and is not deductible for income tax purposes.

The following allocation of the total purchase price reflects the fair value of the assets acquired and liabilities assumed as of September 5, 2023 (in thousands):

		<u>Useful Life</u>
Cash	\$ 67	
Accounts receivable, net	352	
Current assets	47	
Property and equipment, net	27	
Goodwill	16,224	
Non-compete	2,000	3 years
Current technology	9,000	5 years
Total assets acquired	27,717	
Current liabilities	(617)	
Long-term liabilities	(1,992)	
Total liabilities assumed	(2,609)	
Net assets acquired	\$ 25,108	

Current technology and non-compete agreements are being amortized on a straight-line basis over the remaining estimated economic life of the assets, including the period being reported.

Effective June 28, 2022, the Company acquired certain assets of privately-held Starboard Solutions Corp., a Michigan based innovator of supply chain network design software ("Starboard"), pursuant to the terms of an asset purchase agreement, dated as of June 28, 2022 (the "Starboard Purchase Agreement").

Starboard creates an interactive supply chain digital twin of the physical supply chain network and uses gaming technology to provide an intuitive user experience where users can easily explore answers to various "what if" questions. Starboard offers a unique supply chain visualization solution that can optimize for unknown locations, meaning users do not have to map their plans to a physical location. Applying Starboard's rich set of reference costs with Logility's lane rates and time data structures, users have the ability to quickly analyze options in regions for which they have no prior data and assess better locations for future plants, warehouses or Third-party logistic locations. The intuitive design and ease of configuration makes the Starboard network design solution stand out. The Starboard software is built for recurring use, eliminating the need for a consulting project to model potential resolutions to unexpected supply chain disruptions. The integration of Starboard's capabilities into the Logility Digital Intelligence Platform will offer supply chain leaders enhanced integrated business planning outcomes. Users will be able to model a response to disruptions and update their operating plan within the Logility Digital Intelligence Platform in minutes to enact the new operating paradigm.

Under the terms of the Starboard Purchase Agreement, the Company acquired the assets in exchange for a purchase price of approximately \$6.5 million in cash, subject to certain post-closing adjustments, plus up to a maximum aggregate amount of \$6.0 million (the "Aggregate Maximum Earnout Payment") of contingent earnout payments upon satisfaction of certain subscription revenue targets over a three year earnout period (the "Earnout Period"). For each year of the Earnout Period (each, a "Calculation Period"), the Company will pay, as additional consideration, \$2.0 million once subscription revenue (i.e., revenue contracted for and recorded as revenue in accordance with GAAP) for the applicable Calculation Period equals \$1.5 million, plus one dollar of additional consideration for each dollar of subscription revenue in excess of \$1.5 million, subject to the Aggregate Maximum Earnout Payment. If the subscription revenue for each Calculation Period is less than \$1.5 million, no additional payment shall be due for such Calculation Period. The contingent earnout payments are subject to the recipient's continued service with the Company; therefore, any additional consideration will be accounted for as post-combination services and will be expensed in the period(s) payments are accruable. The cumulative earnout paid as of April 30, 2024 was \$0. The Company incurred acquisition costs of approximately \$0, \$186,000 and \$0 during fiscal years 2024, 2023 and 2022, respectively. The operating results of Starboard are not material for proforma disclosure. We allocated \$3.7 million of the total purchase price to goodwill, which has been assigned to the Supply Chain Management segment and is deductible for income tax purposes.

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The following allocation of the total purchase price reflects the fair value of the assets acquired and liabilities assumed as of June 28, 2022 (in thousands):

		<u>Useful Life</u>
Other assets	90	
Goodwill	3,670	
Non-compete	170	5 years
Current technology	2,500	3 years
Customer relationships	160	6 years
Total assets acquired	<u>6,590</u>	
Long-term liabilities	<u>(90)</u>	
Net assets acquired	<u><u>\$ 6,500</u></u>	

Non-compete agreements, current technology and customer relationships are being amortized on a straight-line basis over the remaining estimated economic life of the assets, including the period being reported.

(6) Income Taxes

Income tax expense from continuing operations consisted of the following:

	<u>Years ended April 30,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>(in thousands)</u>		
Current:			
Federal	\$ 5,539	\$ 5,113	\$ 983
State	2,243	1,232	401
	<u>7,782</u>	<u>6,345</u>	<u>1,384</u>
Deferred:			
Federal	(4,362)	(3,678)	(685)
State	(1,531)	(429)	(137)
	<u>(5,893)</u>	<u>(4,107)</u>	<u>(822)</u>
	<u><u>\$ 1,889</u></u>	<u><u>\$ 2,238</u></u>	<u><u>\$ 562</u></u>

The Company's actual income tax expense differs from the "expected" income tax expense calculated by applying the Federal statutory rate of 21.0% for fiscal 2024, 2023 and 2022, to earnings from continuing operations before income taxes as follows:

	<u>Years ended April 30,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>(in thousands)</u>		
Computed "expected" income tax expense	\$ 2,433	\$ 2,566	\$ 2,570
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal income tax effect	747	503	231
Change in valuation allowance	334	181	111
Research and development credits	(880)	(586)	(522)
Dividends received deduction	(209)	(123)	(37)
Excess tax benefits from stock option deductions	—	(70)	(1,727)
Foreign tax credits	(183)	(37)	(44)
Other, net, including permanent items	(353)	(196)	(20)
	<u><u>\$ 1,889</u></u>	<u><u>\$ 2,238</u></u>	<u><u>\$ 562</u></u>

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Our effective income tax rates were 16.3%, 18.3% and 4.6%, in fiscal 2024, 2023 and 2022, respectively. Our effective income tax rate takes into account the source of taxable income, by state and available income tax credits. The provision for income taxes in fiscal 2024, 2023 and 2022, includes approximately \$0, \$83,000 and \$2,067,000, respectively, in income tax benefits related to the tax benefits realized from stock option deductions.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at April 30, 2024 and 2023 are presented as follows:

	2024	2023
	(in thousands)	
Deferred tax assets:		
Accruals and expenses not deducted for tax purposes	\$ 185	\$ 221
IRS Section 174 costs	6,341	3,651
State net operating loss carryforwards	1	13
Fixed asset basis differences	—	516
Nonqualified stock options	4,121	2,664
Foreign net operating loss carryforwards	4,886	2,860
Right of use liability	12	117
Tax credit carryforwards	83	83
Total gross deferred tax assets	15,629	10,125
Less valuation allowance	(3,914)	(2,861)
Net deferred tax	11,715	7,264
Deferred tax liabilities:		
Capitalized computer software development costs	(3)	(96)
Net gains/losses on trading securities	(40)	(2,160)
Goodwill and intangible assets basis differences	(4,363)	(1,705)
Right of use asset	(11)	(108)
Fixed asset basis differences	(170)	—
Deferred agent commissions	(918)	(900)
Total gross deferred tax liabilities	(5,505)	(4,969)
Net deferred tax assets	\$ 6,210	\$ 2,295

At April 30, 2024, the Company had approximately \$42,000 of various state net operating loss carryforwards which are available to offset future state taxable income, if any, through 2039. The Company has foreign branch operations in the United Kingdom and New Zealand. These branches have incurred losses since inception dating back to 2003. The losses have been utilized in the US federal jurisdiction, but have not been utilized in the respective jurisdictions. In addition, the Company has foreign operations in Australia, Belgium, India and Germany, which also have incurred losses since inception. At April 30, 2024, the Company had approximately \$19.0 million of net operating loss carryforwards in these foreign jurisdictions, which are available to offset future taxable income. As a result, the Company has recorded a deferred tax asset of \$4.9 million related to these losses. Furthermore, the Company does not believe it will realize the benefit of the foreign net operating loss carryforwards in the United Kingdom, New Zealand, Australia, India and Germany and therefore, has established a full valuation allowance against the deferred tax asset associated with these locations.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon reversal of deferred tax liabilities and expected future profitability, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at April 30, 2024.

The Company applies the accounting provisions which require us to prescribe a recognition threshold and measurement attribution for the financial statement recognition and measurement of a tax position taken or expected to be taken within an

income tax return. The Company's recorded unrecognized tax benefits, inclusive of interest and penalties, was immaterial for each of the years ended April 30, 2024, 2023 and 2022.

We recognize potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. The Company's liability for potential penalties and interest related to uncertain tax positions was immaterial at April 30, 2024 and 2023.

We conduct business globally and, as a result, file consolidated income tax returns in the United States Federal jurisdiction and in many state and foreign jurisdictions. We are no longer subject to state and local, or non-U.S. income tax examinations for years prior to 2005. We are no longer subject to U.S. Federal income tax examination for years prior to 2019.

During the years ended April 30, 2024, 2023 and 2022 we recorded research and development state tax credits against payroll taxes of approximately \$458,000, \$470,000 and \$561,000, respectively, which reduced general and administrative expenses by the same amount.

(7) Shareholders' Equity

Except for the election or removal of directors and class votes as required by law or our Articles of Incorporation, holders of both classes of common stock vote as a single class on all matters, with each Class A common share entitled to cast one-tenth vote per share and each Class B common share entitled to cast one vote per share. Neither class has cumulative voting rights. Holders of Class A common shares, as a class, are entitled to elect 25% of the board of directors (rounded up to the nearest whole number of directors) if the number of outstanding Class A common shares is at least 10% of the number of outstanding shares of both classes of common stock. No cash or property dividend may be paid to holders of Class B common shares during any fiscal year of the Company unless a dividend of \$0.05 per share has been paid in such year on each outstanding Class A common share. This \$0.05 per share annual dividend preference is noncumulative. Dividends per Class B common share during any fiscal year may not exceed dividends paid per Class A common share during such year. Each Class B common share is convertible at any time into one Class A common share at the option of the shareholder.

Stock Option Plans

As of April 30, 2024, the Company has outstanding stock options granted pursuant to two stock option plans. The 2011 Equity Compensation Plan which was effective as of May 17, 2010 and the 2020 Equity Compensation Plan (the "2020 Plan") which was effective as of August 21, 2019 and was amended and restated on April 25, 2023. The 2020 Plan reserves for issuance 6,250,000 shares of Class A Common Stock.

Under the 2020 Plan, as amended and restated, options to purchase Class A common shares are granted in the form of both non-qualified stock options and RSUs. The number of options granted under this plan is determined in each grant. By resolution of the Board of Directors, non-employee directors receive annual grants of RSU's worth approximately \$120,000, based on the Company's closing share price on the award date. The RSUs will vest as Class A Shares of the Company in full one year after the grant, subject to the Board members' continued service on the Board through the vesting date. Options are exercisable based on the terms of such options, but no more than six years after the date of grant (or five years for incentive stock options granted to any person who owns 10% or more of the combined voting power of all classes of capital stock of the Company at the time of grant). Incentive and nonqualified options exercisable at April 30, 2024, 2023 and 2022 totaled 2,725,704, 1,818,957 and 1,315,604, respectively. Options available for grant at April 30, 2024, under the 2020 Plan were 248,930 shares.

A summary of changes in outstanding options for the year ended April 30, 2024 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at May 1, 2023	5,273,057	\$ 16.59		
Granted*	1,481,000	12.10		
Exercised	(26,253)	11.06		
Forfeited	(223,800)	14.68		
Expired	(101,600)	12.31		
Outstanding at April 30, 2024*	<u>6,402,404</u>	<u>\$ 15.71</u>	<u>3.2</u>	<u>\$ 9,750</u>
Exercisable at April 30, 2024	<u>2,725,704</u>	<u>\$ 16.06</u>	<u>2.0</u>	<u>\$ 9,193</u>

*amounts adjusted for rounding

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The weighted-average grant date fair value of stock options granted during the years ended April 30, 2024, 2023 and 2022 is \$3.85, \$5.37 and \$6.86, per share, respectively.

A summary of changes in outstanding RSUs for the year ended April 30, 2024 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at May 1, 2023	—	\$ —		
Granted	95,613	11.82		
Exercised	—	—		
Forfeited	—	—		
Expired	—	—		
Outstanding at April 30, 2024*	95,613	\$ 11.82	0.1	\$ 966,647
Exercisable at April 30, 2024	—	\$ —	—	\$ —

*amounts adjusted for rounding

The weighted-average grant date fair value of RSUs granted during the years ended April 30, 2024, 2023 and 2022 is \$11.82, \$0 and \$0, per share, respectively. RSU awards are valued at the fair market value on the date of grant.

The fair value of option awards are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended April 30, 2024, 2023 and 2022:

	2024	2023	2022
Dividend yield	3.7 %	2.7 %	1.7 %
Expected volatility	43.8 %	42.8 %	41.3 %
Risk-free interest rate	4.1 %	3.3 %	1.1 %
Expected term	5 years	5 years	5 years

The expected volatility is based on the historical volatility and implied volatility. The Company uses historical data to estimate stock option exercise and forfeiture rates. The expected term represents the period over which the share-based awards are expected to be outstanding and was estimated using historical data. The dividend yield is an estimate of the expected dividend yield on the Company's stock. The risk-free rate is based on U.S. Treasury yields in effect at the time of the grant for the expected term of the stock options.

Options with graded vesting are valued as a single award. The total value of the award is expensed on a straight-line basis over the vesting period with the amount of compensation cost recognized at any date at least equal to the portion of the grant date value of the award that is vested at that date. During the years ended April 30, 2024, 2023 and 2022, we issued 26,253, 501,547 and 776,129 shares of common stock, respectively, resulting from the exercise of stock options. The total intrinsic value of options exercised during the years ended April 30, 2024, 2023, 2022 based on market value at the exercise dates was \$0, \$1.1 million and \$10.0 million respectively. The fair value of grants vested during the years ended April 30, 2024, 2023 and 2022 was \$5.1 million, \$4.4 million and \$2.8 million, respectively. As of April 30, 2024, unrecognized compensation cost related to unvested stock option awards approximated \$13.1 million and is expected to be recognized over a weighted average period of 1.64 years.

Stock Repurchases

On August 19, 2002, our Board of Directors authorized the repurchase of up to an additional 2.0 million shares of our Class A common stock. We made these repurchases through open market purchases at prevailing market prices. Under this repurchase plan, through April 30, 2024, we completed our repurchase of 2.0 million shares of Class A common stock at a cost of approximately \$16.4 million, which had a \$10.2 million impact on fiscal 2024. As of April 30, 2024, under all repurchase plans previously authorized, including this most recent plan, we have repurchased a total of 5,534,953 shares of common stock at a cost of approximately \$35.8 million.

(8) Leases

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The Company's operating leases are related to facility leases for administration and sales personnel. The remaining operating lease has a term of five years. While the remaining lease includes a renewal option, the Company has only included the base lease term in its calculation of lease assets and liabilities. The Company does not have any finance leases.

Balance sheet information related to operating leases is as follows (in thousands):

	Balance Sheet location	As of April 30, 2024	As of April 30, 2023
Assets			
Right of use assets	Other assets	\$ 45	\$ 442
Liabilities			
Current lease liabilities	Other current liabilities	47	411
Long-term lease liabilities	Other long-term liabilities	—	65
Total liabilities		\$ 47	\$ 476

Lease cost information related to operating leases is as follows (in thousands):

	Year ended April 30, 2024	Year ended April 30, 2023
Lease cost		
Operating lease cost	\$ 331	\$ 515
Short-term lease cost	499	703
Variable lease cost	194	222
Total lease cost	\$ 1,024	\$ 1,440

Lease costs are primarily included in "Sales and marketing" and "General and administrative" expenses in the Company's consolidated statements of operations.

The impact of the Company's leases on the consolidated statement of cash flows is presented in the operating activities section, which mainly consisted of cash paid for operating lease liabilities of approximately \$1.0 million during fiscal 2024. The Company did not renew four existing leases and did not execute any new leases during fiscal 2024.

The impact of the Company's leases on consolidated statement of cash flows is presented in the operating activities section, which mainly consisted of cash paid for operating lease liabilities of approximately \$1.3 million during fiscal 2023. The Company did not modify any existing leases or execute any new leases during fiscal 2023.

Weighted average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

	April 30, 2024	April 30, 2023
Weighted average remaining lease term	0.8 years	1.2 years
Weighted average discount rate	2.3 %	3.1 %

The following table summarizes the maturity of the Company's operating lease liabilities as of April 30, 2024 (in thousands):

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Years ended April 30:

2025	\$	47
Thereafter		—
Total operating lease payments	\$	47
Less imputed interest		—
Total operating lease liabilities	\$	47

The Company leases to other tenants a portion of its headquarters building that it owns in Atlanta, Georgia. The leases expire at various dates through June 2027. Lease income is included in "Other, net" in the Company's consolidated statements of operations and totaled approximately \$315,000 for the year ending April 30, 2024. Lease payments to be received as of April 30, 2024 are as follows (in thousands):

Years ended April 30:		
2025	\$	102
2026		91
2027		96
Thereafter		16
	\$	305

(9) Commitments and Contingencies

(a) 401(k) Profit Sharing Plan

Employees are offered the opportunity to participate in the Company's 401(k) Profit Sharing Plan (the "401(k) Plan"), which is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, employees are eligible to participate on the first day of the month following the date of hire. Eligible employees may contribute up to \$23,000 of their salary to the 401(k) Plan. Subject to certain limitations, the Company may make a discretionary profit sharing contribution at an amount determined by the board of directors of the Company. The Company's profit sharing contribution was \$676,000 for fiscal 2024, \$444,000 for fiscal 2023 and \$444,000 for fiscal 2022.

(b) Contingencies

The Company more often than not indemnifies its clients against damages and costs resulting from claims of intellectual property infringement associated with use of the Company's products. The Company historically has not been required to make any payments under such indemnifications. However, the Company continues to monitor the circumstances that are subject to the indemnifications to identify whether it is probable that a loss has occurred and would recognize any such losses under the indemnifications when those losses are estimable.

In addition, the Company warrants to clients that the Company's products operate substantially in accordance with the software product's specifications. Historically, no costs have been incurred related to software product warranties and none are expected in the future and as such no accruals for software product warranty costs have been made. Additionally, the Company is involved in various claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

(10) Segment Information

FASB ASC 280, *Segment Reporting*, establishes standards for reporting information about operating segments. Operating segments are defined as components of a public entity about which separate financial information is available that is evaluated regularly by the chief operating decision makers (“CODMs”), or decision making group, in deciding how to allocate resources and in assessing performance. Our CODMs are our Chief Executive Officer and President and our Chief Financial Officer. While our CODMs are apprised of a variety of financial metrics and information, we manage our business primarily on a segment basis, with the CODMs evaluating performance based upon segment operating profit or loss that includes an allocation of common expenses, but excludes certain unallocated corporate expenses, which are included in the Other segment. Our CODMs review the operating results of our two segments, assess performance and allocate resources in a manner that is consistent with the changing market dynamics that we have experienced. The two operating segments are: (1) Supply Chain Management (“SCM”) and (2) Other.

The SCM segment leverages a single platform spanning eight supply chain process areas, including Product, Demand, Inventory, Supply, Network Optimization, Order Response, Supplier Management and Scenario Planning. The Other segment consists of (i) American Software ERP, which provides purchasing and materials management, client order processing, financial, e-commerce and traditional manufacturing software and services and (ii) unallocated corporate overhead expenses.

All of our revenue is derived from external clients. We do not have any inter-segment revenue. Our income taxes and dividends are paid at a consolidated level. Consequently, it is not practical to show these items by operating segment.

Following is information related to each segment as of and for the years ended April 30, 2024, 2023 and 2022, (in thousands):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenue:			
Supply Chain Management	\$ 100,398	\$ 106,128	\$ 104,288
Other	2,117	2,124	2,233
	<u>\$ 102,515</u>	<u>\$ 108,252</u>	<u>\$ 106,521</u>
Operating income/(loss):			
Supply Chain Management	\$ 24,304	\$ 29,925	\$ 29,164
Other	(20,196)	(20,038)	(17,609)
	<u>\$ 4,108</u>	<u>\$ 9,887</u>	<u>\$ 11,555</u>
Capital expenditures:			
Supply Chain Management	\$ 449	\$ 1,813	\$ 704
Other	155	2,375	266
	<u>\$ 604</u>	<u>\$ 4,188</u>	<u>\$ 970</u>
Depreciation and amortization:			
Supply Chain Management	\$ 3,742	\$ 2,665	\$ 3,755
Other	697	496	383
	<u>\$ 4,439</u>	<u>\$ 3,161</u>	<u>\$ 4,138</u>
Interest income:			
Supply Chain Management	\$ 1,058	\$ 584	\$ 27
Other	2,762	1,566	364
	<u>\$ 3,820</u>	<u>\$ 2,150</u>	<u>\$ 391</u>
Earnings/(loss) before income taxes:			
Supply Chain Management	\$ 26,389	\$ 30,288	\$ 28,722
Other	(14,806)	(18,065)	(16,486)
	<u>\$ 11,583</u>	<u>\$ 12,223</u>	<u>\$ 12,236</u>

	April 30, 2024	April 30, 2023
	(in thousands)	
Total Consolidated Assets:		
Supply Chain Management	\$ 133,609	\$ 99,418
Other	58,835	95,450
	<u>\$ 192,444</u>	<u>\$ 194,868</u>

International Revenue and Significant Clients

International revenue approximated \$21.6 million or 21%, \$23.9 million or 22% and \$20.4 million or 16%, of consolidated revenue for the years ended April 30, 2024, 2023 and 2022, respectively and were derived primarily from clients in Canada and Europe. International revenue is based on the delivery of software and performance of services.

No single client accounted for more than 10% of total revenue for the years ended April 30, 2024, 2023 and 2022.

(11) Divestitures

Discontinued Operations

On September 18, 2023, the Company disposed of its 100% equity interest in its information technology staffing firm, The Proven Method, Inc., ("TPM") to Marathon TS, Inc., an IT professional services firm for approximately \$2.1 million in cash, of which \$300,000 is held in escrow. The amounts held in escrow are limited to claims arising out of or relating to any pre-closing taxes. Any escrow amounts that are not subject to then outstanding indemnification claims shall be released to the Company in equal \$100,000 increments on the 12, 24 and 36 month anniversary of the transaction closing date and are included in prepaid expenses and other current assets and other assets in the Consolidated Balance Sheet as of April 30, 2024. There have not been any submitted, or expected, indemnification claims against these escrowed funds. This transaction enables us to focus on our core supply chain planning business allowing Logility to continue to expand its AI-based supply chain management platform.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of TPM are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows and in the Notes to Consolidated Financial Statements. TPM was previously reported in the former IT Consulting segment.

In the Company's most recently filed Form 10-Q's for the quarterly periods ended October 31, 2023 and January 31, 2023, current assets and current liabilities of TPM as of April 30, 2023 were incorrectly presented as discontinued operations in the Condensed Consolidated Balance Sheets. These assets and liabilities were not included within the disposal group and therefore have been reclassified to be correctly presented as current assets and current liabilities in the accompanying Consolidated Balance Sheets. Also, during fiscal 2024, the Company identified two errors impacting TPM, both of which originated during or prior to 2018, were determined to be immaterial to all prior periods impacted, and have been corrected in the impacted periods presented herein or by adjusting opening balances as of the beginning of the earliest period presented. The first error resulted in an understatement of professional services and other cost of revenue and an understatement of other current liabilities. Subsequent to presenting the results of TPM as discontinued operations, the amounts related to the error resulted in an adjustment to (decrease) increase earnings from operations of discontinued operations by (\$111,000), and \$23,000 for the years ended April 30, 2023 and 2022, respectively. The error also resulted in an increase to retained deficit and other current liabilities of approximately \$1.0 million as of the beginning of the year ended April 30, 2022. The second error resulted in a \$752,000 increase to retained deficit and corresponding decrease in accounts receivable as of the beginning of the year ended April 30, 2022.

The following is selected financial information included in Earnings from discontinued operations for TPM:

	Year ended April 30,		
	2024	2023	2022
Revenue	\$ 4,932	\$ 15,407	\$ 21,032
Cost of revenue	3,959	12,466	16,454
Total operating expenses	\$ 718	\$ 2,387	\$ 2,954
Gain on disposal of discontinued operations	\$ 2,124	\$ —	\$ —
Earnings before income taxes	\$ 2,379	\$ 554	\$ 1,624
Income tax expense	700	227	493
Earnings from discontinued operations, net of taxes	\$ 1,679	\$ 327	\$ 1,131

Other Divestitures

On November 15 2023, we signed an asset purchase agreement for the sale of our Transportation Rating Solutions ("TRS") business which consists of on-premise freight shipping solutions for LTL, truckload and rail shipments within North America to FOG Software Group ("FOG") a division of Vela Software for approximately \$1.1 million in cash, of which, \$440,000 is subject to various holdback provisions, which expired 120 days following the date of the agreement. The divestiture of TRS will allow us to focus on our core supply chain planning business allowing Logility to continue to expand its AI-based supply chain management platform. The purchase price is subject to a working capital adjustment. We recognized a pre-tax gain of approximately \$1.4 million which is recorded within Other Income in the accompanying Consolidated Statement of Operations for the year ended 2024. Earnings from the business were not material and the results of the business through the date of sale were reflected in continuing operations within the SCM segment.

(12) Subsequent Events

On May 30, 2024, the Company's Board of Directors declared a quarterly cash dividend of \$0.11 per share of our Class A and Class B common stock. The cash dividend is payable to the Company's Class A and Class B Shareholders of record at the close of business on August 16, 2024, to be paid on or about August 30, 2024.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of April 30, 2024, our disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting described below under the heading "Management's Report on Internal Control Over Financial Reporting."

In light of the material weakness described below, management performed additional analyses and other procedures to ensure that our consolidated financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). Accordingly, management believes that the consolidated financial statements included in this Annual Report on

Form 10-K fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Management with participation of the Chief Executive Officer and Chief Financial Officer, under the oversight of our Board of Directors, conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was not effective as of April 30, 2024 because of the material weakness in internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified that certain process-level controls over the reconciliation of cash, accounts receivable, accounts payable, accrued compensation and related costs and cost of revenues were not designed or operated effectively. These ineffective controls were attributable to insufficient risk assessment, policies and procedures and training that impaired our ability to timely investigate and resolve reconciling items.

These control deficiencies resulted in immaterial misstatements in related accounts. Furthermore, the control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. Therefore, we concluded that the deficiencies, in the aggregate, represent a material weakness in the Company's internal control over financial reporting and our internal control over financial reporting was not effective as of April 30, 2024.

In connection therewith, our independent registered public accounting firm, KPMG LLP, who audited the consolidated financial statements included in this Annual Report on Form 10-K, issued an adverse opinion on the effectiveness of the Company's internal control over financial reporting. KPMG LLP's report appears in Item 8 above.

Management's Plan to Remediate the Identified Material Weaknesses

As of April 30, 2024, the Company continues its remediation efforts. The Company has implemented enhanced policies and procedures over reconciliations and related training, including a focus on risk assessment and expectations and procedures for investigating and resolving reconciling items on a timely basis. In addition, the Company has increased its usage of its financial close management software in order to strengthen account reconciliation accuracy, tracking, and reporting.

We plan to have designed and implemented enhanced policies and procedures and controls necessary to fully remediate the material weakness before July 31, 2024, but the material weakness cannot be considered fully remediated until the updated policies and training have been in place and operated for a sufficient period of time to enable management and our auditor KPMG LLP, to test and to conclude on the design and operating effectiveness of the controls.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference from the information contained in our Proxy Statement for the Annual Meeting of Shareholders expected to be filed with the SEC on or about July 8, 2024 (the "Proxy Statement") under the captions "Election of Directors," "Executive Compensation," "Delinquent Section 16(a) Reports," "Code of Business Conduct and Ethics," and "Committees of the Board of Directors."

ITEM 11. EXECUTIVE COMPENSATION

This information is set forth under the caption "Executive Compensation" in the Proxy Statement, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of management and others is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Policy Regarding Transactions with Related Persons

On December 8, 2003, our Board of Directors adopted a resolution directing the Audit Committee of the Board of Directors to establish and implement procedures for identifying and conducting an appropriate review of any proposed transaction that meets the definition of "related party transaction" within the meaning of Item 404 of SEC Regulation S-K. In January 2004, the Audit Committee adopted written procedures in accordance with such direction. Under those procedures, the Audit Committee reviews and evaluates any proposed related party transaction and determines whether the terms of such transaction, judged at the time of the determination, are fair to the Company. Our officers are instructed that when a related party transaction is proposed, they are to bring it to the attention of the Audit Committee, which then reviews the transaction and makes a determination of whether it meets the above standard. The Audit Committee is required to prepare a report of its deliberations, conclusions and recommendations and furnish that report to the full Board of Directors.

Information regarding director independence is set forth under the captions "Director Independence" and "Committees of the Board of Directors" in the Proxy Statement, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is set forth under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) *Documents filed as part of this report.*

1. *Financial statements; All financial statements of the Company as described in Item 8 of this report on Form 10-K.*

2. *Financial statement schedule included in Part IV of this Form:*

Schedule II—Consolidated Valuation Accounts—for the three years ended April 30, 2024	<u>Page</u> 88
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All other financial statements and schedules not listed above are omitted as the required information is not applicable or the information is presented in the financial statements or related notes.

3. Exhibits

The following exhibits are filed herewith or incorporated herein by reference:

2.1	Stock Purchase Agreement, dated as of September 5, 2023, among Logility, Inc., each of the shareholders of Garvis AI Limited and Piet Buyck, as Shareholder Representative.
3.1	The Company's Amended and Restated Articles of Incorporation and amendments thereto.(1)(P)
3.2	The Company's Amended and Restated By-Laws dated May 18, 2009.(2)
10.1	American Software, Inc. 401(k)/Profit Sharing Plan and Trust Agreement.(3)(P)
10.2	Amendment to American Software, Inc. 401(k)/Profit Sharing Plan and Trust Agreement.(4)
10.3	The Company's 2011 Equity Compensation Plan, as amended.(5)
10.4	Retention Agreement, dated as of July 11, 2016, by and between American Software, Inc. and Vincent C. Klinges.(7)
10.5	Retention Agreement, dated as of July 11, 2016, by and between American Software, Inc. and H. Allan Dow.(8)
10.6	The Company's 2020 Equity Compensation Plan.(9)
10.7	Advisor Agreement effective February 21, 2024 by and between James C. Edenfield and Logility, Inc. (11)
10.8	Reclassification Agreement, dated as of April 10, 2024 by and between American Software, Inc. and James C. Edenfield. (12)
19	Insider Trading Policy
21.1	List of Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a).
32.1	Certifications Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
97	Clawback Policy
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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- (1) Incorporated by reference herein. Filed by the Company as an exhibit to its quarterly report filed on Form 10-Q for the quarter ended October 31, 1990.
- (2) Incorporated by reference herein. Filed by the Company as an exhibit to its quarterly report filed on Form 10-Q for the quarter ended January 31, 2010.
- (3) Incorporated by reference herein. Filed by the Company as an exhibit to its Registration Statement No. 33-55214 filed on Form S-8 on December 1, 1992.
- (4) Incorporated by reference herein. Filed by the Company as an exhibit to its annual report filed on Form 10-K for the fiscal year ended April 30, 2002.

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- (5) Incorporated by reference herein. Filed by the Company as an appendix to its Definitive Proxy Statement filed on July 27, 2017.
- (6) Incorporated by reference herein. Filed by the Company as exhibit 10.1 to its current report on Form 8-K filed on July 15, 2016.
- (7) Incorporated by reference herein. Filed by the Company as exhibit 10.3 to its current report on Form 8-K filed on July 15, 2016.
- (8) Incorporated by reference herein. Filed by the Company as exhibit 10.1 to its current report on Form 8-K/A filed on July 13, 2017.
- (9) Incorporated by reference herein. Filed by the Company's as exhibit 10.1 to its current report on Form 8-K filed on April 28, 2023.
- (10) Incorporated by reference herein. Filed by the Company as exhibit 2.1 to its current report on Form 8-K filed on September 7, 2023.
- (11) Incorporated by reference herein. Filed by the Company as exhibit 10.1 to its current report on Form 8-K filed on February 21, 2024.
- (12) Incorporated by reference herein. Filed by the Company as exhibit 10.1 to its current report on Form 8-K filed on April 11, 2024.

AMERICAN SOFTWARE, INC.
CONSOLIDATED VALUATION ACCOUNTS
Years ended April 30, 2024, 2023, 2022
(In thousands)

Allowance for Doubtful Accounts

Year ended:	Balance at beginning of year	Amounts charged to expense	Other Additions (1)	Deductions (2)	Balance at end of year
April 30, 2024	\$ 418	—	—	275	\$ 143
April 30, 2023	\$ 423	—	—	5	\$ 418
April 30, 2022	\$ 430	—	—	7	\$ 423

- (1) Recovery of previously written-off amounts.
(2) Write-off of uncollectible accounts.

Deferred Income Tax Valuation Allowance

The deferred tax valuation allowance roll-forward is included in Item 8 of this Report in the Notes to Consolidated Financial Statements—Note 6.

See accompanying report of independent registered public accounting firm.

ITEM 16. FORM 10-K SUMMARY.

None.

American Software, Inc.
Securities Trading and Disclosure Policy

This Securities Trading and Disclosure Policy (this “**Policy**”) sets forth the policy of American Software, Inc. concerning the handling of material, nonpublic information relating to American Software, Inc. and its direct and indirect subsidiaries (collectively, “**American Software**” or “**we**”) or other companies with which we deal. This Policy also concerns the buying and selling of stock and other securities of American Software and those other companies.

1. Insider Trading

Except in a Permitted Transaction (as defined below), no director or employee may purchase or sell securities of American Software or of any other company with which American Software deals while aware of material, nonpublic information concerning American Software or the other company until at least two full trading days have elapsed after the public disclosure of the information.

(a) Directors and Employees

This Policy applies to all directors and employees of American Software. When we refer to “you” or to “directors and employee” in this Policy, in addition to you, we also mean members of your immediate family or other persons with whom you share a household, persons that are your economic dependents, and any person over whom or entity over which you have control. We will regard trades made at your direction or at the direction of those named in the preceding sentence as trades made by you.

(b) Material, Nonpublic Information

Information is considered “material” if (a) a reasonable investor would consider it important in deciding whether to buy, sell or hold the security, or (b) a reasonable investor would view the information as significantly altering the total mix of information in the marketplace about the issuer of the security. Information is considered “nonpublic” if the information has not been broadly disseminated to the public for a sufficient period to be reflected in the price of the security. Examples of material, nonpublic information might include information about upcoming earnings or losses, a potential merger or acquisition, a significant sale of assets, a change in dividend policy, offering of additional securities, changes in top management, significant new products, and the gain or loss of a substantial customer or supplier. Both positive and negative information may be material.

Information is nonpublic until it has been “publicly disclosed,” meaning that it is published in such a way as to provide broad, non-exclusionary distribution of the information to the public. Examples of public disclosure include filing a Form 8-K with the Securities and Exchange Commission (the “**SEC**”) and issuing a press release.

(c) Other Companies

This Policy primarily addresses trading in American Software securities when you are aware of material, nonpublic information about American Software. However, it also prohibits trading in securities of any other company about which you learn material, nonpublic information in the course of performing your duties for American Software.

(d) Purchase and Sale

This Policy prohibits purchases and sales while you are aware of material, nonpublic information. This encompasses not only traditional purchases and sales, but also any arrangement by which investors alter their economic exposure to changes in the price of the securities. For example, a “purchase” or “sale” would include purchasing standardized put or call options, writing put or call options, selling stock short, or buying or selling securities convertible into other securities.

(e) Two Full Trading Days

Two full trading days following public disclosure have elapsed when trading in the security has opened and then closed on two consecutive trading days (e.g., not weekends or holidays) after the public disclosure.

For example, suppose you are aware that American Software has signed an agreement to acquire another company that has not been announced to the public. You are prohibited from trading in our stock until two full trading days after release of the announcement. If the announcement is made on Monday at 6:00 p.m. EST, after the close of trading on the Nasdaq Stock Market, you can begin trading again on Thursday when the market opens.

(f) Margin Loans

Purchases or sales of securities can result in liability whether executed in the public markets or in a private transaction. In addition, sales forced because you have borrowed money and pledged securities as security for the loan are not exempt from the insider trading rules. Accordingly, you should be careful when making a margin loan in a brokerage account or using stock as collateral for a bank loan.

2. Unauthorized Disclosure of Material, Nonpublic Information

No director or employee may disclose material, nonpublic information about American Software or any company with which American Software deals to anyone outside American Software unless authorized to do so.

(a) Tipping

You can be held responsible not only for your own insider trading, but also for trading by anyone to whom you disclose material, nonpublic information, or for trading by others if you are the ultimate source of such information.

(b) Authorization to Disclose Material, Nonpublic Information

We authorize only certain employees to make disclosures of material, nonpublic information. Unless you are authorized to do so by senior management, you should refrain from discussing material, nonpublic information with anyone not subject to this Policy. Even with other employees of American Software, you should restrict discussion to those persons having a need to know. Furthermore, comments made through social media, even if strictly on your personal site or account, may constitute the unauthorized release of material, nonpublic information.

(c) Regulation FD (Fair Disclosure)

SEC Regulation FD explicitly bans selective disclosure. Generally, Regulation FD provides that when a public company discloses material, nonpublic information, it must provide broad, non-exclusionary public access to the information. Violations of this regulation can lead to SEC enforcement actions, resulting in injunctions and severe monetary penalties. Aside from a limited group of senior executives and investor relations personnel, no American Software employees are authorized to communicate with securities market

professionals or shareholders. If you realize that you have inadvertently made a disclosure that violates this Policy, you must contact the Chief Financial Officer or the Controller immediately. Under Regulation FD, there may be ways to mitigate unintentional violations if prompt action is taken.

3. Permitted Transactions

The following are “Permitted Transactions”:

- Issuance of a stock option under an American Software stock option plan, including the cancellation or forfeiture of options pursuant to the plans;
- Exercise of stock options issued under an American Software stock option plan, but not any sale of stock acquired in an option exercise;
- Transfer of shares to an entity that does not involve a change in the beneficial ownership of the shares – for example, to an inter vivos trust of which you are the sole beneficiary;
- Acquisition or disposition of stock in a stock split, stock dividend, or other transaction affecting all stockholders equally; and
- Execution of a transaction pursuant to a contract, instruction, or plan (a “**Trading Plan**”) described in Rule 10b5-1(c)(1)(i)(A) of the Securities Exchange Act of 1934 (the “**Exchange Act**”), but only if, with respect to directors and Section 16 officers (as defined below), the Trading Plan requires the broker or other counter-party to notify the Chief Financial Officer immediately upon execution of a transaction pursuant to the Trading Plan.

(a) Pre-Disclosure of Undisclosed Material, Nonpublic Information

You may not enter into any transaction, including Permitted Transactions, unless you have disclosed to our Chief Financial Officer any material, nonpublic information of which you are aware and of which American Software is not aware. If you are the Chief Financial Officer, the information must be disclosed to the President of American Software, and if you are the President or a director, you must disclose the information to American Software’s board before any transaction listed above qualifies as a Permitted Transaction. This ensures that American Software is fully aware of any material information affecting any security before you execute the transaction.

(b) Employee Benefit Plan Transactions

Included in the definition of Permitted Transactions are most of the ongoing transactions you might enter into under equity-based benefit plans. Transactions in employee stock options are considered Permitted Transactions if there is no related sale to third parties. However, a sale of stock following or in connection with an option exercise is not a transaction with American Software, and therefore is not a Permitted Transaction. Thus, you may engage in a cash exercise of an option as long as you retain the stock you buy in the exercise. You can also engage in stock-for-stock exercises without violating this Policy.

(c) Transactions not Changing Beneficial Ownership

Certain transactions involve merely a change in the form in which you own securities. For example, you may transfer shares of stock to a trust if you are the only beneficiary of the trust during your lifetime. Likewise, changing the form of ownership to include a member of your immediate household as a joint owner is a Permitted Transaction.

(d) *Trading Plans*

SEC rules generally provide an affirmative defense against insider trading violations if you enter into a contract, provide instructions, or adopt a written plan for trading in securities when you are not aware of material, nonpublic information. Therefore, Designated Persons (as defined below) cannot enter into these plans during quarterly pre-earnings blackout periods. The Trading Plan must (a) specify the amount, price, and date of the transaction, (b) specify an objective method for determining the amount, price, and date of the transaction, or (c) place the discretion for determining the amount, price, and date of the transaction in another person who is not aware of material, nonpublic information. You may not exercise discretion or influence over the amount, price, or date of a transaction after entering into the arrangement.

If you enter into a Trading Plan, it should be structured to avoid purchases or sales shortly before known announcements, such as earnings announcements. Even though transactions executed in accordance with a properly formulated Trading Plan are exempt from the insider trading rules, the trades may nonetheless occur at times shortly before we announce material news, and the investing public and media may not understand the nuances of trading pursuant to a Trading Plan. This could result in negative publicity for you and/or American Software if the SEC or Nasdaq were to investigate your trades.

Prior to the establishment of a Trading Plan, each director and Section 16 officer must pre-clear the proposed plan with the General Counsel and Chief Financial Officer. American Software reserves the right to withhold pre-clearance of any Trading Plan that we determine is not consistent with the rules regarding such plans. You may not enter into a trading Plan when you are aware of material, nonpublic information or during a trading blackout period. In addition, to avoid even the appearance of impropriety, we require a waiting period of thirty days between the adoption of a Trading Plan and the first possible transaction under such plan.

Transactions pursuant to a Trading Plan still must comply with applicable SEC reporting requirements (see below). Therefore, if you are a director or a Section 16 officer, Trading Plans require special care. Because in a Trading Plan you can specify conditions that trigger a purchase or sale, you may not be aware that the transaction has taken place. Accordingly, transactions pursuant to a Trading Plan are not Permitted Transactions unless the Trading Plan requires the broker to notify American Software immediately of the execution of a transaction.

The rules regarding Trading Plans are complex. You should consult with your legal and financial advisors before adopting a Trading Plan.

4. Blackout Periods

The following persons may not purchase or sell American Software's securities or enter into a Trading Plan during the following blackout periods:

- For directors, Section 16 officers, employees within the Finance and Accounting Department and employees who are department heads (collectively, "**Designated Persons**"), except for Permitted Transactions, during the period beginning fourteen days prior to the last day of each fiscal quarter and ending at the close of trading on the second full trading day following the release of financial results for that fiscal quarter; and
- For directors and Section 16 officers, to the extent and during the periods required by Section 306(a) of the Sarbanes-Oxley Act of 2002 and its implementing regulations relating to pension fund blackouts.

(a) *Pre-Earnings Blackouts*

Because of the particular sensitivity of trading by those who have access to American Software's financial information as our financial statements are being prepared, such persons are subject to blackout on trading during the period leading up to the release of quarterly financial statements. These Designated Persons include members of our board of directors, our officers who are subject to reporting under Section of the Exchange Act 16 ("**Section 16 officers**"), and those other employees who are directly involved in the preparation of American Software's consolidated and group financial statements or who have access to departmental reporting information.

In addition, if you are a Designated Person, during periods outside the blackout period you are still subject to Section 1 of this Policy, which prohibits transactions at any time when you are aware of material, nonpublic information. As a result, you are not necessarily free to trade in the second month of each quarter simply because it is not during a blackout period.

(b) 401(k) Plan Blackouts

Directors and Section 16 officers may not trade in our securities at any time when employees are prevented from trading in the stock funds of our 401(k) plan. This situation is rare, and we will notify all who are affected of any relevant blackout period.

(c) Entering into Trading Plans

During a blackout period, not only are you prohibited from trading, but you also are prohibited from entering into a Trading Plan.

5. Pre-Clearance and Notice of Transactions

Before entering into a purchase or sale of our securities or a Trading Plan, all Designated Persons must notify the Chief Financial Officer or, in his or her absence, the Controller to obtain clearance for the transaction. Immediately following completion of any such transaction by a director or Section 16 officer, such person must notify the Chief Financial Officer or Controller of the date, quantity, price, and nature of the transaction. There is no requirement to pre-clear or provide immediate notice of Permitted Transactions (as defined below) unless the transaction is subject to the two-business-day or other accelerated reporting under Section 16(a) of the Exchange Act.

(a) Pre-Clearance

In general, employees do not need to pre-clear their trades with American Software. However, because of their likely exposure to material, nonpublic information, Designated Persons (members of American Software's board of directors, Section 16 officers, employees within the Finance and Accounting Department and employees who are department heads) must pre-clear certain transactions with the Chief Financial Officer or Controller. The Chief Financial Officer is available to answer any questions on the application of this Policy, but ultimate responsibility for trading in securities lies with you.

(b) Notification

Under Section 16(a) of the Exchange Act certain transactions must be reported on Form 4 and filed within two business days following the date of the transaction (see below). In order to comply, this Policy requires not only pre-clearance of transactions in American Software's securities, but for directors and Section 16 officers it also requires immediate notification of sufficient details of the transaction to allow time to prepare

and timely file the required reports. Since we allow one day to prepare the Form 4 and one day to transmit the form to the SEC, the details of the transaction must be reported to us no later than the close of business on the date the transaction occurred. Although Permitted Transactions are generally not subject to this requirement, any transaction subject to the two-business-day or other accelerated reporting deadline is also subject to the pre-clearance and notification requirements.

6. Hedging Policy

American Software considers it inappropriate for any director, officer or other employee to enter into speculative transactions in Company securities. Therefore, this Policy prohibits the purchase or sale of puts, calls, options or other derivative instruments based on our securities. The Policy also prohibits hedging or monetization transactions, such as forward sale contracts, in which the shareholder continues to own the underlying security without all the risks or rewards of ownership. When that occurs, the owner may no longer have the same objectives as the Company's other shareholders. The prohibitions in this Policy do not apply to the exercise of stock options as part of any American Software incentive plan.

7. Restricted and Control Securities (Directors and Section 16 Officers Only)

Directors and Section 16 officers must comply with Rule 144 when selling restricted or control securities.

Rule 144 is an exemption under the Securities Act of 1933 that allows the sale of restricted and control securities in the public marketplace if certain conditions are met. Restricted securities are those not issued in a registered offering. For example, some stock plans permit the issuance of restricted securities. Control securities are those owned by an "affiliate" of the issuer, which for purposes of this Policy means directors and Section 16 officers, including securities acquired pursuant to an employee benefit plan such as our stock option plan.

Rule 144 provides a safe harbor for sale transactions meeting several conditions with respect to timing, quantity and procedures. Affiliates may sell a number of such securities that is no more than the greater of one percent of the outstanding securities of the class, or the average weekly reported trading volume for the previous four calendar weeks. These securities must be sold through specific types of brokers or dealers, and notice on Form 144 must be given for sales of a certain size (see below). Restricted securities are subject to a holding period of six months, but control securities are not subject to a holding period.

8. "Short-Swing" Transactions (Directors and Section 16 Officers Only)

Directors and Section 16 officers may not engage in "short-swing" transactions.

Under Section 16(b) of the Exchange Act, any purchase and sale, or sale and purchase, of American Software securities by a company insider made during any given six-month period (sometimes referred to as a "short-swing" transaction) will be matched using the lowest purchase and highest sale prices. Any "profit" that is realized by this matching is recoverable by the company, even if inadvertent or if the insider actually realized an economic loss. If the company fails to recover such profit, any shareholder of the company may sue to recover it on behalf of the company. Therefore, with limited exceptions, directors and Section 16 officers may not enter into purchase and sale (or sale and purchase) transactions within six months of each other.

Any acquisition from the company or disposition to the company by a director or Section 16 officer is exempt from Section 16(b) liability if approved in advance by the board of directors. Thus, neither the grant nor the exercise of an option issued under a stock option plan generally will be treated as a matchable "purchase"

for purposes of Section 16(b). Similarly, the acquisition of common stock under an employee stock purchase plan generally will not be treated as a matchable purchase for purposes of Section 16(b). If the director

American Software, Inc. Subsidiaries

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
American Software USA, LLC	Georgia
ASI Properties II, LLC	Georgia
Logility, Inc.	Georgia
New Generation Computing, Inc.	Florida
Demand Management, Inc.	Georgia
Halo Acquisition Company LLC	Georgia
AdapChain Acquisition Co., Inc.	Georgia
Starboard Acquisition Company LLC	Georgia
Logility Solutions PVT LTD	India
Logility NZ (UC)	New Zealand
Logility Australia Pty Ltd	Australia
Logility GmbH	Germany
Garvis AI Limited	United Kingdom
Garvis BV	Belgium

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-168943, 333-191664, 333-206584, 333-213402, 333-220390, 333-233463, 333-258965) on Form S-8 of our reports dated June 28, 2024, with respect to the consolidated financial statements and financial statement schedule II of American Software, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
June 28, 2024

**Certifications Pursuant to Section 906 of
The Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, as the Principal Executive Officer of American Software, Inc., certifies that, to the best of his knowledge and belief, the Annual Report on Form 10-K for the fiscal year ended April 30, 2024 (the “Report”), which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Software, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and shall not be relied upon for any other purpose.

This 28th day of June, 2024

/s/ H. Allan Dow

H. Allan Dow
Chief Executive Officer and President (Principal
Executive Officer) and Director

The undersigned, as the Principal Financial Officer of American Software, Inc., certifies that, to the best of his knowledge and belief, the Annual Report on Form 10-K for the fiscal year ended April 30, 2024 (the “Report”), which accompanies this certification, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Software, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and shall not be relied upon for any other purpose.

This 28th day of June, 2024

/s/ Vincent C. Klinges

Vincent C. Klinges
Chief Financial Officer and Treasurer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to American Software, Inc. and will be retained by American Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The information in this Exhibit 32.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

**AMERICAN SOFTWARE,
INC. POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

1. **Purpose.** The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to members of the Company Group. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms and comply with this Policy.

2. **Administration.** This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

3. **Definitions.** For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) **“Accounting Restatement”** shall mean an accounting restatement (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial restatements that is material to the previously issued financial statements (a “Big R” restatement), or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were not corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(b) **“Board”** shall mean the Board of Directors of the Company.

(c) **“Clawback Eligible Incentive Compensation”** shall mean, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer (i) on or after the Effective Date, (ii) after beginning service as an Executive Officer, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the applicable Clawback Period.

(d) **“Clawback Period”** shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company’s fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(e) **“Committee”** shall mean the Compensation Committee of the Board.

(f) **“Company”** shall mean American Software, Inc., a Georgia corporation.

(g) **“Company Group”** shall mean the Company, together with each of its direct and indirect subsidiaries.

(h) **“Effective Date”** shall mean October 2, 2023.

(i) **“Erroneously Awarded Compensation”** shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible

Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(j) “**Executive Officer**” shall mean each individual who is or was designated as an “officer” of the Company in accordance with 17 C.F.R. 240.16a-1(f). Identification of an executive officer for purposes of this Policy would include at a minimum executive officers identified pursuant to 17 C.F.R. 229.401(b).

(k) “**Financial Reporting Measures**” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(l) “**Incentive-based Compensation**” shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. The term “Incentive-based Compensation” does not include equity awards where the equity award grant is not contingent upon attaining a Financial Reporting Measure and vesting is contingent solely upon completion of a specified employment period or other non-Financial Reporting Measures.

(m) “**Nasdaq**” shall mean The Nasdaq Stock Market.

(n) “**Policy**” shall mean this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time.

(o) “**Received**” shall, with respect to any Incentive-based Compensation, mean actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period.

(p) “**Restatement Date**” shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the issuer is required to prepare an Accounting Restatement, or (ii) the date of court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement.

(q) “**SEC**” shall mean the U.S. Securities and Exchange Commission.

4. **Repayment of Erroneously Awarded Compensation.**

(a) In the event of an Accounting Restatement, the Committee shall promptly (and in all events within ninety (90) days after the Restatement Date) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee

based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to Nasdaq).

(b) The Committee shall have broad discretion to determine the appropriate means of recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. To the extent that the Committee determines that any method of recovery (other than repayment by the Executive Officer in a lump sum in cash or property) is appropriate, the Company shall offer to enter into a repayment agreement (in a form reasonable acceptable to the Committee) with the Executive Officer. If the Executive Officer accepts such offer and signs the repayment agreement within thirty (30) days after such offer is extended, the Company shall countersign such repayment agreement. If the Executive Officer fails to sign the repayment agreement within thirty (30) days after such offer is extended, the Executive Officer will be required to repay the Erroneously Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously Awarded Compensation) on or prior to the date that is one hundred twenty (120) days following the Restatement Date. For the avoidance of doubt, except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(c) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(b) above if the following conditions are met and the Committee determines that recovery would be impracticable:

(i) The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to Nasdaq; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. **Reporting and Disclosure.** The Company shall file all disclosures with respect to this Policy in accordance with the requirement of the federal securities laws, including the disclosure required by the applicable SEC filings.

6. **Indemnification Prohibition.** No member of the Company Group shall be permitted to indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of

this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

7. **Interpretation; Severability.** The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. If any provision of this Policy is held by a court of competent jurisdiction to be wholly or partially unenforceable for any reason, such unenforceability shall not affect the remainder of this Policy, which shall remain in full force and effect.

8. **Effective Date.** This Policy shall be effective as of the Effective Date. This Policy will not apply to any Incentive-based Compensation or other compensation issued prior to the Effective Date, in accordance with Nasdaq Rule 5608(e) (Recovery of Erroneously Awarded Compensation).

9. **Amendment; Termination.** The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. **Other Recoupment Rights; No Additional Payments.** The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group.

11. **Successors.** This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

* * *

Exhibit A

**AMERICAN SOFTWARE,
INC. POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the American Software, Inc. Policy for the Recovery of Erroneously Awarded Compensation (the “**Policy**”). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this “**Acknowledgement Form**”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company Group to the extent required by, and in a manner permitted by, the Policy.

Signature

Print Name

Date