

AGILYSYS INC
Form 10-K/A
February 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended March 31, 2015

or

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

For transition period from to

Commission file number 0-5734

AGILYSYS, INC.

(Exact name of registrant as specified in its charter)

Ohio

34-0907152

State or other jurisdiction of incorporation or organization (I.R.S. Employer Identification No.)

425 Walnut Street, Suite 1800, Cincinnati, Ohio

45,202

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (770) 810-7800

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

Title of each class

Name of each exchange on which registered

Common Shares, without par value

The NASDAQ Stock Market LLC

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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

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

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

The aggregate market value of Common Shares held by non-affiliates as of June 30, 2014 was \$208,096,430.

As of May 29, 2015, 22,770,057 shares of the registrant's common stock were outstanding.

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Annual Report on Form 10-K/A
Year Ended March 31, 2015

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends our original Annual Report on Form 10-K for the year ended March 31, 2015 (the “Original Filing”). The sole purpose of this Amendment No. 1 is to (i) revise the “REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM” of PricewaterhouseCoopers LLP appearing under Item 8 of the Original Filing regarding the effectiveness of our internal control over financial reporting and (ii) revise the disclosure on the effectiveness of our disclosure controls and procedures and the disclosure on our internal control over financial reporting in Item 9A to reflect management’s conclusion that our disclosure controls and procedures were not effective at March 31, 2015 due to a material weakness in our internal control over financial reporting identified subsequent to the issuance of our Original Filing.

Other than the inclusion with this Amendment No. 1 of new certifications required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, and a new consent of our independent registered public accounting firm (and related amendment to the Exhibit Index that is incorporated by reference into Item 15 of the Original Filing to reflect the addition of such certifications and consent and related changes to the footnotes to that Exhibit Index), this Amendment No. 1 does not modify or update any other disclosures contained in our Original Filing.

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Item 8. Financial Statements and Supplementary Data.

Agilysys, Inc. and Subsidiaries

ANNUAL REPORT ON FORM 10-K

Year Ended March 31, 2015

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Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of Agilysys, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows present fairly, in all material respects, the financial position of Agilysys, Inc. and its subsidiaries at March 31, 2015 and March 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Management and we previously concluded that the Company maintained effective internal control over financial reporting as of March 31, 2015. However, management has subsequently determined that a material weakness in internal control over financial reporting existed as of that date related to the valuation of an indefinite-lived intangible asset and capitalized software assets. Accordingly, management's report has been restated and our opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the valuation of an indefinite-lived intangible asset and capitalized software assets existed as of that date. 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 annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2015 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly

reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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/ PricewaterhouseCoopers LLP

Atlanta, Georgia

June 5, 2015, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter described in the second paragraph of Management's Report on Internal Control Over Financial Reporting, as to which the date is February 9, 2016

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CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	As of March 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$75,067	\$99,566
Accounts receivable, net of allowance for doubtful accounts of \$888 and \$1,101, respectively	25,481	23,615
Inventories	641	481
Prepaid expenses	3,820	3,300
Other current assets	8	2,892
Total current assets	105,017	129,854
Property and equipment, net	11,929	12,251
Goodwill	19,622	17,158
Intangible assets, net	9,006	10,626
Software development costs, net	31,818	17,221
Other non-current assets	4,133	3,785
Total assets	\$181,525	\$190,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$16,586	\$11,073
Deferred revenue	23,881	22,795
Accrued liabilities	10,001	14,232
Capital lease obligations, current	142	43
Total current liabilities	50,610	48,143
Deferred income taxes, non-current	3,053	3,422
Capital lease obligations, non-current	47	292
Other non-current liabilities	3,627	6,165
Commitments and contingencies (see Note 13)		
Shareholders' equity:		
Common shares, without par value, at \$0.30 stated value; 80,000,000 shares authorized; 31,606,831 shares issued; and 22,789,355 and 22,467,970 shares outstanding at March 31, 2015 and 2014, respectively	9,482	9,482
Treasury shares, 8,817,477 and 9,138,861 at March 31, 2015 and 2014, respectively	(2,646	) (2,741
Capital in excess of stated value	(10,675	) (13,409
Retained earnings	128,178	139,675
Accumulated other comprehensive loss	(151	) (134
Total shareholders' equity	124,188	132,873
Total liabilities and shareholders' equity	\$181,525	\$190,895

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Year ended March 31,			
	2015	2014	2013	
Net revenue:				
Products	\$31,846	\$34,629	\$31,030	
Support, maintenance and subscription services	56,013	53,169	49,110	
Professional services	15,655	13,463	13,868	
Total net revenue	103,514	101,261	94,008	
Cost of goods sold:				
Products, inclusive of developed technology amortization	18,732	17,027	17,109	
Support, maintenance and subscription services	12,461	10,786	10,326	
Professional services	12,240	9,408	8,954	
Total cost of goods sold	43,433	37,221	36,389	
Gross profit	60,081	64,040	57,619	
Gross profit margin	58.0	% 63.2	% 61.3	%
Operating expenses:				
Product development	25,316	25,212	23,892	
Sales and marketing	16,357	14,059	13,350	
General and administrative	21,668	20,750	20,984	
Depreciation of fixed assets	2,225	2,074	2,137	
Amortization of intangibles	3,461	6,414	3,284	
Asset write-offs and other fair value adjustments	1,836	327	120	
Restructuring, severance, and other charges	1,482	1,392	1,495	
Legal settlements	203	—	1,664	
Operating loss	(12,467	) (6,188	) (9,307)
Other (income) expenses:				
Interest income	(110	) (123	) (13)
Interest expense	48	184	266	
Other expense (income), net	146	(863	) (228)
Loss before income taxes	(12,551	) (5,386	) (9,332)
Income tax benefit	(1,054	) (2,491	) (3,118)
Loss from continuing operations	(11,497	) (2,895	) (6,214)
Income from discontinued operations, net of taxes	—	19,992	4,916	
Net (loss) income	\$(11,497	) \$17,097	\$(1,298)
Weighted average shares outstanding - basic and diluted	22,338	22,135	21,880	
Net (loss) income per share - basic and diluted:				
Loss from continuing operations	\$(0.51	) \$(0.13	) \$(0.28)
Income from discontinued operations	—	0.90	0.22	
Net (loss) income per share	\$(0.51) \$0.77	\$(0.06)

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year ended March 31,		
	2015	2014	2013
Net (loss) income	\$ (11,497)	\$ 17,097	\$ (1,298)
Other comprehensive (loss) income, net of tax:			
Unrealized foreign currency translation adjustments	(9)	220	(1,126)
Reclassification of foreign currency translation adjustments included in net income (loss)		745	—
Unrealized loss on sale of securities	(8)	—	(4)
Total comprehensive (loss) income	\$ (11,514)	\$ 18,062	\$ (2,428)

See accompanying notes to consolidated financial statements.

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AGILYSYS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended March 31,		
	2015	2014	2013
Operating activities			
Net income (loss)	\$ (11,497)	\$ 17,097	\$ (1,298)
Less: Income from discontinued operations	—	19,992	4,916
Loss from continuing operations	(11,497)	(2,895)	(6,214)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:			
Restructuring, severance and other charges	1,482	1,392	1,495
Payments for restructuring, severance and other charges	(1,348)	(1,741)	(6,673)
Legal settlements	203	—	1,664
Payments for legal settlements	(1,714)	(110)	—
Asset write-offs	3,454	327	120
Depreciation	2,225	2,074	2,137
Amortization	4,755	6,726	4,089
Share-based compensation	3,140	2,119	1,638
Contingent consideration adjustment	(1,619)	—	—
Deferred income taxes	(371)	(178)	(244)
Change in cash surrender value of company owned life insurance policies	(57)	(600)	(107)
Excess tax benefit from equity awards	(14)	(37)	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,935)	(7,846)	(741)
Inventories	(171)	380	426
Prepaid expense	(526)	(498)	(801)
Accounts payable	5,528	1,073	1,595
Deferred revenue	1,146	2,784	(5,046)
Accrued liabilities	(3,868)	1,624	(3,170)
Income taxes receivable	(823)	(2,702)	(2,960)
Other changes, net	(176)	(508)	(258)
Net cash provided by (used in) operating activities from continuing operations	(2,186)	1,384	(13,050)
Net cash (used in) provided by operating activities from discontinued operations	—	(1,311)	2,345
Net cash provided by (used in) operating activities	(2,186)	73	(10,705)
Investing activities			
Proceeds from sale of business units	809	35,846	—
Cash paid for acquisitions, net	(3,750)	(1,812)	—
Investment in marketable securities	(10,240)	—	—
Proceeds from sale of marketable securities	10,107	—	4,347
Capital expenditures	(4,650)	(4,023)	(2,532)
Capitalized software development costs	(15,813)	(12,200)	(3,906)
Additional (investments in) proceeds from corporate-owned life insurance policies	1,905	(87)	(108)
Net cash provided by (used in) investing activities from continuing operations	(21,632)	17,724	(2,199)
Net cash used in investing activities from discontinued operations	—	(155)	(854)
Net cash provided by (used in) investing activities	(21,632)	17,569	(3,053)

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Financing activities				
Principal payments under long-term obligations	(144) (177) (289)
Exercise of employee stock options	102	169	67	
Repurchase of common shares to satisfy employee tax withholding and option price	(373	) (912	) (278)
Excess tax benefit from equity awards	14	37	—	
Net cash used in financing activities from continuing operations	(401	) (883	) (500)
Net cash used in financing activities from discontinued operations	—	(80	) (377)
Net cash used in financing activities	(401	) (963	) (877)
Effect of exchange rate changes on cash	(280	) (44	) (21)
Cash flows provided by (used in) continuing operations	(24,499	) 18,181	(15,770)
Cash flows (used in) provided by discontinued operations	—	(1,546	) 1,114	
Net increase (decrease) in cash and cash equivalents	(24,499	) 16,635	(14,656)
Cash and cash equivalents at beginning of period	99,566	82,931	97,587	
Cash and cash equivalents at end of period	\$75,067	\$99,566	\$82,931	
Less cash presented in current assets of discontinued operations on balance sheet	—	—	487	
Cash and cash equivalents at end of period - continuing operations	\$75,067	\$99,566	\$82,444	

See accompanying notes to consolidated financial statements.

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AGILYSYS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share data)	Common Shares		In Treasury		Capital in	Retained	Accumulated	Total
	Issued Shares	Stated value	Shares	Stated value	excess of stated value	earnings	other comprehensive loss	
Balance at March 31, 2012	31,607	\$9,482	(9,731	)\$ (2,919	)\$ (16,032	)\$ 123,876	\$ 31	\$ 114,438
Non-cash share based compensation expense	—	—	—	—	2,057	—	—	2,057
Restricted shares issued	—	—	203	61	(61)—	—	—
Shares issued upon exercise of stock options and SSARs	—	—	108	32	35	—	—	67
Shares withheld for taxes upon exercise of stock options, SSARs or vesting of restricted shares	—	—	(42	)(12	)(266	)—	—	(278
Net loss	—	—	—	—	—	(1,298	)—	(1,298
Unrealized translation adjustment	—	—	—	—	—	—	(1,126	)(1,126
Unrealized loss on securities	—	—	—	—	—	—	(4	)(4
Balance at March 31, 2013	31,607	\$9,482	(9,462	)\$ (2,838	)\$ (14,267	)\$ 122,578	\$ (1,099	)\$ 113,856
Non-cash share based compensation expense	—	—	—	—	1,931	—	—	1,931
Restricted shares issued	—	—	138	41	(41)—	—	—
Shares issued upon exercise of stock options and SSARs	—	—	814	244	(73	)—	—	171
Shares withheld for taxes upon exercise of stock options, SSARs or vesting of restricted shares	—	—	(629	)(188	)(996	)—	—	(1,184
Excess tax benefit from equity awards	—	—	—	—	37	—	—	37
Net income	—	—	—	—	—	17,097	'	17,097
Unrealized translation adjustment	—	—	—	—	—	—	220	220
Reclassification of foreign currency translation adjustment included in net income	—	—	—	—	—	—	745	745
Balance at March 31, 2014	31,607	\$9,482	(9,139	)\$ (2,741	)\$ (13,409	)\$ 139,675	\$ (134	)\$ 132,873
Non-cash share based compensation expense	—	—	—	—	3,140	—	—	3,140
Restricted shares issued, net	—	—	342	102	(102)—	—	—
Shares issued upon exercise of stock options and SSARs	—	—	21	5	97	—	—	102
Shares withheld for taxes upon exercise of stock options, SSARs or vesting of	—	—	(41	)(12	)(415	)—	—	(427

restricted shares								
Excess tax benefit from equity awards	—	—	—	—	14	—	—	14
Net income	—	—	—	—	—	(11,497)	—	(11,497)
Unrealized translation adjustments	—	—	—	—	—	—	(9)	(9)
Unrealized loss on securities	—	—	—	—	—	—	(8)	(8)
Balance at March 31, 2015	31,607	\$9,482	(8,817)	\$(2,646)	\$(10,675)	\$128,178	\$(151)	\$124,188

See accompanying notes to consolidated financial statements.

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Agilysys, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Table amounts in thousands, except per share data)

1. Nature of Operations

Agilysys is a leading technology company that provides innovative software for point-of-sale (POS), property management, inventory and procurement, workforce management, analytics, document management and mobile and wireless solutions and services to the hospitality industry. Our solutions and services allow property managers to better connect, interact and transact with their customers and enhance their customer relationships by streamlining operations, improving efficiency, increasing guest recruitment and wallet share, and enhancing the overall guest experience. We serve four major market sectors: Gaming, both corporate and tribal; Hotels, Resorts and Cruise; Foodservice Management; and Restaurants, Universities, Stadia and Healthcare. A significant portion of our consolidated revenue is derived from contract support, maintenance and subscription services.

We operate throughout North America, Europe and Asia, with corporate services located in Alpharetta, GA, and offices in Singapore, Hong Kong and Malaysia.

The sales of our RSG business and UK entity each represented a disposal of a component of an entity. As such, the operating results of RSG and the UK entity have been reported as a component of discontinued operations in the Condensed Consolidated Statement of Operations and the Condensed Consolidated Statement of Cash Flows for the twelve months ended March 31, 2014 and 2013.

Reference herein to any particular year or quarter refers to periods within the fiscal year ended March 31. For example, fiscal 2015 refers to the fiscal year ended March 31, 2015.

2. Summary of Significant Accounting Policies

Principles of consolidation. The consolidated financial statements include the accounts of Agilysys, Inc. and subsidiaries. Investments in affiliated companies are accounted for by the equity or cost method, as appropriate. All inter-company accounts have been eliminated. Unless otherwise indicated, amounts in Notes to Consolidated Financial Statements refer to continuing operations.

Use of estimates. Preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

Cash and cash equivalents. We consider all highly liquid investments purchased with an original maturity from date of acquisition of three months or less to be cash equivalents. Other highly liquid investments considered cash equivalents with no established maturity date are fully redeemable on demand (without penalty) with settlement of principal and accrued interest on the following business day after instruction to redeem. Such investments are readily convertible to cash with no penalty and can include certificates of deposit, commercial paper, treasury bills, money market funds and other investments.

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability or unwillingness of our customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as historic trends of the entire customer pool. If

the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. To mitigate this credit risk we perform periodic credit evaluations of our customers.

Inventories. Our inventories are comprised of finished goods. Inventories are stated at the lower of cost or market, net of related reserves. The cost of inventory is computed using a weighted-average method. Our inventory is monitored to ensure appropriate valuation. Adjustments of inventories to the lower of cost or market, if necessary, are based upon contractual provisions such as turnover and assumptions about future demand and market conditions. If assumptions about future demand change and/or actual market conditions are less favorable than those projected by management, additional adjustments to inventory valuations may be required. We provide a reserve for obsolescence, which is calculated based on several factors, including an analysis of historical sales of products and the age of the inventory. Actual amounts could be different from those estimated.

Goodwill and Other Indefinite-Lived Intangible Assets. Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies. Goodwill is subject to impairment testing at least annually, unless it is determined after a qualitative assessment that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount. Goodwill is

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measured for impairment on an annual basis, or in interim periods if indicators of potential impairment exist. The Company is also required to compare the fair values of other indefinite-lived intangible assets to their carrying amounts at least annually, or when current events and circumstances require an interim assessment. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized.

For fiscal 2015 and 2014, we conducted a qualitative assessment (Step Zero Analysis) to determine whether it would be necessary to perform step one of the two-step goodwill impairment test. It was determined based on the Step Zero Analysis that it is more likely than not that the fair value exceeded the carrying amount as of February 1, 2015. Additional information regarding our goodwill and impairment analyses is provided in Note 7, Goodwill and Intangible Assets.

We had two indefinite-lived intangible assets relating to purchased trade names. During the fourth quarter of fiscal 2015, one of the two trade names was determined to have a finite life and subsequently written down to its fair value to be amortized over five years. The remaining indefinite-lived intangible asset is not amortized; rather, it is tested for impairment at least annually by comparing the carrying amount of the asset with the fair value. An impairment loss is recognized if the carrying amount is greater than fair value. The income approach using “the relief from royalty method” was used to value the trade names as of February 1, 2015. Additional information regarding our intangible assets and impairment analyses is provided in Note 7, Goodwill and Intangible Assets.

Intangible assets. Purchased intangible assets with finite lives are primarily amortized using the straight-line method over the estimated economic lives of the assets. Purchased intangible assets relating to customer relationships are amortized using an accelerated or straight-line method, which reflects the period the asset is expected to contribute to the future cash flows. Our finite-lived intangible assets are amortized over periods between two and eight years. Customer relationships are amortized over estimated useful lives between two and seven years; non-competition agreements are amortized over estimated useful lives between two and eight years; developed technology is amortized over estimated useful lives between three and eight years; supplier relationships are amortized over estimated useful lives between two and eight years.

Long-lived assets. Property and equipment are recorded at cost. Major renewals and improvements are capitalized. Minor replacements, maintenance, repairs, and reengineering costs are expensed as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized.

Depreciation and amortization are provided in amounts sufficient to amortize the cost of the assets, including assets recorded under capital leases, which make up less than one percent of total assets, over their estimated useful lives using the straight-line method. The estimated useful lives for depreciation and amortization are as follows: buildings and building improvements - 7 to 30 years; furniture - 7 to 10 years; equipment - 3 to 10 years; software - 3 to 10 years; and leasehold improvements over the shorter of the economic life or the lease term. Internal use software costs are expensed or capitalized depending on the project stage. Amounts capitalized are amortized over the estimated useful lives of the software, ranging from 3 to 10 years, beginning with the project's completion. Capitalized project expenditures are not depreciated until the underlying project is completed.

We evaluate the recoverability of our long-lived assets whenever changes in circumstances or events may indicate that the carrying amounts may not be recoverable. An impairment loss is recognized in the event the carrying value of the assets exceeds the future undiscounted cash flows attributable to such assets.

Foreign currency translation. The financial statements of our foreign operations are translated into U.S. dollars for financial reporting purposes. The assets and liabilities of foreign operations whose functional currencies are not in U.S. dollars are translated at the period-end exchange rates, while revenue and expenses are translated at

weighted-average exchange rates during the fiscal year. The cumulative translation effects are reflected as a component of “Accumulated other comprehensive loss” within shareholders' equity in the Consolidated Balance Sheets. Gains and losses on monetary transactions denominated in other than the functional currency of an operation are reflected within “Other (income) expenses, net” in the Consolidated Statements of Operations. Foreign currency gains and losses from changes in exchange rates have not been material to our consolidated operating results.

Revenue recognition. We derive revenue from the sale of products (i.e., server, storage, and point of sale hardware, and software), support, maintenance and subscription services and professional services. Revenue is recorded in the period in which the goods are delivered or services are rendered and when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price to the customer is fixed or determinable, and collection is reasonably assured. We reduce revenue for estimated discounts, sales incentives, estimated customer returns, and other allowances. Discounts are offered based on the volume of products and services purchased by customers. Shipping and handling fees billed to customers are recognized as revenue and the related costs are recognized in cost of goods sold. Revenue is recorded net of any applicable taxes collected and remitted to governmental agencies.

We frequently enter into multiple-element arrangements with customers including hardware, software, professional consulting services and maintenance support services. For arrangements involving multiple deliverables, when deliverables include software and non-

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software products and services, we evaluate and separate each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) the delivered item has value to the customer on a stand-alone basis; and (b) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in our control.

Consideration is allocated to each unit of accounting based on the unit's relative selling prices. In such circumstances, we use a hierarchy to determine the selling price to be used for allocating revenue to each deliverable: (i) vendor-specific objective evidence of selling price (VSOE), (ii) third-party evidence of selling price (TPE), and (iii) best estimate of selling price (BESP). VSOE generally exists only when we sell the deliverable separately and is the price actually charged by us for that deliverable. VSOE is established for our software maintenance services and we use TPE or BESP to establish selling prices for our non-software related services. BESP is primarily used for elements that are not consistently priced within a narrow range or TPE is not available. We determine BESP for a deliverable by considering multiple factors including product class, geography, average discount, and management's historical pricing practices. Amounts allocated to the delivered hardware and software elements are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the undelivered maintenance and other services elements are recognized as the services are provided or on a straight-line basis over the service period. In certain instances, customer acceptance is required prior to the passage of title and risk of loss of the delivered products. In such cases, revenue is not recognized until the customer acceptance is obtained. Delivery and acceptance generally occur in the same reporting period.

In situations where our solutions contain software that is more than incidental, revenue related to the software and software-related elements is recognized in accordance with authoritative guidance on software revenue recognition. For the software and software-related elements of such transactions, revenue is allocated based on the relative fair value of each element, and fair value is determined by VSOE. If we cannot objectively determine the fair value of any undelivered element included in such multiple-element arrangements, we defer revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, but fair value exists for the undelivered elements, we use the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Revenue recognition for complex contractual arrangements, especially those with multiple elements, requires a significant level of judgment and is based upon a review of specific contracts, past experience, the selling price of undelivered elements when sold separately, creditworthiness of customers, international laws and other factors. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

Revenue for hardware sales is recognized when the product is shipped to the customer and when obligations that affect the customer's final acceptance of the arrangement have been fulfilled. A majority of our hardware sales involves shipment directly from its suppliers to the end-user customers. In these transactions, we are responsible for negotiating price both with the supplier and the customer, payment to the supplier, establishing payment terms and product returns with the customer, and we bear the credit risk if the customer does not pay for the goods. As the principal contact with the customer, we recognize revenue and cost of goods sold when we are notified by the supplier that the product has been shipped. In certain limited instances, as shipping terms dictate, revenue is recognized upon receipt at the point of destination or upon installation at the customer site.

We offer proprietary software as well as remarketed software for sale to our customers. We offer our customers the right to license the software under a variety of models. Our customers can license our software under a perpetual model for an upfront fee or a subscription model. For subscription arrangements, we allow customers the right to use software, receive unspecified products as well as unspecified upgrades and enhancements and entitle the customer to

receive hosting services for a specified term. The subscription revenue is generally recognized ratably over the term of the arrangement, typically three to five years. Revenue from subscription service arrangements is included in Support, maintenance and subscription services in the Consolidated Statements of Operations. A majority of our software sales do not require significant production, modification, or customization at the time of shipment (physically or electronically) to the customer. Substantially all of our software license arrangements do not include acceptance provisions. As such, revenue from both proprietary and remarketed software sales is typically recognized when the software has been shipped. For software delivered electronically, delivery is considered to have occurred when the customer either takes possession of the software via downloading or has been provided with the requisite codes that allow for immediate access to the software based on the U.S. Eastern time zone time stamp.

We also offer proprietary and third-party services to our customers. Proprietary services generally include: consulting, installation, integration and training. Many of our software arrangements include consulting services sold separately under consulting engagement contracts. When the arrangements qualify as service transactions, consulting revenue from these arrangements are accounted for separately from the software revenue. The significant factors considered in determining whether the revenue should be accounted for separately include the nature of the services (i.e., consideration of whether the services are essential to the functionality of the software), degree of risk, availability of services from other vendors, timing of payments, and the impact of milestones or other

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customer acceptance criteria on revenue realization. If there is significant uncertainty about the project completion or receipt of payment for consulting services, the revenue is deferred until the uncertainty is resolved.

For certain long-term proprietary service contracts with fixed or “not to exceed” fee arrangements, we estimate proportional performance using the hours incurred as a percentage of total estimated hours to complete the project consistent with the percentage-of-completion method of accounting. Accordingly, revenue for these contracts is recognized based on the proportion of the work performed on the contract. If there is no sufficient basis to measure progress toward completion, the revenue is recognized when final customer acceptance is received. Adjustments to contract price and estimated service hours are made periodically, and losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. The aggregate of collections on uncompleted contracts in excess of related revenue is shown as a current liability

If an arrangement does not qualify for separate accounting of the software and consulting services, then the software revenue is recognized together with the consulting services using the percentage-of-completion or completed contract method of accounting. Contract accounting is applied to arrangements that include: milestones or customer-specific acceptance criteria that may affect the collection of revenue, significant modification or customization of the software, or provisions that tie the payment for the software to the performance of consulting services.

We also offer proprietary and third-party support to our customers. Support generally includes: support and maintenance of software and hardware products and subscription services. Revenue relating to proprietary support services is recognized evenly over the coverage period of the underlying agreement within support, maintenance and subscription revenue. In instances where we offer third-party support contracts to our customer, and the supplier is determined to be the primary obligor in the transaction, we report revenue at the time of the sale, only in the amount of the “commission” (equal to the selling price less the cost of sale) received rather than reporting revenue in the full amount of the selling price with separate reporting of the cost of sale.

Comprehensive (loss) income. Comprehensive (loss) income is the total of net (loss) income, as currently reported under GAAP, plus other comprehensive (loss) income. Other comprehensive (loss) income considers the effects of additional transactions and economic events that are not required to be recorded in determining net (loss) income, but rather are reported as a separate statement of comprehensive (loss) income.

Fair value measurements. We measure the fair value of financial assets and liabilities on a recurring or non-recurring basis. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. In determining fair value of financial assets and liabilities, we use various valuation techniques. Additional information regarding fair value measurements is provided in Note 16, Fair Value Measurements.

Investments in corporate-owned life insurance policies and marketable securities. Agilysys invests in corporate-owned life insurance policies and has historically invested in marketable securities primarily to satisfy future obligations of our employee benefit plans, including a benefit equalization plan (“BEP”) and supplemental executive retirement plan (“SERP”). Certain of these corporate-owned life insurance policies were held in a Rabbi Trust and were classified within “Other non-current assets” in the Consolidated Balance Sheets. Our investment in corporate-owned life insurance policies were recorded at their cash surrender value, which approximates fair value, at the balance sheet date. All obligations related to our employee benefit plans, BEP and SERP, were fulfilled in April 2012 with funds held in the Rabbi Trust.

Certain of these corporate-owned life insurance policies are endorsement split-dollar life insurance arrangements. We entered into a non-cancelable separate agreement with each of the former executives covered by these arrangements whereby we must maintain the life insurance policy for the specified amount and split a portion of the policy benefits

with the former executive's designated beneficiary.

Additional information regarding the investments in corporate-owned life insurance policies and marketable securities is provided in Note 12, Employee Benefit Plans.

Income Taxes. Income tax expense includes U.S. and foreign income taxes and is based on reported income before income taxes. We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are anticipated to be settled or realized.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical

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taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies.

We recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from uncertain tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. No tax benefits are recognized for positions that do not meet this threshold. Interest related to uncertain tax positions is recognized as part of the provision for income taxes and is accrued beginning in the period that such interest would be applicable under relevant tax law until such time that the related tax benefits are recognized. Our income taxes are described further in Note 11, Income Taxes.

Changes to Prior Period Presentation. In the first quarter of fiscal 2014, as a result of increased visibility into our services organization, certain costs previously classified in product development expenses were recorded in cost of goods sold to more properly reflect the nature of these expenses. The portion of these expenses that was erroneously recorded in previous periods was immaterial to the overall financial statements. Prior period presentation has been modified to conform to the current presentation.

Correction of Error. During the first quarter of fiscal 2013, we recorded out-of-period adjustments to increase revenues, restructuring, severance and other charges and asset write-offs and other fair value adjustments by \$0.3 million, \$0.7 million and \$0.2 million, respectively. The net impact of the adjustments increased our operating loss by \$0.6 million, or \$(0.03) per share, and represents a correction of error. In fiscal 2012, we erroneously omitted certain revenue transactions, the costs associated with certain terminated individuals and certain third party development costs for our previously impaired developed technology. Management performed an evaluation under Staff Accounting Bulletin No. 108 and concluded the effect of the adjustment was immaterial to prior year's financial statements as well as the full-year fiscal 2013 financial statements.

Capitalized Software Development Costs. The capitalization of software development cost for external use begins when a product's technological feasibility has been established. Capitalization ends when the resulting product is available for general market release. Amortization of the capitalized software is classified within products cost of goods sold in the Consolidated Statements of Operations. For each capitalized software product, the annual amortization is equal to the greater of: (i) the amount computed using the ratio that the software product's current fiscal year gross revenue bears to the total current fiscal year and anticipated future gross revenues for that product or (ii) the amount computed based on straight-line method over the remaining estimated economic life of the product, which is a range between three and eight years. The amount by which unamortized software costs exceeds the net realizable value, if any, is recognized as a charge to income in the period it is determined. We capitalized approximately \$17.2 million, \$13.7 million and \$4.9 million during fiscal 2015, 2014 and 2013, respectively. Amortization of non-acquired developed capitalized software was \$1.2 million, \$0.2 million and \$0.1 million during fiscal 2015, 2014 and 2013, respectively.

Adopted and Recently Issued Accounting Pronouncements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which converges the FASB and the International Accounting Standards Board standard on revenue recognition. Areas of revenue recognition that will be affected include, but are not limited to, transfer of control, variable consideration, allocation of transfer pricing, licenses, time value of money, contract costs and disclosures. This is effective for the fiscal years and interim reporting periods beginning after December 15, 2016. In April 2015, the FASB voted for a one-year deferral of the effective date of the new revenue recognition standard. Transition to the new guidance may be done using either a full or modified retrospective method. We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our consolidated

financial statements or related disclosures.

In April 2014, FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which requires only disposals representing a strategic shift in operations that have a major effect on operations and financial results to be presented as discontinued operations. The guidance also requires expanded financial disclosures about discontinued operations and significant disposals that do not qualify as discontinued operations. This is effective for the fiscal years and interim reporting periods beginning after December 15, 2014. The adoption of the ASU did not have any impact on our financial statements.

In July 2013, FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance is effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. We adopted the provisions of ASU 2013-11 beginning April 1, 2014. The adoption of the ASU did not have any impact on our financial statements.

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Management continually evaluates the potential impact, if any, of all recent accounting pronouncements on our consolidated financial statements or related disclosures and, if significant, makes the appropriate disclosures required by such new accounting pronouncements.

3. Acquisitions

Purchase of assets from Dining Ventures - Fiscal 2015

On July 3, 2014 Agilysys purchased certain assets from Dining Ventures, Inc. The acquired assets are the base for our rGuest Seat product, a dining reservations and table management application. The purchase consideration consisted of approximately \$3.8 million and was funded with cash on hand. Management concluded that this acquisition was not a material acquisition under the provisions of ASC 805, Business Combinations (ASC 805). The results derived from this purchased asset have been included in our Consolidated Financial Statements from the date of acquisition and did not have a material impact on our condensed consolidated financial statements or related disclosures.

The following is a summary of the fair values of the assets acquired in the acquisition:

(In thousands)

Goodwill	\$2,464
Developed technology	1,286
Total assets acquired	\$3,750

The goodwill of approximately \$2.5 million arising from the acquisition consists largely of synergies expected from combining the developed technology of Dining Ventures with Agilysys' operations. The goodwill from this acquisition is deductible for tax purposes over a period of 15 years.

The following is a summary of the intangible asset acquired and the weighted-average useful life over which it will be amortized.

	Purchased assets	Weighted-average useful life
Developed technology	\$1,286	5 years

The developed technology acquired from Dining Ventures was determined to be an internal use asset and is therefore carried in fixed assets on the balance sheet and amortized in operating expenses.

Purchase of TimeManagement Corporation - Fiscal 2014

On June 10, 2013, Agilysys purchased certain assets and assumed certain liabilities of TimeManagement Corporation (TMC), a privately-owned Minneapolis-based technology provider with solutions that streamline workforce management environments for hospitality operators. This technology based acquisition is consistent with the core value we provide to the industry and integrates with our point-of-sale, inventory and procurement systems, including InfoGenesis™ point of sale system and Eatec® inventory and procurement solution. The purchase consideration consisted of \$1.8 million in cash paid and \$1.8 million of contingent consideration. The fair value of the contingent consideration was estimated to be \$1.8 million at the date of acquisition and is expected to be paid out over the next five years. Payments could vary based on actual revenue during that time. The fair value of the contingent consideration was determined by calculating the probability-weighted earn-out payments based on the assessment of the likelihood that certain milestones would be achieved. As of March 31, 2015, we recorded a gain of \$1.6 million to adjust the carrying value of the TMC contingent consideration to fair value. This adjustment was recorded as a result of a decrease in expected revenues associated with the contingent consideration. The gain was recorded within "Asset write-offs and other fair value adjustments" in the Consolidated Statements of Operations.

The acquisition was funded with cash on hand. Management concluded that this acquisition was not a material acquisition under the provisions of ASC 805, Business Combinations. The operations of the purchased business have been included in our Consolidated Financial Statements from the date of acquisition and did not have a material impact on our Consolidated Financial Statements or related disclosures.

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The following is a summary of the estimated fair values of the assets acquired and liabilities assumed from the acquisition:

(In thousands)

Current assets	\$327
Property and equipment	88
Goodwill	3,444
Developed technology	605
Total assets acquired	4,464
Total liabilities assumed (all current)	914
Net assets acquired	\$3,550

The goodwill of approximately \$3.4 million arising from the acquisition consists largely of synergies and economies of scale expected from combining the operations of Agilysys and TMC. The goodwill from this acquisition is deductible for tax purposes over a period of fifteen years.

The following is a summary of the intangible asset acquired and the weighted-average useful life over which it will be amortized.

	Purchased assets	Weighted-average useful life
Developed technology	\$605	5 years

The developed technology acquired from TMC was determined to be software to be sold, leased, or otherwise marketed, and is therefore carried in intangible assets on the balance sheet and is amortized on a straight-line basis as Products cost of goods sold within the Consolidated Statements of Operations.

4. Discontinued Operations

UK Entity – Fiscal 2014

In March 2014, we completed the sale of our UK entity to Verteda Limited (Verteda), a U.K. based company, for total consideration of approximately \$0.6 million, comprised of \$0.7 million in cash and a receivable due to Agilysys from Verteda of \$0.8 million, net of cash on hand of \$0.9 million. During fiscal 2015 we received full payment of the amount due to Agilysys from Verteda. In connection with the sale, we have entered into a multi-year distribution agreement whereby Verteda will distribute certain Agilysys products within the U.K. We will continue to manage all property management system accounts as well as key global accounts in the EMEA market. The sale of our UK entity represented a disposal of a component of an entity. As such, the operating results of the UK entity have been reported as a component of discontinued operations in the Consolidated Statements of Operations for the periods presented. In addition, the assets and liabilities of the UK entity are classified as discontinued operations in our Consolidated Balance Sheets for the periods presented.

RSG – Fiscal 2014

In July 2013, we completed the sale of our RSG business to Kyros Solutions, Inc. (Kyros), an affiliate of Clearlake Capital Group, L.P., for total consideration of approximately \$37.6 million in cash, including a working capital adjustment of \$3.1 million. Upon the close of the transaction, the aggregate purchase price was reduced by fees of approximately \$1.6 million for transaction related costs, resulting in net proceeds received of approximately \$36.0 million. In addition to the purchase agreement, we entered into a transition services agreement with Kyros, under which we provided certain transitional administrative and support services to Kyros through January 31, 2014. The sale of RSG represented a disposal of a component of an entity. As such, the operating results of RSG have been reported as a component of discontinued operations in the Consolidated Statements of Operations for the periods

presented.

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Components of Results of Discontinued Operations

For fiscal 2014 and 2013, the income from discontinued operations was comprised of the following:

(In thousands)	Year ended March 31,	
	2014	2013
Discontinued operations:		
Net revenue	\$28,950	\$143,261
Income from operations	249	\$8,196
Other expense, net	(266)	(447)
Gain on sale	21,933	—
Income on sale	21,916	7,749
Income tax expense	1,924	2,833
Income from discontinued operations	\$19,992	\$4,916

The gain on sale included in "Income from discontinued operations" in fiscal 2014 includes a reclassification of foreign currency translation adjustments of \$0.7 million, net of taxes as a result of the sale of the UK entity.

5. Restructuring Charges

We recognize restructuring charges when a plan that materially changes the scope of our business or the manner in which that business is conducted is adopted and communicated to the impacted parties, and the expenses have been incurred or are reasonably estimable. In addition, we assess the property and equipment associated with the related facilities for impairment. The remaining useful lives of property and equipment associated with the related operations are re-evaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

Fiscal 2015 Restructuring Activity

Q2 - In the second quarter of fiscal 2015, we implemented restructuring actions to better align product development, sales and marketing and general and administrative functions with our company strategy and to reduce operating costs. To date, we have recorded \$0.2 million in restructuring charges related to the Q2 fiscal 2015 restructuring activity, comprised of severance and other employee related benefits. As of March 31, 2015, there was no further liability for the Q2 fiscal 2015 restructuring activity.

Q4 - In the fourth quarter of fiscal 2015, we announced additional restructuring actions designed to continue the effort to better align product development, sales and marketing and general and administrative functions with our company strategy and to reduce operating costs. To date, we have recorded \$0.5 million in restructuring charges related to the Q4 fiscal 2015 restructuring activity, comprised of severance and other employee related benefits. As of March 31, 2015, we had a remaining liability of approximately \$0.5 million recorded for the Q4 fiscal 2015 restructuring activity.

Fiscal 2014 Restructuring Activity

Q1 - In the first quarter of fiscal 2014, we announced restructuring actions to better align corporate functions and to reduce operating costs, following the sale of RSG. These restructuring activities were completed in fiscal 2014. We recorded \$0.7 million in restructuring charges during fiscal 2014, comprised of severance and other employee related benefits. As of March 31, 2014, there was no further liability for the Q1 fiscal 2014 restructuring activity.

Q4 - In the fourth quarter of fiscal 2014, we initiated a restructuring plan to maximize sales effectiveness and more closely align sales and marketing efforts for targeted vertical growth, new product launches, and marketing alliances, and to shift development resources to the next generation products. We recorded approximately \$0.6 million in restructuring charges during fiscal 2014, comprised of severance and other employee related benefits. As of March 31, 2014, we had a remaining liability of approximately \$0.5 million recorded for the Q4 fiscal 2014 restructuring activity.

Fiscal 2012 Restructuring Activity

In the first quarter of fiscal 2012, we announced restructuring actions, including the relocation of our corporate services from Solon, Ohio to Alpharetta, Georgia, designed to better align those services with our operating units and reduce costs following the sale of TSG. These restructuring actions were mostly completed by March 31, 2012 and impacted approximately 130 employees. To date, we

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have recorded \$12.1 million in restructuring charges. These charges were primarily comprised of severance and related benefits. As of March 31, 2015, there was no further liability for fiscal 2012 restructuring activity.

Following is a reconciliation of the beginning and ending balances of the restructuring liability:

(In thousands)	Balance at March 31, 2014	Provision	Payments	Balance at March 31, 2015
Fiscal 2015 Restructuring Plan:				
Severance and employment costs	\$—	\$628	\$(178)	) \$450
Fiscal 2014 Restructuring Plan:				
Severance and employment costs	534	368	(902)) —
Total restructuring costs	534	996	(1,080)	) 450

(In thousands)	Balance at March 31, 2013	Provision	Payments	Balance at March 31, 2014
Fiscal 2014 Restructuring Plan:				
Severance and employment costs	—	1,257	(723)	) 534
Fiscal 2012 Restructuring Plan:				
Severance and employment costs	348	—	(348)) —
Fiscal 2009 Restructuring Plan:				
Facilities costs	236	32	(268)) —
Total restructuring costs	584	1,289	(1,339)	) 534

(In thousands)	Balance at March 31, 2012	Provision	Payments and Settlements	Balance at March 31, 2013
Fiscal 2012 Restructuring Plan:				
Severance and employment costs	\$5,257	\$1,146	\$(6,055)	) \$348
Facilities costs	297	(57)	) (240)) —
Fiscal 2009 Restructuring Plan:				
Severance and employment costs	—	—	—	—
Facilities costs	495	(2)	) (257)	) 236
Total restructuring costs	\$6,049	\$1,087	\$(6,552)	) \$584

The remaining severance and other employment costs of approximately \$0.45 million will be paid in fiscal 2016.

6. Property and Equipment, Net

Property and equipment at March 31, 2015 and 2014 is as follows:

(In thousands)	Year ended March 31,	
	2015	2014
Furniture and equipment	\$8,241	\$8,849
Software	8,196	16,982
Leasehold improvements	4,773	4,836
Project expenditures not yet in use	866	2,749
	22,076	33,416
Accumulated depreciation and amortization	(10,147))(21,165)

Property and equipment, net	\$ 11,929	\$ 12,251
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Total depreciation expense on property and equipment was \$2.2 million, \$2.1 million, and \$2.1 million during fiscal 2015, 2014 and 2013, respectively.

Total amortization expense on capitalized internal-use software was \$2.5 million, \$5.3 million and \$2.1 million during fiscal 2015, 2014, and 2013, respectively. In fiscal 2014, we initiated an internal enterprise resource planning (ERP) system replacement project and determined that amortization for our existing ERP system should be accelerated. We recorded approximately \$3.2 million in fiscal 2014 of additional amortization in connection with this acceleration. The existing ERP system was fully amortized as of June 30, 2014.

During the fourth quarter of fiscal 2015, a shift in customer preference for next generation offerings with more features and compatibility as compared to our Elevate™ POS hosted subscription solution, resulted in a write-off in the amount of \$1.5 million. In fiscal 2014, we wrote off approximately \$0.3 million related to certain internal use software in connection with the ERP system replacement project. These charges are classified within "Asset write-offs and other fair value adjustments" in the Consolidated Statements of Operations.

Assets under capital leases are included in property and equipment categories above. Total assets under capital leases at March 31, 2015 and 2014 are as follows:

(In thousands)	Year ended March 31,	
	2015	2014
Capital leases	\$ 499	\$ 817
Less accumulated depreciation	(213	)(692
Assets under capital lease, net	\$ 286	\$ 125

7. Goodwill, Intangible Assets and Software Development Costs

Agilysys allocates the cost of its acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the cost over the fair value of the identified net assets acquired is recorded as goodwill.

Goodwill

Agilysys tests goodwill for impairment at the reporting unit level upon identification of impairment indicators, or at least annually. A reporting unit is the operating segment or one level below the operating segment (depending on whether certain criteria are met). Goodwill was allocated to our reporting units that are anticipated to benefit from the synergies of the business combinations generating the underlying goodwill. Agilysys has one operating segment.

We conducted our annual qualitative assessment (Step Zero Analysis) test on February 1, 2015 and 2014 to determine whether it would be necessary to perform the two-step goodwill impairment test. Among other things, we considered the i) excess in fair value of the reporting unit over its carrying amount from the most recent step one calculation, ii) macroeconomic conditions, iii) industry and market trends, and iv) overall financial performance. It was determined based on the Step Zero Analysis that it is more likely than not that the fair value of the operations exceeded its carrying amount.

The changes in the carrying amount of goodwill for the years ended March 31, 2015 and 2014 are as follows:

(In thousands)	
Balance at March 31, 2013	\$ 14,128
Acquisitions	3,444
Impact of foreign currency translation	196
Allocation of goodwill to UK entity	(610
Balance at March 31, 2014	17,158

Acquisitions	2,464
Balance at March 31, 2015	\$19,622

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Intangible Assets and Software Development Costs

The following table summarizes our intangible assets at March 31, 2015, and 2014:

(In thousands)	2015			2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:						
Customer relationships	\$10,775	\$(10,775)	\$—	\$10,775	\$(10,080)	\$695
Non-competition agreements	2,700	(2,700)	—	2,700	(2,473)	227
Developed technology	10,660	(10,277)	383	10,660	(10,156)	504
Trade names	230	(7)	223	—	—	—
Patented technology	80	(80)	—	80	(80)	—
	24,445	(23,839)	606	24,215	(22,789)	1,426
Unamortized intangible assets:						
Trade names	9,200	N/A	9,200	9,200	N/A	9,200
Accumulated impairment	(570)	) N/A	(570)	) —	N/A	—
Finite life reclassification	(230)	) N/A	(230)	) —	N/A	—
	8,400	N/A	8,400	9,200	N/A	9,200
Total intangible assets	\$32,845	\$(23,839)	\$9,006	\$33,415	\$(22,789)	\$10,626
Software development costs						
Software development costs	\$6,359	\$(1,443)	\$4,916	\$5,094	\$(270)	\$4,824
Project expenditures not yet in use	28,293	—	28,293	12,397	—	12,397
Accumulated impairment	(1,391)	) N/A	(1,391)	) —	N/A	—
Total software development costs	\$33,261	\$(1,443)	\$31,818	\$17,491	\$(270)	\$17,221

Indefinite-lived intangible assets, comprised of two purchased trade names InfoGenesis™ and Eatec®, are tested for impairment upon identification of impairment indicators, or at least annually. An impairment loss is recognized if the carrying amount is greater than fair value. The income approach using "the relief from royalty method" was used to value the trade names as of February 1, 2015 and 2014. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors, including estimates of future cash flows, royalty rates, discount rates and other variables.

During the fourth quarter of fiscal 2015, certain restructuring activities incurred to better align product development, sales and marketing and general and administrative functions impacted the expected remaining useful life of the products under the Eatec® trade name. The trade name was determined to have a finite life and subsequently written down to its fair value to be amortized over five years. The fair value of this trade name was calculated based on future cash flows over the remaining useful life resulting in an impairment charge of \$0.6 million as of March 31, 2015. This charge is classified within "Asset write-offs and other fair value adjustments" in the Consolidated Statements of Operations. The InfoGenesis™ indefinite-lived purchased trade name was tested for impairment as of February 1, 2015 and 2014, resulting in a fair value exceeding the carrying amount each year.

At each balance sheet date, the unamortized capitalized software development costs for external use is compared to the net realizable value of that product. The amount by which unamortized software costs exceeds the net realizable value, if any, is recognized as a charge to income in the period it is determined. As of March 31, 2015, we determined that the remaining net book value of our InfoGenesis Mobile (IG Mobile) software exceeded its net realizable value resulting in an impairment charge of \$1.4 million. This charge is classified within "Asset write-offs and other fair

value adjustments" in the Consolidated Statements of Operations.

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The following table summarizes our remaining estimated amortization expense relating to in service intangible assets.

(In thousands) Fiscal year ending March 31,	Estimated Amortization Expense
2016	\$1,068
2017	1,067
2018	1,067
2019	844
2020	85
Total	\$4,131

Amortization expense related to software development costs related to assets to be sold, leased, or otherwise marketed was \$1.3 million, \$0.3 million and \$0.8 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. These charges are included as Products cost of goods sold within the Consolidated Statements of Operations. Amortization expense relating to other definite-lived intangible assets was \$0.9 million, \$1.2 million, and \$1.2 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. These charges are classified as operating expenses within the Consolidated Statements of Operations.

Capitalized software development costs are carried on our balance sheet at net realizable value, net of accumulated amortization. We capitalized approximately \$17.2 million, \$13.7 million and \$4.9 million during fiscal 2015, 2014 and 2013, respectively.

8. Financing Arrangements

The following is a summary of long-term obligations at March 31, 2015, and 2014:

(In thousands)	2015	2014
Capital lease obligations	\$189	\$335
Less: current maturities	(142)	(43)
Long -term capital lease obligations	\$47	\$292

Capital Leases

Agilysys leases certain equipment under capital leases expiring in various years through fiscal 2018. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the shorter of their related lease terms or their estimated productive lives. Assets recorded under capital leases were \$0.5 million and \$0.8 million, as of March 31, 2015 and 2014, respectively. Accumulated depreciation related to assets recorded under capital leases was \$0.2 million and \$0.7 million as of March 31, 2015 and 2014, respectively. Depreciation of assets under capital leases is included in depreciation expense.

Minimum future lease payments under capital leases as of March 31, 2015, are as follows:

(In thousands)	Amount
Fiscal year ending March 31,	
2016	\$147
2017	30
2018	19
Total minimum lease payments	\$196
Less: amount representing interest	(7)

Present value of minimum lease payments

\$189

Interest rates on capitalized leases vary from 2.6% to 10.1% and are imputed based on the lower of our incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

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9. Supplemental Disclosures of Cash Flow Information

Additional information related to the Consolidated Statements of Cash Flows is as follows:

(In thousands)	Year ended March 31,		
	2015	2014	2013
Cash (received) payments for interest, net	(62	) 110	252
Cash payments from income tax, net	19	485	9
Acquisition of property and equipment under lease obligations	—	410	41

10. Additional Balance Sheet Information

Additional information related to the Consolidated Balance Sheets is as follows:

(In thousands)	Year ended March 31,	
	2015	2014
Accrued liabilities:		
Salaries, wages, and related benefits	\$6,768	\$8,308
Other taxes payable	952	1,122
Accrued legal settlements	70	1,630
Restructuring liabilities	450	534
Severance liabilities	199	—
Professional fees	504	674
Software license fees	—	500
Deferred rent	279	477
Contingent consideration	8	127
Other	771	860
Total	\$10,001	\$14,232
Other non-current liabilities:		
Income taxes payable/uncertain tax positions	\$1,499	\$2,440
Deferred rent	1,666	1,755
Contingent consideration	104	1,612
Other	358	358
Total	\$3,627	\$6,165

Accounts Receivable, net

Accounts receivable, net of allowance for doubtful accounts was \$25.5 million and \$23.6 million as of March 31, 2015 and March 31, 2014, respectively. The related allowance for doubtful accounts was \$0.9 million and \$1.1 million as of March 31, 2015 and March 31, 2014, respectively. On January 12, 2015, an involuntary bankruptcy petition was filed against Caesars Entertainment Operating Company, Inc. (Caesars) under Chapter 11 of the U.S. Bankruptcy Code. On January 15, 2015, Caesars and certain of its affiliates filed a voluntary bankruptcy petition under Chapter 11. Those cases have been consolidated in the United States Bankruptcy Court for the Northern District of Illinois. At March 31, 2015, our accounts receivables owing by Caesars and its affiliates who have filed a bankruptcy petition totaled approximately \$3.2 million, including both pre- and post-petition claims. The total amount owed represents approximately 13% of our outstanding accounts receivable as of March 31, 2015. As of May 26, 2015, we filed a proof of claim with the Bankruptcy Court identifying approximately \$0.7 million of pre-petition claims still outstanding. Caesars entertainment properties have continued to operate in the ordinary course following the bankruptcy filing, and we have continued to do business with Caesars in the ordinary course.

11. Income Taxes

For the year ended March 31, income from continuing operations before income taxes consisted of the following:

(In thousands)	2015	2014	2013
Loss before income taxes			
United States	\$(12,697)	\$(5,475)	\$(9,594)
Foreign	146	89	262
Total loss from continuing operations before income taxes	\$(12,551)	\$(5,386)	\$(9,332)

For the year ended March 31, income tax (benefit) expense consisted of the following:

(In thousands)	2015	2014	2013
Income tax (benefit) expense			
Current:			
Federal	\$25	\$(2,206)	\$(3,002)
State and local	(798)	(161)	28
Foreign	90	55	100
Deferred:			
Federal	(206)	(161)	—
State and local	(141)	(20)	(252)
Foreign	(24)	2	8
Total income tax benefit	\$(1,054)	\$(2,491)	\$(3,118)

The following table presents the principal components of the difference between the effective tax rate for continuing operations to the U.S. federal statutory income tax rate for the years ended March 31:

(In thousands)	2015	2014	2013
Income tax benefit at the statutory rate of 35%	\$(4,405)	\$(2,103)	\$(3,266)
(Benefit) provision for state taxes	(172)	(106)	(14)
Impact of foreign operations	11	14	(48)
Indefinite life assets	—	47	(251)
Officer life insurance	(20)	(28)	(75)
Change in valuation allowance	4,241	(76)	627
Change in liability for unrecognized tax benefits	(857)	(561)	(230)
Meals and entertainment	102	113	114
Other	46	209	25
Total income tax benefit	\$(1,054)	\$(2,491)	\$(3,118)

Our tax provision includes a provision for income taxes in certain foreign jurisdictions where subsidiaries are profitable, but only a minimal benefit is reflected related to U.S. and certain foreign tax losses due to the uncertainty of the ultimate realization of future benefits from these losses. The 2015 tax benefit primarily results from the expiration of statute of limitations for unrecognized tax positions and the recognition of a valuation allowance on the Eatec purchased trade name deferred tax liability that was converted from an indefinite life to a finite life. The 2015 tax benefit differs from the statutory rate primarily due to the recognition of net operating losses as deferred tax assets, which were offset by increases in the valuation allowance, a decrease in unrecognized tax benefits attributable to expiration of statute of limitations, state taxes and other U.S. permanent book to tax differences.

The 2014 and 2013 tax benefit differs from the statutory rate primarily due to the intra-period tax allocation rules associated with the discontinued operations and recognition of net operating losses as deferred tax assets, which were offset by increases in the valuation allowance. Other items affecting the rate include a decrease in unrecognized tax benefits attributable to expiration of statute of limitations, state taxes and other U.S. permanent book to tax differences.

Deferred tax assets and liabilities as of March 31, are as follows:

(In thousands)	2015	2014
Deferred tax assets:		
Accrued liabilities	\$3,961	\$3,884
Allowance for doubtful accounts	297	408
Inventory valuation reserve	24	14
Restructuring reserve	—	54
Federal losses and credit carryforwards	58,992	55,231
Foreign net operating losses	326	330
State losses and credit carryforwards	10,162	10,706
Deferred compensation	—	70
Deferred revenue	146	61
Goodwill and other intangible assets	3,129	3,611
Other	340	514
	77,377	74,883
Less: valuation allowance	(76,420)	(73,014)
Total	957	1,869
Deferred tax liabilities:		
Property and equipment & software amortization	(690)	(1,560)
Indefinite-lived goodwill & intangible assets	(3,324)	(3,622)
Other	34	(81)
Total	(3,980)	(5,263)
Total deferred tax liabilities	\$(3,023)	\$(3,394)

At March 31, 2015, we had \$170.3 million of a federal net operating loss carryforward that expires, if unused, in fiscal years 2031 to 2035. Included in this net operating loss is \$4.2 million of tax deductions in excess of recorded windfall tax benefits associated with stock-based compensation. Upon realization of the U.S. federal net operating losses, we will recognize a windfall tax benefit as an increase to additional paid-in capital. Our Hong Kong subsidiary has \$0.3 million of net operating loss carryforwards that can be carried forward indefinitely. At March 31, 2015 we also had \$143.7 million of state net operating loss carryforwards that expire, if unused, in fiscal years 2016 through 2035.

We recorded valuation allowances related to certain deferred income tax assets due to the uncertainty of the ultimate realization of the future benefits from those assets. At March 31, 2015, the total valuation allowance against deferred tax assets of \$76.4 million was comprised of a valuation allowance of \$76.1 million for federal and state deferred tax assets, and a valuation allowance of \$0.3 million associated with deferred tax assets in Hong Kong. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. We have recorded a valuation allowance offsetting substantially all of our deferred tax assets. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax assets, we will need to generate future taxable income before the expiration of the deferred tax assets governed by the tax code. Because of our losses in prior periods, management believes that it is more-likely-than-not that we will not realize the benefits of these deductible differences.

The undistributed earnings of our foreign subsidiaries are not subject to U.S. federal and state income taxes unless such earnings are distributed in the form of dividends or otherwise to the extent of current and accumulated earnings and profits. The undistributed earnings of foreign subsidiaries are permanently reinvested and totaled \$0.7 million and \$1.8 million as of March 31, 2015 and 2014, respectively. We made the determination of permanent reinvestment on

the basis of sufficient evidence that demonstrates we will invest the undistributed earnings overseas indefinitely for use in working capital, as well as foreign acquisitions and expansion. The determination of the amount of the unrecognized deferred U.S. income tax liability related to the undistributed earnings is not practicable.

We use the with-and-without approach for ordering tax benefits derived from the share-based payment awards. Using the with-and-without approach, actual income taxes payable for the period are compared to the amount of tax payable that would have been

incurred absent the deduction for employee share-based payments in excess of the amount of compensation cost recognized for financial reporting. As a result of this approach, tax net operating loss carryforwards not generated from share-based payments in excess of cost recognized for financial reporting are considered utilized before the current period's share-based deduction. We did not recognize any tax benefits during 2015 for stock-based compensation. We recognized less than \$0.1 million of excess tax benefits during 2014. We did not recognize any tax benefits during 2013 for stock-based compensation.

We recorded a liability for unrecognized tax positions. The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the years ended March 31:

(In thousands)	2015	2014	2013
Balance at April 1	\$2,568	\$4,248	\$2,873
Additions:			
Relating to positions taken during current year	—	—	1,624
Relating to positions taken during prior year	—	—	—
Reductions:			
Relating to tax settlements	—	—	—
Relating to positions taken during prior year	(204)	(1,238)	—
Relating to lapse in statute	(609)	(442)	(249)
Balance at March 31	\$1,755	\$2,568	\$4,248

As of March 31, 2015, we had a liability of \$1.8 million related to uncertain tax positions, the recognition of which would affect our effective income tax rate.

Although the timing and outcome of tax settlements are uncertain, it is reasonably possible that during the next 12 months a reduction in unrecognized tax benefits may occur in the range of zero to \$0.1 million as a result of the expiration of various statutes of limitations. We are routinely audited and the outcome of tax examinations could also result in a reduction in unrecognized tax benefits. Other changes could occur in the amount of gross unrecognized tax benefits during the next 12 months which cannot be estimated at this time.

We recognize interest accrued on any unrecognized tax benefits as a component of income tax expense. Penalties are recognized as a component of general and administrative expenses. We recognized interest and penalty benefit of \$0.3 million, benefit of \$0.2 million and expense of \$0.1 million for the years ended March 31, 2015, 2014 and 2013, respectively. As of March 31, 2015 and 2014, we had approximately \$0.8 million and \$1.1 million of interest and penalties accrued, respectively.

In the U.S. we file consolidated federal and state income tax returns where statutes of limitations generally range from three to five years. Although we have resolved examinations with the IRS through tax year ended March 31, 2010, U.S. federal tax years are open from 2006 forward due to attribute carryforwards. The statute of limitations is open from fiscal year 2002 forward in certain state jurisdictions. We also file income tax returns in international jurisdictions where statutes of limitations generally range from three to seven years. Years beginning after 2007 are open for examination by certain foreign taxing authorities.

12. Employee Benefit Plans

401(k) Plan

We maintain 401(k) plans for employees meeting certain service requirements. Generally, the plans allow eligible employees to contribute a portion of their compensation, and we match \$1.00 for every \$1.00 on the first 1% of the employee's pre-tax contributions and \$0.50 for every \$0.50 up to the next 5% of the employee's pre-tax contributions.

We may also make discretionary contributions each year for the benefit of all eligible employees under the plans. Agilysys matching contributions were \$1.3 million, \$1.2 million, and \$1.1 million in fiscal 2015, 2014, and 2013, respectively.

Endorsement Split-Dollar Life Insurance

Agilysys provides certain former executives with life insurance benefits through endorsement split-dollar life insurance arrangements. We entered into a separate agreement with each of the former executives covered by these arrangements whereby we must maintain the life insurance policy for the specified amount and split a portion of the policy benefits with the former executive's designated beneficiary. In fiscal 2014, we increased the cash surrender value of one of these policies by \$0.5 million due to the anticipated

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redemption and recorded the benefit in "Other (income) expenses, net" in the accompanying Consolidated Statements of Operations. In the first quarter of fiscal 2015, this policy was redeemed for \$2.0 million.

The expense related to these benefit obligations is based on estimates developed by management by evaluating actuarial information and including assumptions with respect to discount rates and mortality. The expense associated with these benefits was classified within "General, and administrative" in our Consolidated Statements of Operations. The related liability, which was \$0.2 million at March 31, 2015 and 2014, respectively, was recorded within "Other non-current liabilities" in our Consolidated Balance Sheets. The aggregate cash surrender value of the underlying corporate-owned split-dollar life insurance contracts, which were classified within "Other non-current assets" in our Consolidated Balance Sheets, was \$2.5 million (net of policy loans of \$0.6 million) at March 31, 2015. The aggregate cash surrender value of the underlying corporate-owned split-dollar life insurance contracts which were classified within "Other current assets" and "Other non-current assets" in our Consolidated Balance Sheets was \$2.0 million and \$2.4 million (net of policy loans of \$0.2 million) at March 31, 2014.

Changes in the cash surrender value of these policies related to gains and losses incurred on these investments are classified within "Other (income) expenses, net" in the accompanying Consolidated Statements of Operations. We recorded a gain of \$0.1 million dollars in fiscal 2015, a gain of \$0.6 million in fiscal 2014 and a gain of \$0.1 million in fiscal 2013 related to the corporate-owned life insurance policies.

13. Commitments and Contingencies

Operating Leases

We lease certain facilities and equipment under non-cancelable operating leases which expire at various dates through fiscal 2022 and require us to pay a portion of the related operating expenses such as maintenance, property taxes, and insurance. Certain facilities and equipment leases contain renewal options for periods up to ten years. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Certain facilities leases have free or escalating rent payment provisions. Rent expense under such leases is recognized on a straight-line basis over the lease term.

The following is a schedule by year of future minimum rental payments required under operating leases, excluding the related operating expenses, which have initial or remaining non-cancelable lease terms in excess of a year as of March 31, 2015:

(In thousands)	Amount
Fiscal year ending March 31,	
2016	\$2,285
2017	2,054
2018	2,003
2019	1,540
2020	1,492
Thereafter	2,599
Total minimum lease payments	\$11,973

Rental expense for all non-cancelable operating leases amounted to \$2.5 million, \$2.5 million, and \$2.4 million for fiscal 2015, 2014, and 2013, respectively.

Asset Retirement Obligations

An asset retirement obligation liability represents the estimated costs to bring certain office buildings that we lease back to their original condition after the termination of the lease. In instances where our lease agreements either contain make-whole provisions or subject us to remediation costs, we establish an asset retirement obligation liability with a corresponding leasehold improvement asset. The asset retirement obligation is included in “Accrued liabilities” and “Other non-current liabilities” in the Consolidated Balance Sheets. As of March 31, 2015, the current and long-term portion of the asset retirement obligation liability was \$35,000 and \$0.4 million, respectively. As of March 31, 2014, the current and long-term portion of the asset retirement obligation was \$25,200 and \$0.4 million, respectively.

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Legal Contingencies

Agilysys is the subject of various threatened or pending legal actions and contingencies in the normal course of conducting its business. We provide for costs related to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount or timing of the resolution of such matters. While it is not possible to predict with certainty, management believes that the ultimate resolution of such individual or aggregated matters will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

On April 6, 2012, Ameranth, Inc. filed a complaint against us for patent infringement in the United States District Court for the Southern District of California. The complaint alleges, among other things, that point-of-sale and property management and other hospitality information technology products, software, components and/or systems sold by us infringe three patents owned by Ameranth purporting to cover generation and synchronization of menus, including restaurant menus, event tickets, and other products across fixed, wireless and/or internet platforms as well as synchronization of hospitality information and hospitality software applications across fixed, wireless and internet platforms. The complaint seeks monetary damages, injunctive relief, costs and attorneys fees. At this time, we are not able to predict the outcome of this lawsuit, or any possible monetary exposure associated with the lawsuit. However, we dispute the allegations of wrongdoing and are vigorously defending ourselves in this matter.

On July 9, 2012, a putative class action lawsuit was filed against us in the United States District Court for the Northern District of California alleging violations of federal and state wage and hour laws, rules and regulations pertaining primarily to pay for missed meals and rest periods and failure to reimburse business expenses. On May 19 2014, the court approved a settlement of the lawsuit pursuant to which we paid a gross settlement in the amount of approximately \$1.5 million, which was included in "Accrued Liabilities" on our Consolidated Balance Sheets, and the lawsuit was dismissed.

14. (Loss) Earnings per Share

The following data shows the amounts used in computing (loss) earnings per share and the effect on income and the weighted average number of shares of dilutive potential common shares.

(In thousands, except per share data)	Year ended March 31,		
	2015	2014	2013
Numerator:			
Loss from continuing operations - basic and diluted	\$(11,497)	\$(2,895)	\$(6,214)
Income from discontinued operations - basic and diluted	—	19,992	4,916
Net (loss) income - basic and diluted	\$(11,497)	\$17,097	\$(1,298)
Denominator:			
Weighted average shares outstanding - basic and diluted	22,338	22,135	21,880
(Loss) earnings per share - basic and diluted:			
Loss from continuing operations	\$(0.51)	\$(0.13)	\$(0.28)
Income from discontinued operations	—	0.90	0.22
Net (loss) income per share	\$(0.51)	\$0.77	\$(0.06)
Anti-dilutive stock options, SSARs, restricted shares and performance shares	1,382	1,806	1,781

Basic earnings (loss) per share is computed as net income available to common shareholders divided by the weighted average basic shares outstanding. The outstanding shares used to calculate the weighted average basic shares excludes, 322,086, 155,777 and 139,767 of restricted shares and performance shares at March 31, 2015, 2014 and 2013, respectively, as these shares were issued but were not vested and, therefore, not considered outstanding for purposes of computing basic earnings per share at the balance sheet dates.

Diluted earnings (loss) per share includes the effect of all potentially dilutive securities on earnings per share. We have stock options, stock-settled appreciation rights ("SSARs"), unvested restricted shares and unvested performance shares that are potentially dilutive securities. When a loss is reported, the denominator of diluted earnings per share cannot be adjusted for the dilutive impact of share-

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based compensation awards because doing so would be anti-dilutive. In addition, when a loss from continuing operations is reported, adjusting the denominator of diluted earnings per share would also be anti-dilutive to the loss per share, even if the entity has net income after adjusting for a discontinued operation. Therefore, for all periods presented, basic weighted-average shares outstanding were used in calculating the diluted net loss per share.

15. Share-based Compensation

We may grant non-qualified stock options, incentive stock options, stock-settled stock appreciation rights, restricted shares, and restricted share units for up to 3.0 million common shares under our 2011 Stock Incentive Plan (“the 2011 Plan”). The maximum number of shares subject to stock options or SSARs that may be granted to an individual in a calendar year is 800,000 shares, and the maximum number of shares subject to restricted shares or restricted share units that may be granted to an individual in a calendar year is 400,000 shares. The maximum aggregate number of restricted shares or restricted share units that may be granted under the 2011 Plan is 1.0 million.

For stock options and SSARs, the exercise price must be set at least equal to the closing market price of our common shares on the date of grant. The maximum term of stock option and SSAR awards is seven years from the date of grant. Stock option and SSARs awards vest over a period established by the Compensation Committee of the Board of Directors. SSARs may be granted in conjunction with, or independently from, a stock option granted under the 2011 Plan. SSARs granted in connection with a stock option are exercisable only to the extent that the stock option to which it relates is exercisable and the SSARs terminate upon the termination or exercise of the related stock option.

Restricted shares and restricted share units, whether time-vested or performance-based, may be issued at no cost or at a purchase price that may be below their fair market value, but are subject to forfeiture and restrictions on their sale or other transfer. Performance-based awards may be conditioned upon the attainment of specified performance objectives and other conditions, restrictions, and contingencies. Restricted shares and restricted share units have the right to receive dividends, or dividend equivalents in the case of restricted share units, if any, subject to the same forfeiture provisions that apply to the underlying awards. Subject to certain exceptions set forth in the 2011 Plan, for awards to employees, no performance-based restricted shares or restricted share units shall be based on a restriction period of less than one year, and any time-based restricted shares or restricted share units shall have a minimum restriction period of three years.

We have a shareholder-approved 2006 Stock Incentive Plan (“the 2006 Plan”), as well as, a 2000 Stock Option Plan for Outside Directors and a 2000 Stock Incentive Plan that still have vested awards outstanding. Awards are no longer being granted from these incentive plans.

We may distribute authorized but unissued shares or treasury shares to satisfy share option and appreciation right exercises or restricted share and performance share awards.

We record compensation expense related to stock options, stock-settled stock appreciation rights, restricted shares, and performance shares granted to certain employees and non-employee directors based on the fair value of the awards on the grant date. The fair value of restricted share and performance share awards is based on the closing price of our common shares on the grant date. The fair value of stock option and stock-settled appreciation right awards is estimated on the grant date using the Black-Scholes-Merton option pricing model, which includes assumptions regarding the risk-free interest rate, dividend yield, life of the award, and the volatility of our common shares.

We recognized less than \$0.1 million of excess tax benefits related to the exercise of stock options and SSARs in fiscal 2014. As discussed in Note 11, Income Taxes, in fiscal 2013 and 2012, we were in a net operating loss position for U.S. federal income taxes. Therefore, we did not recognize and will not recognize an income tax benefit related to stock options or SSARs exercised until that tax benefit can be realized.

The following table summarizes the share-based compensation expense for options, SSARs, restricted and performance awards included in the Consolidated Statements of Operations for fiscal 2015, 2014 and 2013:

(In thousands)	Year ended March 31,		
	2015	2014	2013
Product development	\$1,168	\$700	\$475
Sales and marketing	135	90	65
General and administrative	1,837	1,329	1,098
Total share-based compensation expense	\$3,140	\$2,119	\$1,638

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Stock Options

The following table summarizes the activity during fiscal 2015 for stock options awarded under the 2006 Plan:

(In thousands, except share and per share data)	Number of Options	Weighted-Average Exercise Price (per share)	Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at April 1, 2014	627,500	\$15.26		
Granted	—	—		
Exercised	(15,000)	) 13.76		
Cancelled/expired	(30,000)	) 13.11		
Outstanding and exercisable at March 31, 2015	582,500	\$15.41	1.1	\$—

The following table presents additional information related to stock option activity during the fiscal years ended March 31, 2015, 2014 and 2013:

(In thousands)	2015	2014	2013
Proceeds from stock options exercised	\$102	\$169	\$67
Total intrinsic value of stock options exercised	\$4	\$1,402	\$382

All stock options are vested and we do not have any remaining unrecognized stock based compensation expense related to stock options.

A total of 8,065 shares, net of 6,935 shares withheld to cover the applicable exercise price of the award, were issued from treasury shares to settle stock options exercised during fiscal 2015.

Stock-Settled Stock Appreciation Rights

Stock-Settled Appreciation Rights (“SSARs”) are rights granted to an employee to receive value equal to the difference in the price of our common shares on the date of the grant and on the date of exercise. This value is settled in common shares of Agilysys.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of SSARs. The following table summarizes the principal assumptions utilized in valuing SSARs granted in fiscal 2015, 2014 and 2013:

	2015	2014	2013
Risk-free interest rate	1.52%	1.05%-1.39%	0.67%-0.89%
Expected life (in years)	5	5	5
Expected volatility	82.56%	80.78%-80.93%	81.03%-83.77%
Weighted average grant date fair value	\$7.23	\$7.96	\$4.92

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury bond whose maturity period approximates the expected life of the SSARs. The expected life is estimated using historical data representing the period of time the awards are expected to be outstanding. The estimated fair value of the SSARs granted, less expected forfeitures, is recognized over the vesting period of the awards utilizing the graded vesting method. Under this method, the compensation cost related to unvested amounts begins to be recognized as of the grant date.

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The following table summarizes the activity during fiscal 2015 for SSARs awarded under the 2011 Plan and the 2006 Plan:

(In thousands, except share and per share data)	Number of Rights	Weighted-Average Exercise Price (per right)	Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at April 1, 2014	320,236	\$9.05		
Granted	115,020	14.41		
Exercised	(16,078)	) 7.75		
Forfeited	(11,835)	) 7.46		
Cancelled/expired	(13,333)	) 7.46		
Outstanding at March 31, 2015	394,010	\$10.76	4.8	\$388
Exercisable at March 31, 2015	286,849	\$9.63	4.3	\$388
Vested and expected to vest at March 31, 2015	375,666	\$10.61	4.8	\$388

The following table presents additional information related to SSARs activity during fiscal 2015, 2014 and 2013:

(In thousands)	2015	2014	2013
Compensation expense	\$792	\$611	\$595
Total intrinsic value of SSARs exercised	\$96	\$2,131	\$373
Total fair value of SSARs vesting	\$779	\$636	\$778

As of March 31, 2015, total unrecognized stock based compensation expense related to non-vested SSARs was \$0.6 million, which is expected to be recognized over a weighted-average vesting period of 1.7 years.

A total of 5,463 shares, net of 1,446 shares withheld to cover the employee's minimum applicable income taxes, were issued from treasury shares to settle SSARs exercised during the twelve months ended March 31, 2015. The shares withheld were returned to treasury shares.

Restricted Shares

We granted shares to certain of our Directors, executives and key employees under the 2011 Plan, the vesting of which is service-based. The following table summarizes the activity during the twelve months ended March 31, 2015 for restricted shares awarded under the 2011 Plan:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
Outstanding at April 1, 2014	139,501	\$10.72
Granted	360,321	13.79
Vested	(154,900)	) 11.68
Forfeited	(22,836)	) 13.3
Outstanding at March 31, 2015	322,086	\$13.49

The weighted-average grant date fair value of the restricted shares is determined based upon the closing price of our common shares on the grant date. During the fiscal 2015, a total of 123,983 shares, net of 31,805 shares were withheld from the vested restricted shares to cover the employee's minimum applicable income taxes, were issued from

treasury. The shares withheld were returned to treasury shares.

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The following table presents additional information related to restricted stock activity during fiscal years 2015, 2014, and 2013:

(In thousands)	2015	2014	2013
Compensation expense	\$2,348	\$1,486	\$989
Total fair value of restricted share vesting	\$1,572	\$1,579	\$1,099

As of March 31, 2015, total unrecognized stock based compensation expense related to non-vested restricted stock was \$3.4 million, which is expected to be recognized over a weighted-average vesting period of 2.1 years. We do not include restricted stock in the calculation of earnings per share until the shares are vested.

Performance Shares

In fiscal 2013, we granted shares to certain of our key employees under the 2011 Plan, the vesting of which is contingent upon meeting various company-wide performance goals within a two-year period.

The following table summarizes the activity during fiscal 2015 for performance shares awarded under the 2011 Plan:

	Number of Shares	Weighted- Average Grant- Date Fair Value (per share)
Outstanding at April 1, 2014	17,728	\$8.64
Granted	—	—
Vested	(17,728)	) \$8.64
Outstanding at March 31, 2015	—	\$8.64

The weighted-average grant date fair value of the performance shares is determined based upon the closing price of our common shares on the grant date and assumed that performance goals would be met at target.

The following table presents additional information related to performance share activity during the fiscal 2015, 2014, and 2013:

(In thousands)	2015	2014	2013
Compensation expense	\$77	\$22	\$54
Total fair value of performance share vesting	\$174	\$—	—

Once attainment of the performance goals becomes probable, compensation expense related to performance share awards is recognized over the vesting period based upon the closing market price of our common shares on the grant date.

Compensation expense related to performance share awards is recognized ratably over the vesting period based upon the closing market price of our common shares on the grant date. As of March 31, 2015, there is no remaining unrecognized stock based compensation expense related to non-vested performance shares.

16. Fair Value Measurements

We estimate the fair value of financial instruments using available market information and generally accepted valuation methodologies. We assess the inputs used to measure fair value using a three-tier hierarchy. The hierarchy indicates the extent to which pricing inputs used in measuring fair value are observable in the market. Level 1 inputs

include unadjusted quoted prices for identical assets or liabilities and are the most observable. Level 2 inputs include unadjusted quoted prices for similar assets and liabilities that are either directly or indirectly observable, or other observable inputs such as interest rates, foreign currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include our own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the tables below.

There were no significant transfers between Levels 1, 2, and 3 during the twelve months ended March 31, 2015.

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The following tables present information about our financial assets and liabilities measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair value measurement used			
	Recorded value as of	Active markets for identical assets or liabilities	Quoted prices in similar instruments and observable inputs	Active markets for unobservable inputs
(In thousands)	March 31, 2015	(Level 1)	(Level 2)	(Level 3)
Assets:				
Corporate-owned life insurance — non-current	2,493	—	—	2,493
Liabilities:				
Contingent consideration — current	\$8	\$—	\$—	\$8
Contingent consideration — non-current	104	—	—	104

	Fair value measurement used			
	Recorded value as of	Active markets for identical assets or liabilities	Quoted prices in similar instruments and observable inputs	Active markets for unobservable inputs
(In thousands)	March 31, 2014	(Level 1)	(Level 2)	(Level 3)
Assets:				
Investments	\$28,999	\$—	\$28,999	\$—
Corporate-owned life insurance — current	1,989	—	—	1,989
Corporate-owned life insurance — non-current	2,371	—	—	2,371
Liabilities:				
Contingent consideration - current	\$127	\$—	\$—	\$127
Contingent consideration - non-current	1,612	—	—	1,612

The fair value of investments, comprised of commercial paper and certificates of deposit, was determined using a market approach, based on prices and other relevant information generated by market transactions involving similar assets, and therefore, is classified within Level 2 of the fair value hierarchy.

The recorded value of the corporate-owned life insurance policies is adjusted to the cash surrender value of the policies obtained from the third party life insurance providers, which are not observable in the market, and therefore, are classified within Level 3 of the fair value hierarchy. Changes in the cash surrender value of these policies are recorded within “Other expenses (income), net” in the Consolidated Statements of Operations.

The fair value of the contingent consideration was determined by calculating the probability-weighted earn-out payments based on the assessment of the likelihood that certain milestones would be achieved.

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The following table presents a summary of changes in the fair value of the corporate-owned life insurance Level 3 asset for the fiscal years ended March 31, 2015 and 2014:

(In thousands)	Level 3 assets and liabilities	
	2015	2014
Corporate-owned life insurance:		
Balance on April 1	\$4,360	\$3,673
Realized gains	57	—
Unrealized gain relating to instruments held at reporting date	65	600
Purchases, sales, issuances and settlements, net	(1,989	) 87
Balance on March 31	\$2,493	\$4,360

The inputs used to value our contingent consideration and employee benefit plan obligations are not observable in the market and therefore, these amounts are classified within Level 3 in the fair value hierarchy.

The following table presents a summary of changes in the fair value of the contingent consideration Level 3 liability for fiscal years ended March 31, 2015 and 2014:

(In thousands)	Level 3 assets and liabilities	
	2015	2014
Contingent consideration:		
Balance on April 1	\$1,739	\$—
Activity, payments and other charges (net)	(9	) 1,739
Fair value adjustment	(1,618) —
Balance on March 31	\$112	\$1,739

The fair value of the contingent consideration related to the TMC acquisition was determined by calculating the probability-weighted earn-out payments based on the assessment of the likelihood that certain revenue milestones would be achieved. As of March 31, 2015, due to a decrease in expected revenues associated with the contingent consideration, we recorded a gain of \$1.6 million within "Asset write-offs and other fair value adjustments" in the Consolidated Statements of Operations.

17. Quarterly Results (Unaudited)

Because quarterly reporting of per share data is used independently for each reporting period, the sum of per share amounts for the four quarters in the fiscal year will not necessarily equal annual per share amounts. GAAP prohibits retroactive adjustment of quarterly per share amounts so that the sum of those amounts equals amounts for the full year.

We have traditionally experienced seasonal revenue weakness during our fiscal first quarter ending June 30. Additionally, the timing of large one-time orders, such as those associated with significant remarketed product sales around large customer refresh cycles or significant volume rollouts, occasionally creates volatility in our quarterly results.

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(In thousands except per share data)	Year ended March 31, 2015				
	First quarter	Second quarter	Third quarter	Fourth Quarter	Year
Net revenue	\$23,746	\$26,318	\$24,742	\$28,708	\$103,514
Gross profit	14,674	16,669	14,129	14,610	60,081
Asset write-offs and other fair value adjustments	—	—	—	1,836	1,836
Restructuring, severance and other charges	370	448	95	569	1,482
Legal settlements	\$149	\$54	\$—	\$—	203
Loss from continuing operations	(2,229)	(1,127)	(2,715)	(5,426)	(11,497)
Net (loss) income	\$(2,229)	\$(1,127)	\$(2,715)	\$(5,426)	\$(11,497)
Per share data-basic and diluted					
Loss from continuing operations	\$(0.1)	\$(0.05)	\$(0.12)	\$(0.24)	\$(0.51)
Income (loss) from discontinued operations	—	—	—	—	—
Net (loss) income	\$(0.1)	\$(0.05)	\$(0.12)	\$(0.24)	\$(0.51)
(In thousands except per share data)	Year ended March 31, 2014				
	First quarter	Second quarter	Third quarter	Fourth Quarter	Year
Net revenue	\$23,700	\$24,846	\$24,965	\$27,750	\$101,261
Gross profit	15,637	16,588	15,155	16,660	64,040
Asset write-offs and other fair value adjustments	—	18	309	—	327
Restructuring, severance and other charges	55	562	206	569	1,392
Income (loss) from continuing operations	\$789	\$(1,310)	\$(1,711)	\$(663)	\$(2,895)
Income (loss) from discontinued operations, net of taxes	527	21,763	(952)	(1,346)	19,992
Net income (loss)	\$1,316	\$20,453	\$(2,663)	\$(2,009)	\$17,097
Per share data-basic:					
Income (loss) from continuing operations	\$0.04	\$(0.06)	\$(0.08)	\$(0.03)	\$(0.13)
Income (loss) from discontinued operations	0.02	0.98	(0.04)	(0.06)	0.90
Net income (loss)	\$0.06	\$0.92	\$(0.12)	\$(0.09)	\$0.77
Per share data-diluted:					
Income (loss) from continuing operations	\$0.04	\$(0.06)	\$(0.08)	\$(0.03)	\$(0.13)
Income (loss) from discontinued operations	0.02	0.98	(0.04)	(0.06)	0.90
Net income (loss)	\$0.06	\$0.92	\$(0.12)	\$(0.09)	\$0.77

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18. Subsequent Event

None.

Schedule II - Valuation and Qualifying Accounts Years ended March 31, 2015, 2014 and 2013

(In thousands)	Balance at beginning of year	Charged to costs and expenses	Deductions	Balance at end of year
2015				
Deferred tax valuation allowance	\$73,014	\$3,406	\$—	\$76,420
Allowance for doubtful accounts	\$1,101	\$1,219	\$(1,432)	)\$888
2014				
Deferred tax valuation allowance	\$73,595	\$—	\$(581)	)\$73,014
Allowance for doubtful accounts	\$720	\$453	\$(72)	)\$1,101
2013				
Deferred tax valuation allowance	\$77,904	\$—	\$(4,309)	)\$73,595
Allowance for doubtful accounts	\$353	\$392	\$(25)	)\$720

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2015. At the time that our Annual Report on Form 10-K for the year ended March 31, 2015 was filed on June 5, 2015, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2015. Subsequent to that evaluation, our management, including our CEO and CFO, have re-evaluated the effectiveness of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective because of the identification of a material weakness in our internal control over financial reporting described further below in Management’s Report on Internal Control Over Financial Reporting (Restated).

Management's Report on Internal Control Over Financial Reporting (Restated)

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, 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.

At the time that our Annual Report on Form 10-K for the year ended March 31, 2015 was filed on June 5, 2015, our management concluded that our internal control over financial reporting was effective as of March 31, 2015. Subsequent to that evaluation, our management, has re-evaluated the effectiveness of our internal control over financial reporting as of March 31, 2015. As a result of the material weakness described below, management, including our CEO and CFO reassessed the effectiveness of our internal control over financial reporting as of March 31, 2015. In making this re-assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control - Integrated Framework (2013).

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. Based on management's re-assessment, management is restating its original report and has concluded that the Company's internal control over financial reporting was not effective as of March 31, 2015 due to the fact that there was a material weakness in our internal control over financial reporting as follows.

We did not maintain effective controls over the valuation of indefinite-lived intangible assets and capitalized software assets. Specifically, we did not design and maintain effective controls related to the review of significant assumptions used in the related impairment tests. Additionally, while this control deficiency did not result in a material misstatement of previously filed annual or interim consolidated financial statements, the deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constituted a material weakness.

The effectiveness of our internal control over financial reporting as of March 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

Remediation

We have begun to put additional controls in place relating to our review of significant assumptions used in the valuation of the indefinite-lived intangibles and capitalized software development cost assets, including designing, documenting, and implementing additional control procedures related to the review of the assumptions and data inputs used in the analyses, as well as assessing the overall results of the impairment analyses. As part of this process, we are refining our models and ensuring supporting evidence of detailed assumptions is retained and reviewed with the appropriate level of precision.

Our management believes the foregoing efforts will effectively remediate the material weakness. As we continue to evaluate and work to improve our internal control over financial reporting, our management may execute additional measures to address the material weakness or modify the remediation plan described and will continue to review and make necessary changes to the overall design of our internal controls.

Change in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitation on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial statements. The following consolidated financial statements are included herein and are incorporated by reference in Part II, Item 8 of this Annual Report:

Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of March 31, 2015 and 2014

Consolidated Statements of Operations for the years ended March 31, 2015, 2014, and 2013

Consolidated Statements of Comprehensive Loss for the years ended March 31, 2015, 2014, and 2013

Consolidated Statements of Cash Flows for the years ended March 31, 2015, 2014, and 2013

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2015, 2014, and 2013

Notes to Consolidated Financial Statements

(a)(2) Financial statement schedule. The following financial statement schedule is included herein and is incorporated by reference in Part II, Item 8 of this Annual Report:

Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted since they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits. Exhibits included herein and those incorporated by reference are listed in the Exhibit Index of this Annual Report.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Agilysys, Inc. has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cincinnati, State of Ohio, on February 9, 2016.

AGILYSYS, INC.

/s/ James H. Dennedy
James H. Dennedy
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of February 9, 2016.

Signature	Title
/s/ James H. Dennedy James H. Dennedy	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Janine K. Seebeck Janine K. Seebeck	Senior Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer)
/s/ Keith M. Kolerus Keith M. Kolerus	Chairman and Director
/s/ Donald A. Colvin Donald A. Colvin	Director
/s/ Gerald C. Jones Gerald C. Jones	Director
/s/ Michael A. Kaufmann Michael A. Kaufmann	Director
/s/ John Mutch John Mutch	Director
/s/ Melvin L. Keating Melvin L. Keating	Director

Agilysys, Inc.
Exhibit Index

Exhibit No.	Description
3(a)	Amended Articles of Incorporation of Agilysys, Inc., which is incorporated by reference to Exhibit 3(a) to Agilysys, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (File No. 000-05734).
3(b)	Amended Code of Regulations of Agilysys, Inc., which is incorporated by reference to Exhibit 3(ii) to Agilysys, Inc.'s Current Report on Form 8-K filed January 31, 2012 (File No. 000-05734).
*10(a)	The Company's Annual Incentive Plan, which is incorporated herein by reference to Exhibit 10(b) to Agilysys, Inc.'s Definitive Proxy Statement on Schedule 14A filed June 28, 2011 (File No. 000-05734).
*10(b)	Pioneer-Standard Electronics, Inc. Supplemental Executive Retirement Plan, which is incorporated herein by reference to Exhibit 10(o) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2000 (File No. 000-05734).
*10(c)	Pioneer-Standard Electronics, Inc. Benefit Equalization Plan, which is incorporated herein by reference to Exhibit 10(p) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2000 (File No. 000-05734).
*10(d)	Amendment to the Pioneer-Standard Electronics, Inc. Supplemental Executive Retirement Plan dated January 29, 2002, which is incorporated herein by reference to Exhibit 10(x) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2002 (File No. 000-05734).
*10(e)	Forms of Amended and Restated Indemnification Agreement entered into by and between Agilysys, Inc. and each of its Directors and Executive Officers, which are incorporated herein by reference to Exhibit 99(b) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 1994 (File No. 000-05734).
*10(f)	Agilysys, Inc. 2006 Stock Incentive Plan, as Amended and Restated Effective May 20, 2010, which is incorporated herein by reference to Exhibit 10(mm) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2010 (File No. 000-05734).
*10(g)	Agilysys, Inc. 2011 Stock Incentive Plan, which is incorporated herein by reference to Exhibit 10(a) to Agilysys, Inc.'s Definitive Proxy Statement on Schedule 14A filed June 28, 2011 (File No. 000-05734).
*10(h)	Form of Stock Appreciation Right Agreement, which is incorporated herein by reference to Exhibit 10(pp) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2010 (File No. 000-05734).
*10(i)	Form of Directors Restricted Stock Award Agreement, which is incorporated herein by reference to Exhibit 10(qq) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2010 (File No. 000-05734).
*10(j)	Form of Restricted Stock Award Agreement, which is incorporated herein by reference to Exhibit 10(c) to Agilysys, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 000-05734).
10(k)	Stock and Asset Purchase Agreement among Agilysys Inc., Agilysys Technology Solutions Group, LLC, OnX Acquisition LLC and OnX Enterprise Solutions Limited, dated as of May 28, 2011, which is incorporated herein by reference to Exhibit 2.1 to Agilysys, Inc.'s Current Report on Form 8-K filed May 31, 2011 (File No. 000-05734).
*10(l)	Amendment to the Agilysys, Inc. Supplemental Executive Retirement Plan, effective March 25, 2011, which is incorporated by reference to Exhibit 10(cc) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2011 (File No. 000-05734).
*10(m)	Amendment to the Agilysys, Inc. Benefits Equalization Plan, effective March 31, 2011, which is incorporated by reference to Exhibit 10(dd) to Agilysys, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2011 (File No. 000-05734).

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- *10(n) Form of Executive Employment Agreement, which is incorporated herein by reference to Exhibit 10.1 to Agilysys, Inc.'s Current Report on Form 18-k filed July 23, 2014 (File No. 000-05734).
- 10(o) Asset Purchase Agreement by and between Agilysys, Inc. and Kyrus Solutions, Inc., dated May 31, 2013, which is incorporated by reference to Exhibit 1.01 to Agilysys, Inc.'s Current Report on Form 8-K filed June 4, 2013 (File No. 000-05734).
- **21 Subsidiaries of the Registrant.
- **23.1 Consent of Independent Registered Public Accounting Firm.
- ***23.2 Consent of Independent Registered Public Accounting Firm.
- **31.1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- **31.2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- ***31.3 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- ***31.4 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- **32.1 Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- **32.2 Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

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- ***32.3 Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- ***32.4 Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
The following materials from our annual report on Form 10-K for the year ended March 31, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2014 and 2013, (ii) Consolidated Statements of Operations for the twelve months ended March 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Comprehensive Income (Loss) for the twelve months ended March 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Cash Flows for the twelve months ended March 31, 2014, 2013 and 2012, and (v) Notes to the Consolidated Financial Statements for the twelve months ended March 31, 2014.
- ***101
- * Denotes a management contract or compensatory plan or arrangement.
Previously filed (or, with respect to Exhibits 32.1 and 32.2, furnished) with this Annual Report on Form 10-K (originally filed on June 5, 2015).
- **
- *** Filed with this Amendment No. 1 (or with respect to Exhibits 32.3 and 32.4, furnished).