

AMERICAN SOFTWARE INC  
Form DEF 14A  
July 27, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**AMERICAN SOFTWARE, INC.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**AMERICAN SOFTWARE, INC.**

**470 East Paces Ferry Road, N.E.**

**Atlanta, Georgia 30305**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Shareholders of AMERICAN SOFTWARE, INC. (the Company) will be held at the offices of the Company, 470 East Paces Ferry Road, N.E., Atlanta, Georgia, on Monday, August 16, 2010 at 4:00 p.m. for the following purposes:

1. To elect seven directors of the Company, three of whom will be elected by the holders of Class A Common Shares and four of whom will be elected by the holders of Class B Common Shares.
2. To approve the adoption of the Company's 2011 Equity Compensation Plan.
3. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending April 30, 2011.
4. To consider and transact such other business as may properly come before the meeting.

Only shareholders of record of the Company at the close of business on July 7, 2010 will be entitled to vote at the meeting.

Shareholders are requested to vote, date, sign and mail their proxies in the form enclosed even though they plan to attend the meeting. If shareholders are present at the meeting, their proxies may be withdrawn, and they may vote personally on all matters brought before the meeting, as described more fully in the enclosed Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS

James R. McGuone,

Secretary

July 27, 2010

**IMPORTANT**

We encourage you to attend the Annual Meeting. In order that there may be a proper representation at the meeting, each shareholder is requested to return his or her proxy in the enclosed envelope, which requires no postage if mailed in the United States. Attention by shareholders to this request will reduce the Company's expense in soliciting proxies.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 16, 2010:**

This Proxy Statement and the Annual Report on Form 10-K are available at:

<http://www.rrdezproxy.com/2010/AmericanSoftware/>

**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF SHAREHOLDERS**  
**OF AMERICAN SOFTWARE, INC.**

**TO BE HELD AT**  
**AMERICAN SOFTWARE, INC.**  
**470 EAST PACES FERRY ROAD, N.E.**  
**ATLANTA, GEORGIA**  
**ON AUGUST 16, 2010**

This Proxy Statement is furnished to Class A shareholders by the Board of Directors of AMERICAN SOFTWARE, INC., 470 East Paces Ferry Road, N.E., Atlanta, Georgia 30305 (the Company), in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareholders on Monday, August 16, 2010 at 4:00 p.m. and at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and accompanying proxy card and Notice of Annual Meeting are first being mailed to shareholders on or about July 27, 2010.

If the enclosed form of proxy is properly executed and returned, the shares represented thereby will be voted in accordance with its terms. If no choices are specified, subject to the broker non-vote rules discussed under **RECORD DATE AND VOTING OF SECURITIES** Broker Non-votes below, the proxy will be voted:

FOR Election of W. Dennis Hogue, Dr. John J. Jarvis and James B. Miller, Jr. as Class A directors.

FOR Approval of the adoption of the Company's 2011 Equity Compensation Plan.

FOR Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending April 30, 2011.

In addition, a properly executed and returned proxy card gives the authority, subject to the broker non-vote rules, to vote in accordance with the proxy holder's best judgment on such other business as may properly come before the meeting or any adjournment or adjournments thereof. Any proxy given pursuant to this solicitation may be revoked, either in writing furnished to the Secretary of the Company prior to the meeting or personally by attendance at the meeting, by the person giving the proxy insofar as the proxy has not been exercised at the meeting and the shareholder attending the meeting informs the Secretary of the Company of his or her intent to revoke the proxy.

**RECORD DATE AND VOTING OF SECURITIES**

**Record Date**

The Board of Directors has fixed the close of business on July 7, 2010 as the record date for determining the holders of common stock entitled to notice of and to vote at the meeting. On July 7, 2010, the Company had outstanding and entitled to vote a total of 22,785,429 Class A Common Shares ( Class A shares ) and 2,747,086 Class B Common Shares ( Class B shares ).

**Class A and Class B Shareholder Voting**

Other than in the election of directors, in which holders of Class A shares and Class B shares vote as separate classes, each outstanding Class A share is entitled to one-tenth vote per share and each outstanding Class B share is entitled to one vote per share on all matters to be brought before the meeting. The Class A directors and the Class B directors will be elected by a majority of the votes cast by the respective classes. Any

other

matter submitted to the meeting must be approved or ratified by a majority vote of the outstanding shares (adjusted as described above) present or represented by proxies at the meeting. A one-third quorum of 7,595,143 Class A shares and 915,696 Class B shares is required to be present or represented by proxy at the meeting in order to conduct all of the business expected to come before the meeting. Votes that are withheld, broker or other nominee non-votes on non-routine matters and votes of abstention cast by any shareholder on a particular action will be counted towards the quorum requirement, but will not be counted as a vote for or against the action.

**Broker Non-votes**

Broker non-votes occur when a broker or nominee holding shares for a beneficial owner does not vote on a non-routine proposal because the broker or nominee has not received voting instructions from the beneficial owner and does not have discretionary voting power with respect to such proposal. Rule 452 of the New York Stock Exchange, which has been adopted by the Nasdaq Stock Market, provides that a broker or other nominee holding shares for a beneficial owner may generally vote on routine matters, but not non-routine matters, without receiving voting instructions. Under a recent change to Rule 452, the uncontested election of directors (Proposal 1) is now considered non-routine; the adoption of the 2011 Equity Compensation Plan (Proposal 2) is also a non-routine matter. **Please provide instructions to your broker or nominee on how to vote your shares.** If you do not provide such voting instructions, your shares will not be voted for Proposals 1 and 2. The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2011 (Proposal 3) is considered routine. Because at least one routine item is to be voted on at the meeting, shares held in the name of brokers or other nominees and voted on Proposal 3 will be counted for purposes of the quorum requirement, as noted above.

## PROPOSAL 1: ELECTION OF DIRECTORS

### Overview

The directors of the Company are elected annually to hold office until the election and qualification of their successors at the next Annual Meeting of Shareholders. Of the seven directors to be elected, three are to be elected by the holders of the outstanding Class A shares and four are to be elected by the holders of the outstanding Class B shares. The persons named in the enclosed proxy card intend to vote Class A shares for the election of W. Dennis Hogue, Dr. John J. Jarvis and James B. Miller, Jr., the Class A director nominees. In the event any of these individuals should be unavailable to serve as a director, the proxy will be voted in accordance with the best judgment of the person or persons acting under it. The Board of Directors has no reason to believe that any director nominees will be unavailable for election as a director. If any of the nominees is unable to serve, the remaining Board members may elect a substitute to fill the resulting vacancy.

It is anticipated that Mr. Edenfield and Dr. Newberry, who together own all of the Class B shares, will vote their Class B shares in favor of the election of James C. Edenfield, J. Michael Edenfield, Dr. Thomas L. Newberry and Thomas L. Newberry, V as Class B directors. Thus, it is expected that James C. Edenfield, J. Michael Edenfield, Dr. Thomas L. Newberry and Thomas L. Newberry, V will be elected as Class B directors.

### Director Background and Qualifications

The Board seeks directors with strong reputations and experience in areas relevant to the strategy and operations of the Company's business, particularly industries and segments that the Company serves. Each of the nominees for election as a director at the Annual Meeting of Shareholders has substantial and meaningful experience in core management skills, such as strategic, financial and operational planning, financial reporting, corporate governance, risk management, and leadership development. The information set forth below as to each of our directors includes a summary of the ways in which we believe their individual qualifications, experience, attributes and skills add to the strength of our Board of Directors.

Candidates for membership on the Board are recommended by current members of the Board or management. When evaluating candidates for membership on the Board, the Board considers a number of factors, including:

business expertise and skills;

understanding of the Company's business and industry;

judgment and integrity;

educational and professional background; and

commitments to other businesses and responsibilities.

The directors, their ages, their principal occupations for at least the past five years, other public company directorships held by them and the year each was first elected as a director of the Company are set forth below.

Name of Nominee	Age	Principal Occupation; Directorships	Year First Elected Director
<b>CLASS A DIRECTORS:</b>			
W. Dennis Hogue	57	Chief Executive Officer of Hogue Enterprises, Inc.; President of American Durahomes	2001
John J. Jarvis	68	Retired; former Executive Director of The Logistics Institute Asia Pacific	2001



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James B. Miller, Jr.

70 Founder, Chairman and Chief Executive Officer of Fidelity Southern Corporation, the parent company of Fidelity Bank

2002

Name of Nominee	Age	Principal Occupation; Directorships	Year First Elected Director
<b>CLASS B DIRECTORS:</b>			
James C. Edenfield	75	President, Chief Executive Officer and Treasurer of American Software, Inc.	1971
J. Michael Edenfield	52	Executive Vice President and Chief Operating Officer of American Software, Inc.; President and Chief Executive Officer of Logility, Inc.	2001
Thomas L. Newberry	77	Chairman of the Board of American Software, Inc.	1971
Thomas L. Newberry, V	43	Author; Founder and Chief Executive Officer of The 1% Club, Inc.	2001
<b>Class A Directors</b>			

*W. Dennis Hogue.* Since January 2005, Mr. Hogue has served as Chief Executive Officer of Hogue Enterprises, Inc., a real estate investment company. Since November 2007, Mr. Hogue has served as President of American Durahomes, a provider of durable and affordable homes. From July 2003 to January 2005, he served as Chief Executive Officer of Datatrac Corporation, a software developer and wireless communications provider for the expedited product delivery industry. Mr. Hogue earned a Bachelor of Science degree in Psychology from Florida State University in 1974.

Mr. Hogue's many years of executive-level experience at other companies, his education and training and his in-depth knowledge of the Company's operations and technology gained through his twelve years with the Company, as Group Vice President and in other positions, enable him to provide our Board with strong and capable leadership.

*John J. Jarvis.* Dr. Jarvis is retired. From 2001 until January 1, 2004 he was Executive Director of The Logistics Institute Asia Pacific, which is a collaboration between the National University of Singapore and the Georgia Institute of Technology. Dr. Jarvis has served as President of the Institute of Industrial Engineers (IIE), Secretary of the Institute of Management Sciences (TIMS) and President of the Operations Research Society of America (ORSA). He has served on the Councils of ORSA and TIMS and on the Boards of the Institute for Operations Research and Management Sciences and IIE. Dr. Jarvis earned a Bachelor of Science degree in Industrial Engineering in 1963 and a Masters of Science degree in Industrial Engineering in 1965, both from the University of Alabama, and a Ph.D. from Johns Hopkins University in 1968.

Dr. Jarvis has a history of demonstrated leadership in the logistics software industry, both as a software company executive and in academic and research environments. His ability to bring these diverse perspectives to the Board enhances its effectiveness and strengthens its ability to adapt to changing industry conditions.

*James B. Miller, Jr.* Mr. Miller is currently the Chairman of the Board and Chief Executive Officer of Fidelity Southern Corporation, the parent corporation of Fidelity Bank, positions he has held since 1979. He has been Chairman of Fidelity Bank since 1998. He is a director of Interface, Inc., a publicly held textile manufacturing company. Mr. Miller is chairman of privately held family real estate businesses and an automobile dealership. Mr. Miller holds a Bachelor of Arts Degree from Florida State University and an L.L.B. from Vanderbilt University Law School.

Mr. Miller's long leadership experience at Fidelity Southern Corporation and its subsidiary Fidelity Bank, as well as his board experience with other companies in a variety of industries, brings to the Board the business and financial acumen of an experienced senior executive. We believe his financial expertise and legal background; his role as Chairman of the Board of Fidelity Southern Corporation, a publicly held company; and his service on the Interface, Inc. audit committee qualify him well to serve on our Board, and in particular to serve as chair of our Audit Committee. The Board has determined he is an audit committee financial expert.

***Class B Directors***

*James C. Edenfield.* Mr. Edenfield is a co-founder of the Company and has served as Chief Executive Officer since November 1989 and as Co-Chief Executive Officer prior to that time. Prior to founding the Company, Mr. Edenfield held several executive positions with and was a director of Management Science America, Inc., an Atlanta-based applications software development and sales company. He holds a Bachelor of Industrial Engineering degree from the Georgia Institute of Technology. Mr. Edenfield is the father of J. Michael Edenfield.

As a co-founder of the Company, and as our President and Chief Executive Officer for 40 years, Mr. Edenfield provides essential insight and guidance to our Board of Directors from an insider perspective regarding the day-to-day operations of the Company.

*J. Michael Edenfield.* Mr. Edenfield has served as President and Chief Executive Officer of Logility, Inc., a wholly-owned subsidiary of the Company, since January 1997. Mr. Edenfield has served as Executive Vice President of the Company from June 1994 to the present, and since August 2009 he also has served as Chief Operating Officer of the Company. From May 1987 to June 1994, Mr. Edenfield served in various positions with American Software USA, Inc., a wholly-owned subsidiary of the Company. Mr. Edenfield holds a Bachelor of Industrial Management degree from the Georgia Institute of Technology.

Mr. Edenfield has served as Executive Vice President since 1994, and as President of our subsidiary Logility, Inc. since 1997, including twelve years as chief executive of Logility while it was a separately reporting public company. His executive management experience with the Company and Logility combined with his perspective as a former public company chief executive adds important leadership and operational experience to our Board of Directors.

*Thomas L. Newberry.* Dr. Newberry is a co-founder of the Company and served as Co-Chief Executive Officer of the Company until November 1989. Prior to founding the Company, he held executive positions with several companies engaged in computer systems analysis, software development and sales, including Management Science America, Inc., where he was also a director. Dr. Newberry holds Bachelor, Master of Science and Ph.D. degrees in Industrial Engineering from the Georgia Institute of Technology. He is the father of Thomas L. Newberry, V.

Dr. Newberry's experience as co-founder of the Company and as a developer of the Company's original generation software products, as well as his experience as an executive of other software companies, enable him to add both leadership and technical perspectives to Board deliberations.

*Thomas L. Newberry, V.* Mr. Newberry founded The 1% Club, Inc. in October 1992 and has acted as its Chief Executive Officer since that time. The 1% Club sponsors programs designed to assist entrepreneurs and their families in accomplishing their goals. He is also the author of motivational books and audio programs dedicated to improving performance in business operations and salesmanship. Mr. Newberry earned a Bachelor of Science degree from Georgia State University in 1989.

Mr. Newberry's experience as an entrepreneur and a business executive, combined with his leadership in the field of executive performance and motivation, allow him to provide unique and important insights to the Board of Directors, particularly as the Board addresses motivational and management issues.

**THE BOARD OF DIRECTORS RECOMMENDS THAT CLASS A  
SHAREHOLDERS VOTE FOR MESSRS. HOGUE, JARVIS AND MILLER.**

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## CORPORATE GOVERNANCE

### Board Meetings

The Board of Directors held seven meetings during fiscal 2010, and acted by written consent on three occasions. No director of the Company attended fewer than 75% of the total meetings of the Board of Directors and committee meetings on which such Board member served and was eligible to attend during this period.

### Director Attendance at Annual Meetings

Although the Company does not have a policy with regard to Board members' attendance at the Company's Annual Meetings of Shareholders, all of the directors are encouraged to attend such meetings. All of the Company's directors were in attendance at the 2009 Annual Meeting.

### Director Independence

Each of Mr. James C. Edenfield and Dr. Thomas L. Newberry have stated in their respective Schedule 13Gs, as filed with the Securities and Exchange Commission (sometimes referred to herein as the "SEC"), that they, acting as a group, share voting power with respect to all shares beneficially held by them because they have established a practice of consulting with each other regarding the voting of such shares. As a result, the Company qualifies as a "controlled company" as defined in Rule 4350(c)(5) of the Nasdaq Marketplace Rules. Please see "Security Ownership of Management and Certain Beneficial Owners," below. Therefore, the Company is not subject to the provisions of Rule 4350(c) of the Nasdaq Marketplace Rules that otherwise would require the Company to have (i) a majority of independent directors on the Board; (ii) a compensation committee composed solely of independent directors; (iii) a nominating committee composed solely of independent directors; (iv) compensation of the Company's executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (v) director nominees selected, or recommended for the Board's selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

### Director Nominations

In light of the voting power of Mr. Edenfield and Dr. Newberry, and in view of the fact that Board vacancies have occurred infrequently, the Board has determined that the Board, rather than a nominating committee, is the most appropriate body for identifying director candidates and selecting nominees to be presented at the Annual Meeting of shareholders. Each member of the Board participates in this process. It is the view of the Board that this function has been performed effectively by the Board, and that it is appropriate for the Company not to have a separate nominating committee or charter for this purpose. The Board has further determined that it would not be productive to have a fixed policy with respect to consideration of candidates recommended by security holders. However, if a shareholder communication includes a recommendation of a candidate for director, the Board will consider that candidate along with any other candidates for a Board position.

### Board Diversity

The Company does not have a formal policy with regard to the consideration of diversity in identifying director nominees. The Board strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee the Company's businesses.

### Board Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. Currently, the positions of Chief Executive Officer and Chairman are separate and the Board believes this structure is in the best interest of the Company's shareholders at this time.

### **Committees of the Board of Directors**

The Board of Directors has an Audit Committee, which presently consists of Messrs. Miller (Chairman), Hogue and Jarvis. The Audit Committee held four meetings during fiscal 2010, in addition to its consultations with our independent registered public accounting firm and management in connection with review of interim financial statements. The Rules of the Nasdaq Stock Market ( "Nasdaq Rules" ) require audit committees to be composed of not less than three members who are independent, as that term is defined in the Nasdaq Rules. The Board of Directors has determined that all of the Audit Committee members meet the Nasdaq definition of independent.

The Company's Audit Committee Charter outlines the composition requirements of the Audit Committee, as described above, as well as its duties and responsibilities. The primary responsibility of the Audit Committee is to provide assistance to the Company in connection with the financial reporting process. The functions of the Audit Committee include making an annual recommendation of independent public accountants to the Company, reviewing the scope and results of the independent public accountants' audit, monitoring the adequacy of the Company's accounting, financial and operating controls, reviewing from time to time the Company's periodic financial statements and other financial reports with management and with the independent registered public accounting firm, pre-approving audit services and permitted non-audit services and related fees, and reviewing with management and the independent registered public accounting firm the financial statements to be included in the Company's Annual Report. The Board of Directors has determined that James B. Miller, Jr., Chairman of the Audit Committee, is an audit committee financial expert as defined in the rules of the Securities and Exchange Commission.

The Board has a Compensation Committee, consisting of John J. Jarvis and Thomas L. Newberry. During fiscal 2010, the Compensation Committee met on four occasions. The Compensation Committee has authority to establish the compensation of Chief Executive Officer and to consult with the Chief Executive Officer about the compensation of the other named executive officers. In addition, the Compensation Committee, acting as the Special Stock Option Committee, has had the authority to grant stock options to the Chief Executive Officer and the other named executive officers under the Company's 2001 Stock Option Plan, and will have that authority under the 2011 Equity Compensation Plan if it is approved by the shareholders. See Proposal 2 Approval of 2011 Equity Compensation Plan. Also see Executive Compensation Discussion and Analysis, below, for a further discussion of the Compensation Committee and the functions it performs.

Two different committees of the Board administer the 2001 Stock Option Plan and the Logility Plans (see Executive Compensation Stock Options ), and will administer the 2011 Equity Compensation Plan if it is approved by the shareholders, depending on whether the option grant is to an executive officer or director or to other employees. The Special Stock Option Committee, which consists of John J. Jarvis and Thomas L. Newberry, as the members of the Compensation Committee, administers stock option grants to executive officers and directors. The Stock Option Committee, which consists of James C. Edenfield and Thomas L. Newberry, administers grants to other employees. The functions of these committees are to grant stock options and establish the terms of those stock options, as well as to construe and interpret the plans and to adopt related rules and procedures. During fiscal 2010, the Stock Option Committee acted by written consent on seven occasions in connection with the grant of stock options under the Company's 2001 Stock Option Plan. The Special Stock Option Committee, concurrently with its role as the Compensation Committee, met on one occasion during fiscal 2010.

### **Risk Oversight**

We believe that understanding and managing risk is the responsibility of each employee of the Company. However, management is ultimately accountable to our Board of Directors and shareholders for the day-to-day management of risks we face. Our Board of Directors, as a whole and through its committees, oversees planning and responding to risks arising from changing business conditions or the initiation of new activities, strategies or products. Our Board of Directors also is responsible for overseeing compliance with laws and regulations,

responding to recommendations from auditors and supervisory authorities, and overseeing management's conformance with internal policies and controls addressing the operations and risks of significant activities.

**Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics, which applies to all directors, officers and employees of the Company, including its Chief Executive Officer, Chief Financial Officer and Controller. The Code of Business Conduct and Ethics is available on the Company's website at [www.amsoftware.com/marketing](http://www.amsoftware.com/marketing).

**Communications Between Shareholders and Directors**

Shareholders may contact the Board or any of the individual directors by writing to them c/o Mr. Vincent C. Klinges, Chief Financial Officer, American Software, Inc., 470 East Paces Ferry Road, N.E., Atlanta, Georgia 30305. Inquiries sent by mail may be sorted and summarized by Mr. Klinges or his designee before they are forwarded to the addressee.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

We believe that attracting, retaining and motivating effective executive officers is critical to the overall success of our business. To achieve these goals we have adopted executive compensation programs that we have designed to reward performance and emphasize the creation of shareholder value. Our Compensation Committee and Chief Executive Officer are responsible for establishing executive compensation policies and overseeing executive compensation practices. In the following Compensation Discussion and Analysis we describe the material elements of compensation for our executive officers identified in the Summary Compensation Table (the "named executive officers"). Our named executive officers are: James C. Edenfield, President and Chief Executive Officer; J. Michael Edenfield, Executive Vice President and Chief Operating Officer of the Company, and President and Chief Executive Officer of Logility, Inc.; Vincent C. Klinges, Chief Financial Officer; and James R. McGuone, Vice President and General Counsel. Please see the Summary Compensation Table below for detailed components of their fiscal 2010 compensation.

### *Oversight of Compensation Program*

The Compensation Committee of the Board (the "Committee") is responsible for establishing and reviewing our overall compensation philosophy. The Committee and the Chief Executive Officer together review and establish executive compensation plans. The Committee reviews and establishes all elements of compensation of the Chief Executive Officer. The Committee also reviews and consults with the Chief Executive Officer about salaries and other compensation of the other executive officers and acts as the Special Stock Option Committee with respect to stock option grants to all executive officers, including the Chief Executive Officer. The Chief Executive Officer reviews and establishes all non-equity related elements of compensation of the executive officers of the Company and its subsidiaries, other than his own compensation. With respect to the major elements of executive compensation plans, the Chief Executive Officer consults with and seeks input from the Committee. The Chief Executive Officer makes recommendations to the Committee regarding levels of option grants to specific individuals, as input to the Committee's final decision.

### *Executive Compensation Philosophy*

We believe that a compensation program which promotes our ability to attract, retain and motivate outstanding executives will help us meet our long-range objectives, thereby serving the interests of the Company's shareholders. Our executive officer compensation program is designed to achieve the following objectives:

Provide compensation opportunities that are competitive with those of companies of a similar size.

Create a strong connection between executives' compensation and our annual and long-term financial performance.

Include performance-based incentive compensation that offers an opportunity for above-average financial reward to executives without creating incentives for undue business risks.

Design incentive compensation benchmarks that closely align the interests of executive officers with those of our shareholders. In developing compensation plans for our executive officers, we have taken note of and considered compensation paid by our competitors, but historically we have not performed systematic reviews of competitors' compensation policies nor engaged in benchmarking of executive compensation. Consequently, information about competitors' specific compensation policies has not been a primary consideration in forming our compensation policies and decisions. As with many other U.S. technology companies, we traditionally have emphasized the use of stock options and individualized bonus plans in compensating and motivating our executives. We have found that the value of these compensation components is difficult to measure, and therefore comparing them in an objective way to similar arrangements developed by other companies, including competitors, has been of limited value.

### *Elements of Compensation*

*General.* We have selected and have structured the components of our executive officer compensation in order to achieve our objectives of attracting, retaining and motivating such officers. We consider these components—salary, bonus plan, stock options, and personal benefits such as insurance and retirement plans—taken together to achieve a balanced compensation package that addresses the above objectives, and separately in order to evaluate their reasonableness. Taken as a whole, we believe that these elements of our compensation structure reward past performance and provide appropriate motivation to achieve both long- and short-term objectives that benefit shareholders.

In our approach to executive compensation we generally have emphasized bonus plans and stock options, as we believe those components have the greatest potential for directly aligning the future interests of executive officers with those of shareholders. We also believe that our practice of emphasizing stock option grants, which we have followed over a long period, has helped to motivate our executives to develop strategies that further our long-term interests. We intend for our executive bonus plans to motivate executive officers over a shorter term, based upon achieving operating results that enhance shareholder value without taking undue business risks. In reviewing salaries of executive officers, we consider the executive's previous salary level in light of prior year performance, rate of inflation and trends in executive compensation among our competitors. In selecting insurance and retirement plans, we have taken into account the needs of our entire workforce, on the principle that these kinds of plans are most effective and most valued if they are made available across all levels of compensation within the Company.

*Base Salaries.* We establish the salaries of our named executive officers at levels that we believe are, when viewed in conjunction with their potential bonus income and stock option grants, competitive and reasonable in light of their experience, prior performance and level of responsibility. The Committee reviews and establishes the salary of our Chief Executive Officer, while the Chief Executive Officer reviews and establishes the salaries of our other officers, including the named executive officers, with input from the Committee.

Salaries of our named executive officers in fiscal 2010 are shown in the Salary column of the Summary Compensation Table, below.

*Incentive Compensation.* Each of our named executive officers has a bonus plan established during the first quarter of a fiscal year, covering that fiscal year. The Committee establishes the bonus plan for our Chief Executive Officer. Our Chief Executive Officer, after consulting with the Committee, establishes the bonus plans for our other officers, including the other named executive officers. In each case, the bonus plan is customized for the individual executive officer. We use these bonus plans, in tandem with stock option grants, as tools to attract and retain qualified executives while at the same time aligning their interests with those of our shareholders. To accomplish this, we establish bonus plans with attainable goals, using formulas tied to important factors that positively affect return on investment.

The following summarizes the incentive compensation arrangements for the named executive officers in the fiscal years ended April 30, 2010 and 2011:

*James C. Edenfield.* In both fiscal 2010 and fiscal 2011, Mr. Edenfield's salary was maintained at \$512,500. For both fiscal years, the Committee also decided to continue Mr. Edenfield's annual bonus arrangement, which provides for a bonus equal to 5% of the increase of the fiscal year's pre-tax earnings over the pre-tax earnings of the preceding fiscal year. For fiscal 2010, Mr. Edenfield received a bonus equal to \$165,939 under this formula.

*J. Michael Edenfield.* For fiscal 2010, the Committee established J. Michael Edenfield's base salary at \$305,000, as set forth in the Summary Compensation Table, below. The Committee also determined that he would have the opportunity to receive a bonus targeted at \$370,000 based upon Logility achieving a specified target level of operating income, with no limitation on the maximum potential bonus. For fiscal 2010, Mr. Edenfield received a bonus equal to \$391,401 under this formula.



For fiscal 2011, Company has established an incentive compensation plan for J. Michael Edenfield similar to the plan in effect for fiscal 2010. His salary has been increased to \$311,000, an increase of approximately 2% over the previous year salary. The potential bonus is targeted at \$370,000, unchanged from the previous two years, based upon Logility achieving the specified target level of operating income. There is no limitation on the maximum potential bonus amount for fiscal 2011. The level of operating income required to achieve the bonus target is approximately 5% higher than the corresponding target in fiscal 2010, and believed to be substantially more difficult to achieve than the operating income achieved by Logility in fiscal 2010. Mr. Edenfield will not receive an incentive bonus for 2011 unless Logility attains at least approximately 82% of the operating income bonus target. If that level is reached, the minimum bonus will be \$110,000, with the actual incentive bonus pro rated between \$110,000 and \$370,000 depending on the level of actual operating income between the minimum and the target level. If actual operating income exceeds the operating income bonus target, the bonus amount will be equal to actual operating income divided by the operating earnings bonus target amount, multiplied by \$370,000.

The above incentive plan reflects our belief that incentive compensation plans should provide for a minimum bonus if the business area for which the executive has responsibility achieves operating results that are reasonably attainable and a higher bonus if operating results reach exceptional levels. Our policy is to not provide guidance or projections as to future earnings or revenues. Accordingly, without providing any such specific guidance or projections, we believe that for Logility to achieve the results necessary for J. Michael Edenfield to reach the targeted bonus will require a level of profitability in our Logility subsidiary that would substantially exceed our expectations of Logility's profitability in the current economic climate.

*Vincent C. Klinges.* For fiscal 2010, Mr. Klinges was eligible to receive a bonus equal to 2.25% of the increase in our operating income in fiscal 2010 over fiscal 2009, excluding stock option-related expenses, with a maximum bonus of \$100,000 and a minimum bonus of \$10,000, provided that he remained with the Company on June 30, 2010. For fiscal 2010, Mr. Klinges received a bonus of \$19,634. For fiscal 2011, his bonus arrangement remains the same. His employment continuation requirement for bonus eligibility is June 30, 2011. Mr. Klinges' salary has been increased to \$209,000 for fiscal 2011, an increase of approximately 2.5% over the previous year salary.

*James R. McGuone.* For fiscal 2010, Mr. McGuone was eligible to receive a bonus equal to 1% of the increase in our operating profits in fiscal 2010 over fiscal 2009, with a maximum bonus of \$50,000, provided that he remained with the Company on June 30, 2010. For fiscal 2010, Mr. McGuone received a bonus of \$8,726. For fiscal 2011, his bonus arrangement remains the same. His employment continuation requirement for bonus eligibility is June 30, 2011. Based on a review of general counsel salaries at comparable public companies, Mr. McGuone's salary has been increased to \$184,000 for fiscal 2011.

Bonuses paid to our named executive officers in fiscal 2010 are shown in the Bonuses column of the Summary Compensation Table, below.

*Stock Option Plans.* The Committee, which is responsible for grants of stock options to the named executive officers, believes that granting stock options to executive officers is an effective means to reward them for their prior performance, to serve as an incentive for promotion of Company profitability and other long-term objectives, and to maintain their overall compensation at competitive levels. Thus, option grants reflect both a retrospective and prospective approach to executive compensation. As compared to executive bonus plans, stock options address longer term compensation and incentives. To establish option grant levels, the Committee has monitored developments and trends among publicly held technology companies regarding equity and non-equity based incentive compensation. The Committee continues to believe that stock options represent the most efficient and effective means for the Company to achieve the compensatory and incentive objectives referred to above.

The Committee typically grants stock options to executive officers once annually, usually during the month of June or July, while the salary and bonus plans for executives are being considered and finalized. The option exercise prices are fixed as of the close of trading of Class A shares on Nasdaq on the date on which the

Committee meets or acts to finalize its option decisions, which is the date of grant. Options granted to executives during the past several years have terms of six years and vest ratably over a five-year period. We expect this practice to continue.

The Committee did not undertake a quantitative analysis in determining the levels of stock option grants to named executive officers for the 2010 or 2011 fiscal years. The Committee developed its decisions on stock option grants based on a qualitative analysis considering the following factors:

*Chief Executive Officer Recommendations.* The Committee placed substantial weight on the stock option grant recommendations of James C. Edenfield, the Chief Executive Officer of the Company, particularly as to stock option grants to named executive officers other than himself. The Committee based this weight on several factors, including the Chief Executive Officer's intimate knowledge of the role and performance level of each of the named executive officers over an extended time period, his demonstrated skill in retaining and motivating our officers and key employees, and his emphasis on and effectiveness in managing the business of the Company on a fiscally conservative basis. In part because of these factors, the Committee ultimately decided to grant stock options in accordance with the Chief Executive Officer's stock option grant recommendations.

*Current and Past Years Financial Results.* The Committee noted that the stock option grants being considered were consistent with stock option grants to the same named executive officers in recent years. The Committee observed that our operating performance in fiscal 2009, fiscal 2010 and fiscal 2011 to date, in the view of the Committee, was favorable in light of market conditions. With respect to J. Michael Edenfield, this observation focused primarily on the performance of the Logility subsidiary, of which he is the chief executive officer. The Committee therefore concluded that this favorable overall performance mitigated in favor of granting stock options at least at the same level as options granted in recent years. Moreover, the Committee believes that this favorable performance represented some evidence that prior year stock option grants were effective motivating factors for the named executive officers.

*Perceived Value of Named Executive Officers.* The stock option grants to the named executive officers were not at the same level for each individual. The Committee considered the roles of the named executive officers and their ability, individually, to influence our profitability and position in the marketplace. In fiscal 2010, this resulted in the largest stock option grant being made to the Chief Executive Officer (100,000 shares), followed by grants in descending amounts to the chief executive officer of Logility (80,000 shares) and the Chief Financial Officer (50,000 shares). In the Committee's judgment, these levels of stock option grants reasonably reflected the relative ability of officers holding these positions to affect the performance of the Company. In particular, the Committee believes that the Chief Executive Officer has set the tone within the Company for controlling costs while preserving or enhancing market share under difficult economic circumstances.

*Current and Past Years Compensation Packages.* The Committee establishes the overall compensation package of the Chief Executive Officer of the Company. The Committee advises on, but does not have the authority to establish, the compensation packages of the other named executive officers, except for stock option grants. In reviewing the compensation packages of J. Michael Edenfield and Vince Klinges, the Committee noted that their fiscal 2011 salaries and potential bonuses were increased only slightly as compared to fiscal 2010 and had not increased substantially in recent years. The Committee determined to maintain the salary and bonus arrangement for the Chief Executive Officer at the same levels as had been in effect for recent years. These factors mitigated in favor of not reducing the level of stock option grants to these named executive officers.

In July 2009, consistent with the above factors and objectives, the Committee granted stock options to the named executive officers in the following amounts: James C. Edenfield 100,000 shares; J. Michael Edenfield 80,000 shares; Vincent C. Klinges 50,000 shares; and James R. McGuone 20,000 shares.

In July 2010, the Committee, after again considering the above factors and objectives, granted stock options to the named executive officers in the following amounts: James C. Edenfield 100,000 shares; J. Michael Edenfield 80,000 shares; Vincent C. Klinges 50,000 shares; and James R. McGuone 20,000 shares. These grants are contingent upon the approval of the 2011 Equity Compensation Plan by the shareholders. See Proposal 2 Approval of 2011 Equity Compensation Plan.

*Personal Benefits and Perquisites.* We provide a variety of health, retirement and other benefits to all employees. Our executive officers are eligible to participate in the benefit plans on the same basis as all other employees. These benefit plans include medical, dental, life and disability insurance. Our Chief Executive Officer, James C. Edenfield, receives the use of an automobile owned by the Company and we also pay the cost of two club memberships for him. J. Michael Edenfield, our Executive Vice President and Chief Operating Officer and the Chief Executive Officer of Logility, receives an automobile allowance, reimbursement for medical insurance coverage obtained through the Company and paid by him, and is reimbursed for the cost of one club membership. Otherwise, our executive officers do not receive any personal benefits or perquisites that are not available on a non-discriminatory basis to all employees except for limited supplemental insurance expense reimbursement. The perquisites of the named executive officers in fiscal 2010 were as set forth in the All Other Compensation column and footnote 2 to the Summary Compensation Table, below.

*Pension Benefits.* We do not provide pension benefit plans to our employees or to our named executive officers.

*Non-Qualified Defined Contribution or Other Non-Qualified Deferred Compensation Plans.* We do not provide non-qualified contribution plans or other non-qualified deferred compensation options to any of our employees or to our named executive officers.

*Stock Purchase Plan.* We formerly had in place a stock purchase plan for our employees, providing to them an opportunity to acquire our shares at a discount to market prices. We discontinued this plan several years ago after concluding that the cost of maintaining and accounting for such a plan exceeded the benefit that we perceived our employees gained from such a plan.

#### ***Impact of Regulatory Requirements***

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), generally disallows a tax deduction to a public company for compensation in excess of \$1 million paid to the company's chief executive officer and any other executive officer required to be reported to its stockholders under the Securities Exchange Act of 1934 (the Exchange Act) by reason of such executive officer being one of the four most highly compensated executive officers. However, qualifying performance-based compensation is not subject to the deduction limitation if certain requirements are met. Section 409A of the Code provides for certain requirements that a plan that provides for the deferral of compensation must meet, including requirements relating to when payments under such a plan may be made, acceleration of benefits, and the timing of elections under such a plan. Failure to satisfy these requirements will generally lead to an accelerated timing of inclusion in income of deferred compensation, as well as certain penalties and interest.

Although we consider the tax implications of Section 162(m) of the Code, we do not have a formal policy in place requiring that part or all compensation must qualify under this section, in order to preserve flexibility with respect to the design of our compensation programs.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on the Committee's review and discussions with management, has recommended to the full Board of Directors that the Compensation Discussion and Analysis be included in the our Annual Report on Form 10-K for the year ended April 30, 2010, as well as the Proxy Statement for the 2010 Annual Meeting.

*Respectfully submitted by the Compensation Committee of the Board of Directors*

John J. Jarvis (Chairman)

Thomas L. Newberry

### **Compensation Policies and Risk**

We do not believe that risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on the Company. We are aware that incentive compensation arrangements can be structured in such a way as to encourage undue risk-taking by executives, who make decisions that tend to maximize short-term compensation at the expense of the long-term interests of the enterprise. We believe that in the past our incentive compensation plans have motivated management to act in ways that are consistent with the long-term interests of our shareholders: promoting growth while maintaining substantial cash reserves, avoiding debt, managing expenses and carefully evaluating potential acquisitions. We have structured current incentive compensation arrangements for executive officers in a manner consistent with past practices, and believe that those arrangements contribute to our long-term goals without encouraging undue risk-taking.

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

Dr. Jarvis and Dr. Newberry have been selected by the Board of Directors to serve on the Compensation Committee. Since the beginning of fiscal 2010, neither member of the Committee has been an officer or employee of the Company or had any relationship with the Company requiring disclosure under Securities and Exchange Commission regulations. Dr. Newberry was an officer of the Company until 1989 and since that time has served as Board Chairman.

**Summary Compensation Table**

The following table reflects compensation paid to the Company's Chief Executive Officer, Chief Financial Officer and each of the other executive officers of the Company (the named executive officers) for fiscal 2008, fiscal 2009 and fiscal 2010.

Name	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (1)(\$)	Non-Equity Incentive Plan Compensation (\$)	Change In Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (2)(\$)	Total (\$)
James C. Edenfield,	2010	512,500	165,939	-0-	196,020	-0-	-0-	36,493	911,013
President, Chief Executive Officer and Treasurer	2009	512,500	-0-	-0-	131,690	-0-	-0-	28,597	672,787
	2008	512,500	-0-	-0-	242,910	-0-	-0-	28,827	784,237
J. Michael Edenfield,	2010	305,000	391,401	-0-	156,816	-0-	-0-	24,900	878,117
Executive Vice President and Chief Operating Officer; President and Chief Executive Officer of Logility, Inc.	2009	295,000	185,406	-0-	105,352	-0-	-0-	23,700	609,458
	2008	286,000	-0-	-0-	194,328	-0-	-0-	22,210	502,538
Vincent C. Klings,	2010	204,000	19,634	-0-	98,010	-0-	-0-	-0-	312,010
Chief Financial Officer	2009	196,000	10,000	-0-	65,845	-0-	-0-	-0-	271,895
	2008	186,000	9,000	-0-	121,455	-0-	-0-	-0-	316,455
James R. McGuone,	2010	160,000	8,726	-0-	39,204	-0-	-0-	-0-	202,204
Vice President, General Counsel and Secretary(3)	2009	NA	NA	NA	NA	NA	NA	NA	NA
	2008	NA	NA	NA	NA	NA	NA	NA	NA

(1) The value of stock option awards in this column represents the aggregate grant date fair value of stock option grants made during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation. For discussion of relevant assumptions used in calculating the grant date fair value, see Note 7 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended April 30, 2010.

(2) Amounts shown as All Other Compensation are attributable to perquisites and other personal benefits, and to other items of compensation that are not reported elsewhere in the Summary Compensation Table. Perquisites and other personal benefits for James C. Edenfield include amounts reimbursed for medical insurance coverage obtained through the Company and paid by him, the use of a Company-owned automobile and two club memberships. Perquisites and other personal benefits for J. Michael Edenfield include an automobile allowance and a club membership.

(3) Mr. McGuone joined the Company in March 2009 and was named by the Board as the Company's Vice President and General Counsel effective May 2009. The Board also determined in May 2009 that he would be designated an executive officer of the Company for SEC reporting purposes.

**Employment Agreements**

We do not have formal employment contracts with our executive officers covering compensation matters. Accordingly, we set their compensation annually, under compensation plans individualized for each executive officer.

## Change of Control Agreements

We do not have contracts that provide for compensation of our executive officers, or any of our other employees, that are triggered by change of control events. However, a change of control may accelerate the vesting of stock option grants to our employees under our stock option plans.

## Stock Options

### *Stock Option Plans*

As of April 30, 2010, we had outstanding stock options granted under five stock option plans. We adopted the 1991 Employee Stock Option Plan (the "Employee Option Plan") and the Directors and Officers Stock Option Plan (the "Directors and Officers Option Plan") in 1991. These plans terminated effective September 1, 2000, and we replaced them with the 2001 Stock Option Plan (the "2001 Plan"), which terminated effective May 16, 2010. Any options outstanding under the Employee Option Plan, the Directors and Officers Option Plan and the 2001 Plan remain in effect, but since the termination of these plans we have not been able to grant new options under them. All directors of the Company and employees of the Company and its subsidiaries, totaling 296 persons as of April 30, 2010, are eligible to participate in the 2011 Equity Compensation Plan, provided that it is approved by the shareholders. We also have outstanding options granted under the Logility, Inc. 1997 Stock Plan and the Logility, Inc. 2007 Stock Plan (the "Logility Plans"). The following sections describe these stock option plans.

*1991 Employee Stock Option Plan.* We designed this plan to provide additional incentives to increase employees' efforts on our behalf and remain in our employ. We selected participants from key personnel, but no director, officer or 10% shareholder of the Company was eligible to participate. These options are exercisable at any time within the option period, but no more than ten years from the grant date. As of April 30, 2010, there were outstanding under this plan options to purchase 150,028 Class A shares. If not sooner exercised, the last remaining options outstanding under this plan will expire in August 2010.

*Directors and Officers Stock Option Plan.* We designed this plan to provide our directors and officers and those of our subsidiaries with additional incentives to increase their efforts on our behalf and, for employees, to remain in our employ. We selected participants from among the directors and officers of the Company or a subsidiary. We determined the number of options granted under this plan to officers on a case by case basis. The option prices for officer option grants were equal to the closing market price of the shares on the grant dates and became exercisable over a four-year period from the grant date. Each non-employee member of our Board of Directors received an automatic grant of nonqualified stock options to purchase 5,000 shares on April 30 and October 31 of each year. The option prices for director option grants were equal to the closing market price of the shares on the grant dates and were exercisable one year after grant. Once vested, these options are exercisable at any time within the option period, but no more than ten years from the date of grant. As of April 30, 2010 there were outstanding under this plan options to purchase 130,000 Class A shares. All of these outstanding options were exercised as of June 1, 2010, and thus no options remain outstanding under this plan.

*2001 Stock Option Plan.* This plan became effective September 1, 2000, and was amended in 2008 to increase the number of authorized shares. We designed this plan to attract and retain the best available talent and encourage the highest level of performance by officers, employees, directors, advisors and consultants, and to provide them with incentives to put forth maximum efforts for the success of our business. We granted options to purchase Class A shares under this plan in the form of incentive stock options and non-qualified stock options. We determined the number of options we granted under this plan on an individual basis, except with respect to non-employee directors, who received grants of non-qualified options to purchase 5,000 shares upon election and 3,000 shares at the end of each fiscal quarter. The price of each grant was equal to the closing market price of the shares on the date of grant.

In February 2005, the Board reduced the duration of standard stock option grants from ten years to six years, both for employee stock options and stock options granted to non-employee directors. At that time,

the option vesting schedule was increased, in general, from four to five years. Stock options we granted to a person who owned 10% or more of the combined voting power of all classes of capital stock of the Company at the time of grant were limited to a five-year term (with a four-year vesting schedule) if the option was classified as an incentive stock option. In the event of a change in control, all options automatically become fully vested.

As of April 30, 2010, under this plan option holders had exercised 19,345 option shares, there were 3,432,004 option shares outstanding, and 972,075 shares remained available for stock option grants. The 2001 Plan expired on May 16, 2010. Accordingly, no stock options may be granted after that date under this plan.

*Logility Plans.* On June 29, 2009 we successfully completed our tender offer to acquire all of the outstanding shares of common stock of Logility, Inc. that we did not previously own, followed by the merger of Logility, Inc. with our wholly-owned subsidiary, ASI Acquisition, Inc., effective July 9, 2009 (the Merger Date). Immediately prior to the commencement of the tender offer, there were outstanding options to purchase 600,000 shares of Logility common stock (Logility Options) granted under the Logility Plans. Prior to the Merger Date, 374,000 of the Logility Options were exercised, leaving Logility Options to purchase 226,000 shares. The Logility Options had been granted over the past ten years and had a variety of exercise prices. All of the remaining Logility Options except options to purchase 6,788 shares of Logility stock were fully vested or by their terms became fully vested upon the effectiveness of the merger.

Effective as of the Merger Date, we adopted the Logility Plans as equity plans of American Software, although we will not grant any additional stock options under the Logility Plans, and each outstanding Logility Option was converted into an option to purchase our Class A shares (Replacement Options). The Replacement Options provide in the aggregate for the purchase of 306,810 Class A shares. The Replacement Options are held by fourteen employees and three former independent directors of Logility, Inc. No additional options will be granted under the Logility Plans. Accordingly, any shares that are subject to Replacement Options that are terminated, expire unexercised, are forfeited or are surrendered will not be available for issuance of new stock options. While the Logility Plans provide for the granting of stock appreciation rights, no stock appreciation rights have been granted and none will be granted in the future.

*2011 Equity Compensation Plan.* Under the terms of the 2001 Plan, no new options may be granted after May 16, 2010, and no new options may be granted under any of the Company's other stock option plans. Therefore, on May 17, 2010, the Board of Directors approved, subject to shareholder approval, the American Software, Inc. 2011 Equity Compensation Plan. See Proposal 2 Approval of 2011 Equity Compensation Plan for a more detailed description of this new plan.

#### *Stock Option Committees*

Two separate committees administer our stock option plans: (i) the Special Stock Option Committee (comprised of John J. Jarvis and Thomas L. Newberry, as members of the Compensation Committee) is responsible for option grants to officers and directors, and (ii) the Stock Option Committee (comprised of James C. Edenfield and Thomas L. Newberry) is responsible for other option grants. The members of these Committees are not eligible to participate in the portion of the plan that they administer, except pursuant to the formula option grant program for non-employee directors. Under the plans, the functions of these committees are to grant options and establish the terms of those options, as well as to construe and interpret the plans and adopt rules in connection with options that the particular committee grants. Except for the 2011 Equity Compensation Plan, the function of these committees is limited to continuing and interpreting the plans.



*Fiscal 2010 Grants of Stock Options*

The following table discloses the potential payouts under the stock options awarded to the named executive officers during the fiscal year ended April 30, 2010.

Name	Grant Date	All Option Awards: Number of Securities Underlying Options (#) <sup>1</sup>	Exercise or Base Price of Option Awards (\$/Sh) <sup>2</sup>	Closing Market Price (\$/Sh)	Grant Date Fair Value of Option Awards (\$) <sup>3</sup>
James C. Edenfield	6/30/09	100,000	5.76	5.76	196,020
J. Michael Edenfield	6/30/09	80,000	5.76	5.76	156,816
Vincent C. Klinges	6/30/09	50,000	5.76	5.76	98,010
James R. McGuone	6/30/09	20,000	5.76	5.76	39,204

- (1) The stock options vest ratably on the first, second, third, fourth, and fifth anniversaries of the option grant date and expire in six years.
- (2) The exercise price is determined based on the closing price of the shares as traded on the Nasdaq Stock Market on the grant date.
- (3) For purposes of Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) Topic 718, Stock Compensation (formerly FASB Statement 123R) and this table, the grant date fair value of options is determined using the Black-Scholes option valuation model with the following assumptions: exercise price equal to fair market value of stock (\$5.76) on grant date; dividend yield (7%); expected volatility rate (63%); risk-free interest rate (2.3 to 2.5%); and expected option term of 4.3 years.

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2010 Outstanding Equity Awards at Fiscal Year-End

The table below discloses outstanding exercisable and unexercisable stock options outstanding as of April 30, 2010 for the named executive officers.

Name	Option Awards		Option Exercise Price (\$) <sup>1</sup>	Option Expiration Date <sup>2</sup>
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)		
James C. Edenfield	20,000	0	5.60	07/19/2014
	60,000	20,000	5.69	10/10/2011
	60,000	40,000	5.97	07/17/2012
	40,000	60,000	8.85	10/19/2013
	20,000	80,000	5.70	07/17/2014
	0	100,000	5.76	06/30/2015
J. Michael Edenfield	130,000	0	3.93	06/22/2010
	97,500	0	2.00	06/15/2011
	32,500	0	2.00	06/15/2011
	84,232	0	3.12	06/27/2012
	45,768	0	3.12	06/27/2012
	25,000	0	5.60	07/19/2014
	25,000	0	5.60	07/19/2014
	37,456	0	5.69	10/10/2011
	26,544	16,000	5.69	10/10/2011
	22,500	6,500	5.97	07/17/2012
	1,500	9,500	5.97	07/17/2012
	32,000	30,799	8.85	10/19/2013
	0	17,201	8.85	10/19/2013
	16,000	47,999	5.70	07/17/2014
	0	16,001	5.70	07/17/2014
0	62,473	5.76	06/30/2015	
0	17,527	5.76	06/30/2015	
21,725	0	6.03	07/17/2012	
32,588	0	6.03	07/17/2012	
Vincent C. Klinges	30,126	0	3.12	06/27/2012
	4,874	0	3.12	06/27/2012
	2,554	0	5.60	07/19/2014
	22,446	0	5.60	07/19/2014
	10,641	0	5.69	10/10/2011
	37,359	12,000	5.69	10/10/2011
	24,687	4,687	5.97	07/17/2012
	5,313	15,313	5.97	07/17/2012
	20,000	15,447	8.85	10/19/2013
	0	14,553	8.85	10/19/2013
	10,000	32,615	5.70	07/17/2014
	0	7,385	5.70	07/17/2014
0	28,003	5.76	06/30/2015	
0	21,997	5.76	06/30/2015	
James R. McGuone	0	20,000	5.76	06/30/2015

(1) The number of shares underlying options awarded and the related exercise prices shown in the table are the amounts on the applicable grant date.



- (2) The stock option grants prior to March 2005 expire in ten years and vest ratably on the first, second, third and fourth anniversaries of the option grant date. The stock option grants during or following March 2005 expire in six years and vest ratably on the first, second, third, fourth and fifth anniversaries of the option grant date.

*2010 Option Exercises and Stock Vested*

The following table sets forth the actual value received by the named executive officers upon the exercise of stock options in fiscal 2010.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
James C. Edenfield	0	0
J. Michael Edenfield	0	0
Vincent C. Klinges	0	0
James R. McGuone	0	0

**DIRECTOR COMPENSATION**

During fiscal 2010, the Company compensated Dr. Newberry, the Chairman of the Board, at the rate of \$18,000 per annum, and other directors who are not employed by the Company at the rate of \$12,000 per annum, plus \$600 for each half-day or \$1,200 for each full day meeting of the Board of Directors or any committee of the Board that they attended.

Directors were eligible to receive stock option grants under the Company's 2001 Plan. Under the terms of that plan, newly-elected directors who were not employed by the Company automatically received stock option grants of 5,000 shares each upon their initial election and 3,000 shares each as of the end of each fiscal quarter, with an exercise price equal to the market price on the date of each such grant. These options became exercisable one year after the date of grant and expire six years after the date of grant (ten years for options granted prior to March 2005). They do not terminate if the director ceases to serve on the Board of the Company after the options became exercisable. Under this program, W. Dennis Hogue, John J. Jarvis, James B. Miller, Jr., Thomas L. Newberry and Thomas L. Newberry, V each received option grants totaling 12,000 shares in fiscal 2010.

The following table provides compensation information for non-employee members of our Board for the fiscal year ended April 30, 2010.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Inventive Compensation (\$)	Change In Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compen- sation (\$)	Total (\$)
W. Dennis Hogue	22,800	-0-	25,046	-0-	-0-	-0-	47,846
John J. Jarvis	24,600	-0-	25,046	-0-	-0-	-0-	49,646
James B. Miller, Jr.	22,800	-0-	25,046	-0-	-0-	-0-	47,846
Thomas L. Newberry	23,400	-0-	25,046	-0-	-0-	13,381(2)	61,827
Thomas L. Newberry, V	15,600	-0-	25,046	-0-	-0-	-0-	40,646

(1) The amounts shown in the Option Awards column equal the amounts we recognized during fiscal 2010 as compensation expenses for financial reporting purposes as a result of options granted in fiscal 2010. In accordance with FASB ASC Topic 718, stock options issued in fiscal 2010 were valued using the Black-Scholes option valuation model with the following assumptions: exercise price equal to fair market value of stock on the grant date; dividend yield of 6% to 9%; expected volatility rate of 42% to 61%; risk-free interest rate of 1.9% to 3.3%; and expected term of 4.2 to 4.3 years.

(2) This amount represents the cost to the Company of medical and dental insurance that Dr. Newberry receives as Chairman of the Board.

**CERTAIN TRANSACTIONS**

The Company and Logility have previously entered into a Services Agreement and a Facilities Agreement. These agreements are described in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2010, filed with the Securities and Exchange Commission. Effective July 9, 2009, Logility became a wholly-owned subsidiary of the Company. During that portion of fiscal 2010 in which Logility was not wholly owned by the Company (May 1, 2009 through July 8, 2009), Logility paid the following amounts to the Company under the terms of these agreements: Services Agreement \$262,875 and Facilities Agreement \$180,797.

**PROPOSAL 2: APPROVAL OF 2011 EQUITY COMPENSATION PLAN**

**General**

Under the terms of the 2001 Plan, no new options may be granted after May 16, 2010, and no new options may be granted under any of the Company's other stock option plans. As noted above, we believe that granting stock options to executive officers is an effective means to reward them for their prior performance, to serve as an incentive for promotion of Company profitability and other long-term objectives, and to maintain their overall compensation at competitive levels. Therefore, on May 17, 2010, the Board of Directors adopted, subject to shareholder approval, the American Software, Inc. 2011 Equity Compensation Plan (the "Plan").

Under the Plan, the Company may grant options and stock appreciation rights ("SARs") to officers and other employees of the Company or any subsidiary, consultants and other service providers to the Company or any subsidiary, or members of the Board of Directors. Options may be either incentive stock options or nonqualified stock options. The number of options or SARs granted is determined by the particular committee that administers such grants. See "Administration," below. Option grants to non-employee directors can only be nonqualified stock options. SARs may be granted to any Plan participant.

The following summary of the Plan is qualified in its entirety by reference to the full text of the Plan, which governs in the event of any conflict. A copy of the Plan is attached to this Proxy Statement as *Appendix A*.

**Purpose of Plan**

The purpose of the Plan is to aid the Company in recruiting and retaining key employees, directors, consultants and other service providers of outstanding ability and to motivate such employees, directors, consultants and other service providers to exert their best efforts on behalf of Company and its affiliates.

**Shares Subject to the Plan**

Currently, the maximum number of Class A shares that may be issued under the Plan is 2,500,000 shares and the maximum number of SARs that may be granted is 500,000, subject to adjustment as provided below. Such shares may be shares of original issuance or treasury shares. Any shares that are subject to options granted under the Plan that are terminated, expire unexercised, are forfeited or are surrendered will again be available for issuance under the Plan.

In the event of any change in the outstanding shares by reason of any share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate exchange or change in capital structure, any distribution to shareholders (other than regular cash dividends) or any similar event, the applicable stock option committee, without liability to any person, will make such substitution or adjustment, if any, as it deems to be equitable as to the number or kind of shares or other securities issued or reserved for issuance. The committee will determine in its sole discretion the manner in which such substitution or adjustment shall be made.

**Administration**

The Plan is administered by the Board of Directors and by the Stock Option Committee and the Special Stock Option Committee. The Special Stock Option Committee, composed of non-employee directors, is responsible for the administration and granting of stock options to executive officers of the Company. The Stock Option Committee, consisting of other directors of the Company, is responsible for the administration and granting of stock options to other employees and eligible persons. The Stock Option Committee currently is composed of James C. Edenfield and Thomas L. Newberry. The Special Stock Option Committee currently is composed of John J. Jarvis and Thomas L. Newberry. General references in this Proposal 2 to the committee mean the Stock Option Committee or Special Stock Option Committee, as applicable.

### **Eligibility**

All directors and employees (296 persons as of April 30, 2010) are eligible to participate in the Plan. Additionally, consultants and other service providers to the Company may be eligible for option grants, if deemed appropriate by the Stock Option Committee.

Although not expressly provided in the Plan, on May 17, 2010, the Board adopted a resolution continuing the policy of granting certain stock options to directors under the Plan. Newly-elected directors who are not employed by the Company automatically will receive stock option grants of 5,000 shares each upon their initial election and 3,000 shares each as of the end of each fiscal quarter, with an exercise price equal to the fair market value on the date of each such grant.

### **Exercise Price**

The exercise price per share of any option granted under the Plan is set in each case by the committee that administers the Plan or by the entire Board, but shall not be less than 100% of the fair market value of common stock on the date of grant (110% for 10% stockholders if the option is an incentive stock option). As of the close of business on June 30, 2010, the market value of common stock was \$4.64 per share.

### **Terms of Options**

The terms of individual option grants and SARs are determined by the particular committee granting the option or SAR, as discussed above in Administration. If the committees continue their current practices, options granted pursuant to the Plan generally will expire on the sixth anniversary of the grant date and will become exercisable in equal portions over a five-year period (other than options granted to non-employee directors, which vest one year following the date of grant). A SAR granted in connection with an option (A) may be granted at the time the related option is granted or at any time prior to the exercise or cancellation of the related option, (B) shall cover the same number of shares covered by the option (or such lesser number of shares as the committee may determine), and (C) shall be subject to the same terms and conditions as such Option, except for certain additional limitations permitted under the Plan.

### **Exercise of Options**

Options granted pursuant to the Plan are exercisable according to the terms of the Plan and at such times and under such conditions as determined by the committee that administers the option and as set forth in the option grant agreement relating to the options being exercised. The option plan agreement may specify whether the option price may be paid by the participant (i) in cash or its equivalent (e.g., by personal check) at the time the Option is exercised, (ii) in shares having a fair market value equal to the aggregate option price for the shares being purchased and satisfying such other requirements as may be imposed by the committee, if such shares have been held by the participant for no less than six months, (iii) partly in cash and partly in shares, (iv) if there is a public market for the shares at such time, through the delivery of irrevocable instructions to a broker to sell shares obtained upon the exercise of the option, or (v) to the extent approved by the committee, through net settlement in shares. Any option agreement may provide for deferred payment from the proceeds of sale through a bank or broker of some of all of the shares to which such exercise relates.

### **Exercise of SARs**

Each SAR granted independent of an option shall entitle a participant upon exercise to an amount equal to the product of (i) the excess of (A) the fair market value on the exercise date of one share over (B) the exercise price per Share, multiplied by (ii) the number of shares covered by the SAR. Each SAR granted in conjunction with an option, or a portion thereof, shall entitle a participant to surrender to the Company the unexercised option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the

product of (i) the excess of (A) the fair market value on the exercise date of one share over (B) the greater of the exercise price per share or the option price per share, multiplied by (ii) the number of shares covered by the option, or portion thereof, which is surrendered. The date on which a notice of exercise is received by the Company shall be the exercise date. Payment shall be made in cash as set forth in the award agreement. SARs may be exercised from time to time upon actual receipt by the Company of written notice of exercise stating the number of shares with respect to which the SAR is being exercised.

#### **Non-Transferability**

An option or SAR granted under the Plan is not transferable other than by will or the applicable laws of descent and distribution. During the lifetime of a participant, options may be exercised only by such participant or his guardian or legal representative.

#### **Change of Control**

In the event of a Change of Control, the committee may, but shall not be obligated to, (i) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an award not already vested, (ii) cancel such awards for fair value (as determined in the sole discretion of the committee) which, in the case of options and SARs, may equal the excess, if any, of the value of the consideration to be paid in the Change of Control transaction to holders of the same number of shares subject to such options or SARs (or, if no consideration is paid in any such transaction, the fair market value of the shares subject to such options or SARs) over the aggregate exercise price of such options or SARs, (iii) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted, as determined by the committee in its sole discretion, or (iv) provide that for a period of at least 10 days prior to the Change of Control, such options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change of Control, such options shall terminate and be of no further force or effect.

For purposes of the Plan, **Change of Control** means a transaction or a series of transactions occurring within any single 12-month period in which: (i) any one Person (as that term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended), or more than one Person acting as a group, acquires ownership of stock of Company that, together with stock held by such Person or group, constitutes majority shareholder voting power, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition; (ii) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (iii) any one Person, or more than one Person acting as a group, other than a Person or group of persons that is related to the Company, acquires assets from the Company that have a total gross fair market value equal to or more than 75% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the 12-month period ending on the date of the most recent acquisition.

#### **Governing Law**

The Plan will be governed by and construed in accordance with the laws of the State of Georgia.

#### **No Right to Employment or Awards**

The granting of an award under the Plan imposes no obligation on the Company or any of its subsidiaries to continue the employment of a participant and does not lessen or affect their right to terminate the employment of such participant. No participant or other person will have any claim to be granted any award. The terms and conditions of awards and the committee's determinations and interpretations need not be the same with respect to each participant.



**Code Section 409A**

The Plan expressly provides that no award will be granted, deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax upon a Participant under Section 409A of the Code, and the committee will have the authority to alter the payment or delivery of shares under the Plan in order to avoid such tax liability.

**New Plan Benefits**

Awards granted under the Plan are subject to the discretion of the Stock Option Committee and Special Stock Option Committee. Therefore, it is not possible to determine the exact benefits that will be received in the future by participants in the Plan or the benefits that would have been received by such participants if the Plan had been in effect in the fiscal year ended April 30, 2010.

The following stock options have been granted, contingent upon approval of the Plan by shareholders:

Name	2011 Equity Compensation Plan	
	Dollar Value(1)	Number of Shares
James C. Edenfield(2)	\$ 138,420	100,000
J. Michael Edenfield(2)	\$ 110,736	80,000
Vincent C. Klinges(2)	\$ 69,210	50,000
James R. McGuone(2)	\$ 27,684	20,000
Executive Group(2)	\$ 346,050	250,000
Non-Executive Director Group(3)	NA	NA
Non-Executive Officer Employee Group(4)	\$ 56,424	40,000

- (1) The value of stock option awards under the Plan will be the aggregate grant date fair value of stock option grants made during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation. For discussion of relevant assumptions used in calculating the grant date fair value, see Note 7 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended April 30, 2010.
- (2) Options granted on July 12, 2010, contingent upon approval of the Plan by shareholders.
- (3) Under the Plan, non-employee directors will receive stock option grants of 5,000 shares each upon their initial election and 3,000 shares each as of the end of each fiscal quarter, with an exercise price equal to the fair market value on the date of each such grant. As of the date of this Proxy Statement, no grants have been made to non-employee directors for fiscal 2011.
- (4) Options granted in July 2010, contingent upon approval of the Plan by shareholders.

**Termination**

The Plan will terminate on May 17, 2020, the tenth anniversary of the date on which it was adopted by the Board of Directors of the Company, unless sooner suspended or terminated by the Board. In general, no such suspension or termination will have any effect on outstanding awards without the consent of the participant.

**Tax Consequences**

The following is a brief summary of the principal federal income tax consequences of the grant and exercise of an option under the Plan and the subsequent disposition of shares of common stock acquired upon such exercise. Under the Plan, at the time of grant the committee designates each option as either an incentive stock option or a nonqualified stock option, with differing tax consequences to the participant and to the Company for each type of option.



### *Nonqualified Options*

The grant of a nonqualified option will not result in any immediate tax consequence to the Company or the participant. Upon exercise of a nonqualified option granted under the Plan, the amount by which the fair market value on the date of exercise of the shares received upon such exercise exceeds the option price will be taxed as ordinary income to the participant, and the Company generally will be entitled to a deduction in an equal amount in the year the option is executed. Such amount will not be an item of tax preference to a participant.

Upon the subsequent disposition of shares acquired upon the exercise of an option ( Option Stock ), a participant may realize short-term or long-term capital gain or loss (assuming such shares of Option Stock constitute capital assets in a participant's hands), depending upon the holding period of such shares of Option Stock, equal to the difference between the selling price and the tax basis of the shares of Option Stock sold. The tax basis for this purpose will equal the sum of the exercise price and the amount of ordinary income realized by the participant as a result of such exercise.

### *Incentive Options*

Neither the grant nor the exercise of an incentive stock option will have any immediate tax consequences to the Company or the participant. (However, in calculating income for purposes of computing an individual participant's alternative minimum tax, the favorable tax treatment generally accorded incentive stock options is not applicable.)

When a participant sells Option Stock received upon the exercise of his incentive stock options, any amount he receives in excess of the option price will be taxed as a long-term capital gain at the maximum applicable tax rate (and any loss will be a long-term capital loss) if he has held his shares for at least two years from the date of granting the option to him and for at least one year after the issuance of such shares to him. If the shares are not held for more than two years from the date of granting the option to him or are not held for more than one year after the issuance of such shares, (i) ordinary income will be realized in the year of the disposition in an amount equal to the difference between the fair market value of the shares on the date the option was exercised and the option price, and (ii) either capital gain or loss will be recognized in an amount equal to the difference between the selling price and the fair market value of the shares on the date the option was exercised. If the selling price is less than the fair market value on the date the option is exercised, but more than the exercise price, (a) ordinary income equal to the difference between the exercise price and the fair market value on the date of exercise is recognized, and (b) a capital loss equal to the difference between the fair market value on the date of exercise and the sales price results.

The Company is not permitted to take a deduction for federal income tax purposes because of the granting or exercise of any incentive stock option, except to the extent that ordinary income may be realized by a participant on the exercise or sale of Option Stock.

### *SARs*

The grant of a SAR is not a taxable event to the Company or the participant. When a participant exercises a SAR, the excess of the fair market value of the common stock at the time of exercise over the unit grant price, multiplied by the number of units exercised, will be taxed as ordinary income to the participant. The Company may claim a deduction for federal income tax purposes for compensation paid in an equal amount after the participant has exercised the SAR.

### **Board Recommendation**

The Board of Directors believes it is in the best interest of the Company and its shareholders to approve the adoption of the Plan so that the Company will be able to continue to provide adequate incentives and to attract

and retain the services of competent personnel. The affirmative vote of a majority of the shares in attendance or represented by proxy and entitled to vote at the Annual Meeting of Shareholders is required for adoption of the Plan. Each outstanding Class A share is entitled to one-tenth vote per share and each outstanding Class B share is entitled to one vote per share on this proposal. Abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE  
APPROVAL OF THE 2011 EQUITY COMPENSATION PLAN.**

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**PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors, upon the recommendation of the Audit Committee, has appointed KPMG LLP ( KPMG ) to serve as its independent registered public accounting firm for the fiscal year ending April 30, 2011. KPMG acted in such capacity during the fiscal year ending April 30, 2010. This appointment is being presented to the shareholders for ratification. Although the Company is not required to obtain shareholder ratification, the Company has elected to do so in order to provide the shareholders with an opportunity to participate in this decision. In the event that the shareholders do not ratify the appointment of KPMG as the independent registered public accounting firm of the Company, the Board of Directors will consider the retention of another independent registered public accounting firm.

The Company expects that representatives of KPMG will attend the Annual Meeting of Shareholders. These representatives will be available to respond to appropriate questions raised orally and will be given the opportunity to make a statement if they so desire.

During the fiscal year ended April 30, 2010, the Company engaged KPMG to provide certain audit services, including the audit of the annual financial statements, quarterly reviews of the financial statements included in our Quarterly Reports on Form 10-Q, services performed in connection with filing this Proxy Statement and the Annual Report on Form 10-K by the Company with the SEC, attendance at meetings with the Audit Committee and consultation on matters relating to accounting, tax and financial reporting. KPMG has acted as independent registered public accounting firm for the Company since 1983. Neither KPMG nor any of its associates has any relationship to the Company or any of its subsidiaries except in its capacity as independent registered public accounting firm.

The aggregate fees billed to the Company by KPMG for services rendered during fiscal 2010 and fiscal 2009, including fees billed in connection with services rendered to Logility, Inc., are summarized below:

*Audit Fees.* Fees for audit services totaled approximately \$619,000 in fiscal 2010 and approximately \$964,500 in fiscal 2009, including fees associated with the annual audit and the reviews of financial statements in Quarterly Reports on Form 10-Q, including Sarbanes Oxley 404 audit fees.

*Audit Related Fees.* Fees for audit related services totaled zero in fiscal 2010 and approximately \$86,000 in fiscal 2009. Audit related fees consisted primarily of fees incurred related to the review of the Company's system implementation, which was finalized during 2009.

*Tax Fees.* There were no fees for tax services, including tax compliance, tax advice and tax planning, billed to the Company by KPMG in fiscal 2010 or in fiscal 2009.

*All Other Fees.* The Company's independent registered public accounting firm did not receive fees for other services not described above in fiscal 2010 or in fiscal 2009.

During fiscal 2010, KPMG did not utilize any leased personnel in connection with the audit.

In accordance with the rules of Nasdaq and the SEC, the approval of the Audit Committee is required for all independent audit engagement fees and terms and all permitted non-audit engagements (including the fees and terms thereof) that the independent registered public accounting firm performs for the Company.

**Board Recommendation**

The Board believes it is in the best interest of the Company and its shareholders to ratify the appointment of KPMG as its independent registered public accounting firm for the fiscal year ending April 30, 2011. Approval

of this proposal requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote on this proposal. The affirmative vote of a majority of the shares in attendance or represented by proxy and entitled to vote at the Annual Meeting of Shareholders is required for adoption of the Plan. Each outstanding Class A share is entitled to one-tenth vote per share and each outstanding Class B share is entitled to one vote per share on this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG AS ITS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING APRIL 30, 2011.**

**AUDIT COMMITTEE REPORT**

The following is the Report of the Audit Committee of the Board of Directors of American Software, Inc. for the fiscal year ended April 30, 2010.

The Board of Directors has adopted a written charter for the Audit Committee, a current copy of which is attached to this Proxy Statement as *Appendix B*. As set forth in the charter, the Audit Committee's job is one of oversight. It is not the duty of the Audit Committee to prepare the financial statements of the Company, to plan or conduct audits, or to determine that the financial statements of the Company are complete and accurate and are in accordance with generally accepted accounting principles. The Company's management is responsible for preparing the Company's financial statements and for maintaining internal controls. The independent registered public accounting firm of the Company is responsible for auditing the financial statements and for expressing an opinion as to whether those audited financial statements fairly present the financial position, results of operations, and cash flows to the Company in conformity with U.S. generally accepted accounting principles.

In fulfilling its responsibilities with respect to the fiscal year 2010 audit, the Audit Committee: (1) reviewed and discussed the audited financial statements for the fiscal year ended April 30, 2010 with Company management and KPMG LLP (KPMG), the Company's independent registered public accounting firm; (2) discussed with KPMG the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 480), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T; and (3) received the disclosure and the letter from KPMG required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence and discussed with KPMG its independence from the Company.

Based on the Audit Committee's review of the audited financial statements and discussions with management and KPMG, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2010 for filing with the Securities and Exchange Commission.

The Nasdaq listing requirements require audit committees to be composed of not less than three members who are independent directors, as that term is defined in the listing requirements. The Audit Committee believes that its members meet the definition of independent directors set forth in those rules.

**By the Audit Committee:**

James B. Miller, Jr., Chairman

W. Dennis Hogue

John J. Jarvis

### SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of June 30, 2010 (unless otherwise indicated), the beneficial ownership of Class A shares and Class B shares by (i) each person known to management to own beneficially more than 5% of the outstanding shares of our common stock; and (ii) each current director, each nominee for director, each of our named executive officers, and our executive officers and directors as a group. Unless otherwise noted, (i) we believe that each of the beneficial owners set forth in the table has sole voting and investment power, and (ii) the address of each person listed below is 470 East Paces Ferry Road, N.E., Atlanta, Georgia 30305.

Name of Beneficial Owner or Description of Group	Shares Beneficially Owned		Percent of Class	
	Class A	Class B	Class A(1)	Class B(1)
<i>Beneficial owners of more than 5%</i>				
James C. Edenfield	439,335(2)(3)	2,747,086(2)(4)	1.9%(5)	100.0%
Thomas L. Newberry	439,335(2)(6)	2,747,086(2)(7)	1.9%(5)	100.0%
Renaissance Technologies LLC	1,401,708(8)	-0-	6.1%	
BlackRock, Inc.	1,386,866(9)	-0-	6.1%	
Brown Capital Management, Inc.	2,801,762(10)	-0-	12.3%	
<i>Directors and named executive officers</i>				
James C. Edenfield	439,335(2)(3)	2,747,086(2)(4)	1.9%(5)	100.0%
Thomas L. Newberry	439,335(2)(6)	2,747,086(2)(7)	1.9%(5)	100.0%
J. Michael Edenfield	739,174(11)	-0-	3.2%	
W. Dennis Hogue	104,750(12)	-0-	0.5%	
John J. Jarvis	133,750(13)	-0-	0.5%	
James B. Miller, Jr.	122,750(14)	-0-	0.5%	
Thomas L. Newberry, V	39,750(11)	-0-	0.2%	
Vincent C. Klings	258,256(15)	-0-	1.1%	
James R. McGuone	4,000(11)	-0-		
ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (9 Persons)	1,797,765(16)	2,747,086	7.4%	100.0%

- (1) Share percentages are based on an aggregate of 22,840,304 Class A shares outstanding as of June 30, 2010, plus 60-day option shares held by the person or group in question. There were 2,747,086 Class B shares outstanding as of June 30, 2010.
- (2) Each of Dr. Newberry and Mr. Edenfield have filed an amended Schedule 13G with the Securities and Exchange Commission stating that they, acting as a group, share voting power with respect to all shares beneficially held by them. Accordingly, Mr. Edenfield's beneficially owned shares include shares of which Dr. Newberry is the record owner or as to which he controls or shares voting or dispositive rights as well as Dr. Newberry's 60-day option shares. Similarly, Dr. Newberry's beneficially owned shares include shares of which Mr. Edenfield is the record owner or as to which he controls or shares voting or dispositive rights as well as Mr. Edenfield's 60-day option shares.
- (3) Includes 260,000 shares that may be acquired upon the exercise of Mr. Edenfield's own stock options exercisable within 60 days and 60,000 shares held by the James C. and Norma T. Edenfield Foundation, Inc., as to which Mr. Edenfield has shared voting and investment power; also includes 119,335 Class A shares of which Dr. Newberry is the record owner or which are Dr. Newberry's 60-day option shares, as to which Mr. Edenfield shares voting power. If all Class B shares were converted into Class A shares, Mr. Edenfield would beneficially own 3,186,421 Class A shares, which would represent approximately 12.3% of the total Class A shares that would be beneficially owned after such conversion.
- (4) Includes 765,499 Class B shares of which Dr. Newberry is the record owner, as to which Mr. Edenfield shares voting power.



- (5) For all matters except the election of directors, which involves class voting, Mr. Edenfield and Dr. Newberry together beneficially own approximately 55.1% of the combined, weighted voting rights of the outstanding Class A and Class B shares. See Record Date and Voting of Securities.
- (6) Includes 108,000 shares that may be acquired upon the exercise of Dr. Newberry's own stock options exercisable within 60 days; also includes 320,000 Class A shares of which Mr. Edenfield is the record owner or holder of voting power or which are Mr. Edenfield's 60-day option shares, as to which Dr. Newberry shares voting power. If all Class B shares were converted into Class A shares, Dr. Newberry would beneficially own 3,186,421 Class A shares, which would represent approximately 12.3% of the total Class A shares that would be beneficially owned after such conversion.
- (7) Includes 1,981,587 Class B shares of which Mr. Edenfield is the record owner, as to which Dr. Newberry shares voting power.
- (8) Based on Schedule 13G dated February 12, 2010. Of this amount, the reporting person has sole voting power as to 1,384,500 of the shares, sole dispositive power as to 1,393,824 of the shares, and shared dispositive power as to 7,884 of the shares, which are owned of record by its investment advisory clients. Renaissance Technologies' reported address is 800 Third Avenue, New York, NY 10022.
- (9) Based on Schedule 13G dated January 20, 2010. Of this amount, the reporting person has sole voting power and sole dispositive power as to all of the shares (1,386,866). BlackRock's reported address is 40 E. 52nd St., New York, NY 10022.
- (10) Based on Schedule 13G dated December 31, 2009. Of this amount, the reporting person has sole voting power as to 1,354,277 of the shares and sole dispositive power as to all of the shares, which are owned of record by its investment advisory clients. Brown Capital Management's reported address is 1201 N. Calvert Street, Baltimore, MD 21202.
- (11) Includes 540,313 shares subject to options exercisable within 60 days.
- (12) Represents shares subject to options exercisable within 60 days.
- (13) Includes 75,750 shares subject to options exercisable within 60 days.
- (14) Includes 92,750 shares subject to options exercisable within 60 days.
- (15) Includes 198,000 shares subject to options exercisable within 60 days.
- (16) Includes 1,423,313 shares subject to options exercisable within 60 days.

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

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and holders of more than 10% of the Class A shares are required under regulations promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review by the Company of filings made under Section 16(a) of the Exchange Act and representations from its 10% shareholders, executive officers and directors, all of the reports required to be filed by such persons during fiscal 2010 were filed on a timely basis.



## REPORT TO SHAREHOLDERS OF BOARD ACTION

On May 18, 2009, the Board of Directors approved an amendment to the Company's By-Laws. This amendment modified the provisions of Article III, Section 5 of the By-Laws relating to the time from the record date until the Annual Meeting of Shareholders. Because this amendment was not material, it did not need to be submitted to a vote of the shareholders. As required by and in accordance with the By-Laws, we are now reporting this action to our shareholders. A copy of the By-Laws, as amended, is attached as Exhibit 3.1 to our Quarterly Report on Form 10-Q filed with the SEC on March 10, 2010.

## SHAREHOLDER PROPOSALS

Proposals of shareholders intended to be presented at the 2011 Annual Meeting of Shareholders must be forwarded in writing and received at the principal executive offices of the Company no later than March 29, 2011, directed to the attention of the Secretary, to be considered for inclusion in the Company's Proxy Statement for that Annual Meeting. Any such proposals must comply in all respects with the rules and regulations of the Securities and Exchange Commission.

## OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors does not intend to present, and has not been informed that any other person intends to present, any matter for action at the Annual Meeting other than those matters specifically referred to in this Proxy Statement. If other matters properly come before the meeting, it is intended that the holders of the proxies will act with respect thereto in accordance with their best judgment.

The Company will bear the cost of this solicitation of proxies. In addition to solicitation by mail, employees of the Company may solicit proxies by telephone, in writing or in person. The Company may request brokerage houses, nominees, custodians and fiduciaries to forward soliciting material to the beneficial owners of stock held of record and will reimburse such persons for any reasonable expense in forwarding the material.

Copies of the 2010 Annual Report of the Company are being mailed to shareholders together with this Proxy Statement, proxy card and Notice of Annual Meeting of Shareholders. Additional copies may be obtained from Pat McManus, Investor Relations, 470 East Paces Ferry Road, N.E., Atlanta, Georgia 30305.

**A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED APRIL 30, 2010, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WILL BE FURNISHED WITHOUT CHARGE TO SHAREHOLDERS BENEFICIALLY OR OF RECORD AT THE CLOSE OF BUSINESS ON JULY 7, 2010, ON REQUEST TO PAT McMANUS, INVESTOR RELATIONS, 470 EAST PACES FERRY ROAD, N.E., ATLANTA, GEORGIA 30305.**

By Order of the Board of Directors,

James R. McGuone, Secretary

Atlanta, Georgia

July 27, 2010

**APPENDIX A**

**AMERICAN SOFTWARE, INC.**

**2011 Equity Compensation Plan**

1. *Purpose of the Plan.* The purpose of the 2011 Equity Compensation Plan (the *Plan*) is to aid American Software, Inc., a Georgia corporation (*Company*), and its Affiliates (defined below) in recruiting and retaining key employees, directors, consultants and other service providers of outstanding ability and to motivate such employees, directors, consultants and other service providers to exert their best efforts on behalf of Company and its Affiliates by providing incentives through the granting of Awards (defined below). Company expects that it will benefit from the added interest which such key employees, directors, consultants and other service providers will have in the welfare of Company as a result of their proprietary interest in Company's success.

2. *Definitions.* The following capitalized terms used in the Plan have the respective meanings set forth in this Section 2:

*Act* means the Securities Exchange Act of 1934, as amended, or any successor thereto.

*Affiliate* means with respect to Company, any entity directly or indirectly controlling, controlled by, or under common control with, Company or any other entity designated by the Board in which Company or an Affiliate has an interest.

*Award* means an Option or Stock Appreciation Right granted pursuant to the Plan.

*Board* means the Board of Directors of Company.

*Change of Control* means any event which is a *change in control event* as defined in Treasury Regulation Section 1.409A-3(i)(5) or any subsequent regulation or authoritative governmental interpretation of Section 409A(a)(2)(A)(v) of the Code, including any amendments thereto. To the extent consistent with such definition, a *Change of Control* means a transaction or a series of transactions occurring within any single 12-month period in which:

(i) any one Person, or more than one Person acting as a group, acquires ownership of stock of Company that, together with stock held by such Person or group, constitutes Majority Shareholder Voting Power, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition;

(ii) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or

(iii) any one Person, or more than one Person acting as a group, other than a Person or group of persons that is related to Company, acquires assets from Company that have a total gross fair market value equal to or more than 75% of the total gross fair market value of all of the assets of Company immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the 12-month period ending on the date of the most recent acquisition.

Notwithstanding the foregoing, a *Change in Control* shall not include any transaction or a series of transactions in which the Class B Common Shares of the Company held by any person holding such shares as of the Effective Date are transferred to one or more members of his immediate family, to an entity controlled by any such family member or members or a trust for the benefit of any such family member or members. Further, a *Change in Control* shall not include any transaction or a series of transactions in any acquisition of stock or assets by a Person who owns Majority Shareholder Voting Power prior to such transaction or series of transactions.

*Code* means the Internal Revenue Code of 1986, as amended, or any successor thereto.

**Committee** means the Stock Option Committee of the Board, or such other committee of the Board (including, without limitation, the full Board) to which the Board has delegated full or partial power to act under or pursuant to the provisions of the Plan.

**Company** has the meaning set forth in Section 1.

**Disability** means Disability as defined for purposes of Section 409A of the Code. In a dispute, the Disability determination shall be in the sole discretion of the Committee and a Participant (or his representative) shall furnish the Committee with medical evidence documenting the Participant's disability or infirmity which is satisfactory to the Committee.

**Effective Date** means May 17, 2010 (the date the Board approved the Plan). The effectiveness of the Plan and the validity of any and all Awards granted hereunder are contingent upon approval of the Plan by the requisite vote of the shareholders of Company in a manner which complies with Section 422(b)(1) of the Code, the requirements of any national securities exchange on which such Shares are listed or admitted to trading and the provisions of the corporate charter, bylaws and applicable state law of Company.

**Employment** means (i) a Participant's employment if the Participant is an employee of Company or any of its Affiliates, (ii) a Participant's service as a consultant or other service provider, if the Participant is a consultant or other service provider to Company or its Affiliates, and (iii) a Participant's service as a non-employee director, if the Participant is a non-employee member of the Board.

**Fair Market Value** means, on a given date, (i) if there should be a public market for the Shares on such date, the closing price of the Shares as reported on such date on the composite tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no composite tape exists for such national securities exchange on such date, then the closing price on the principal national securities exchange on which such Shares are listed or admitted to trading, or, (ii) if the Shares are not listed or admitted to trading or quotation on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or (iii) if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith pursuant to the reasonable application of a reasonable valuation method under Treasury Regulation Section 1.409A-1(b)(5)(iv)(B). With respect to (i) and (ii) above, if no sale of Shares shall have been reported on such composite tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

**ISO** means an Option that is also an incentive stock option granted pursuant to Section 6(d).

**Majority Shareholder Voting Power** means either (i) with respect to the election of members of the Board by the shareholders of Company, the ability to elect a majority of the Board, or (ii) with respect to all other matters, more than 50% of the total voting power of the stock of Company, in both cases taking into account the relative voting power of the Shares and Company's Class B Common Shares.

**Option** means a stock option granted pursuant to Section 6.

**Option Price** means the purchase price per Share of an Option, as determined pursuant to Section 6(a).

**Participant** means an employee, director, consultant or other service provider of Company or any of its Affiliates who is selected by the Committee to participate in the Plan.

**Permitted Holder** means, as of the date of determination, any and all of an employee benefit plan (or trust forming a part thereof) maintained by (i) Company, or (ii) any corporation or other Person of which a majority of its voting power of its voting equity securities or equity interest is owned, directly or indirectly, by Company.

Person means a person, as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

Plan has the meaning set forth in Section 1.

Shares means Company's Class A Common Shares.

Stock Appreciation Right means a stock appreciation right granted pursuant to Section 7.

Subsidiary means a subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

3. *Shares Subject to the Plan.* Subject to Section 8, the total number of Shares which may be issued under the Plan is 2,500,000 and the maximum number of Stock Appreciation Rights that may be granted is 500,000. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares or the payment of cash upon the exercise of an Award or in consideration of the cancellation or termination of an Award shall reduce the total number of Shares available under the Plan, as applicable. Shares subject to Awards that terminate or lapse without the payment of consideration may be granted again under the Plan.

4. *Administration.* The Plan shall be administered by the Committee. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or advisable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or advisable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Committee shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). Determinations made by the Committee under the Plan need not be uniform and may be made selectively among Participants, whether or not such Participants are similarly situated. Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by Company, any of its Affiliates or any of their respective predecessors, or any entity acquired by Company or with which Company combines. The number of Shares underlying such substitute awards shall be counted against the aggregate number of Shares available for Awards under the Plan. The Committee shall require payment of any minimum amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, vesting or grant of an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such minimum withholding taxes by (i) delivery in Shares, or (ii) having Shares withheld by Company from any Shares that would have otherwise been received by the Participant. The number of Shares so delivered or withheld shall have an aggregate Fair Market Value sufficient to satisfy the applicable minimum withholding taxes.

5. *Limitations.* No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. *Terms and Conditions of Options.* Options granted under the Plan shall be, as determined by the Committee, non-qualified or incentive stock options for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

(a) *Option Price.* The Option Price per Share shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of a Share on the date an Option is granted (other than in the case of Options granted in assumption or substitution of previously granted awards, as described in Section 4; provided that such assumption or substitution is described in Treasury Regulation Section 1.409A-1(b)(5)(v)(D)).

(b) *Exercisability.* Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted. Each Award agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment or service with Company or its Affiliates. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award agreements, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

(c) *Exercise of Options.* Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 6, the exercise date of an Option shall be the later of the date a notice of exercise is received by Company and, if applicable, the date payment is received by Company pursuant to clause (i), (ii), (iii), (iv) or (v) in the following sentence. The purchase price for the Shares as to which an Option is exercised shall be paid to Company to the extent permitted by law, (i) in cash or its equivalent (e.g., by personal check) at the time the Option is exercised, (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Participant for no less than six months (or such other period as established from time to time by the Committee in order to avoid adverse accounting treatment applying generally accepted accounting principles), (iii) partly in cash and partly in Shares (as described in (ii) above), (iv) if there is a public market for the Shares at such time, through the delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the Option and to deliver promptly to Company an amount out of the proceeds of such sale equal to the aggregate Option Price for the Shares being purchased plus any and all federal, state, or local taxes and any other levies of any kind required by law to be deducted or withheld with respect to the exercise of the Option, or (v) to the extent the Committee shall approve in the Award agreement, through net settlement in Shares. In the case of a net settlement of an Option, Company will not require a cash payment of the Option Price of the Option set forth in the Award agreement, but will reduce the number of Shares issued upon the exercise by the largest number of whole Shares that have a Fair Market Value that does not exceed the aggregate Option Price set forth in the Award agreement. With respect to any remaining balance of the aggregate Option Price, Company shall accept a cash payment. No Participant shall have any rights to dividends or other rights of a shareholder with respect to Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions imposed by the Committee pursuant to the Plan.

(d) *ISOs.* The Committee may grant Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto). No ISO may be granted to any Participant who at the time of such grant, owns more than 10% of the total combined voting power of all classes of stock of Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify Company of such disposition and of the amount realized upon such disposition. All Options granted under the Plan are intended to be nonqualified stock options, unless the applicable Award agreement expressly states that the Option is intended to be an ISO. If an Option is intended to be an ISO, and if for any reason such Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as a nonqualified stock option granted under the Plan. In no event shall any member of the Committee, Company or any of its Affiliates (or their respective employees, officers or directors) have any liability to any Participant (or any other Person) due to the failure of an Option to qualify for any reason as an ISO.

(e) *Attestation.* Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering

Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case Company shall treat the Option as exercised without further payment and/or shall withhold such number of Shares from the Shares acquired by the exercise of the Option, as appropriate.

*7. Terms and Conditions of Stock Appreciation Rights.*

(a) *Grants.* The Committee may also grant (i) a Stock Appreciation Right independent of an Option or (ii) a Stock Appreciation Right in connection with an Option, or a portion thereof. A Stock Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Shares covered by an Option (or such lesser number of Shares as the Committee may determine), and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) *Terms.* The exercise price per Share of a Stock Appreciation Right shall be an amount determined by the Committee but in no event shall such amount be less than the Fair Market Value of a Share on the date the Stock Appreciation Right is granted (other than in the case of a Stock Appreciation Right granted in assumption or substitution of previously granted awards, as described in Section 4; provided that such assumption or substitution is described in Treasury Regulation Section 1.409A-1(b)(5)(v)(D)); provided, however, that, in the case of a Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option. Each Stock Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the exercise price per Share, *multiplied by* (ii) the number of Shares covered by the Stock Appreciation Right. Each Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to Company the unexercised Option, or any portion thereof, and to receive from Company in exchange therefor an amount equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the greater of the exercise price per Share or the Option Price per Share, *multiplied by* (ii) the number of Shares covered by the Option, or portion thereof, which is surrendered. The date on which a notice of exercise is received by Company shall be the exercise date. Payment shall be made in cash as set forth in the Award agreement. Stock Appreciation Rights may be exercised from time to time upon actual receipt by Company of written notice of exercise stating the number of Shares with respect to which the Stock Appreciation Right is being exercised.

(c) *Limitations.* The Committee may impose, in its sole discretion, such conditions upon the exercisability or transferability of Stock Appreciation Rights as it may determine, but in no event shall a Stock Appreciation Right be exercisable more than ten years after the date it is granted.

*8. Adjustments upon Certain Events.* Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) *Generally.* In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange or change in capital structure, any distribution to shareholders of Shares (other than regular cash dividends) or any similar event, the Committee without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable (subject to Section 15), as to the number or kind of Shares or other securities issued or reserved for issuance as set forth in Section 3 or pursuant to outstanding Awards; provided that the Committee shall determine in its sole discretion the manner in which such substitution or adjustment shall be made.

(b) *Change of Control.* In the event of a Change of Control (or similar corporate transaction, whether or not including any Permitted Holder) after the Effective Date, the Committee may (subject to Section 15), but shall not be obligated to, (i) accelerate, vest or cause the restrictions to lapse with respect to all or any



portion of an Award, (ii) cancel such Awards for fair value (as determined in the sole discretion of the Committee) which, in the case of Options and Stock Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change of Control transaction to holders of the same number of Shares subject to such Options or Stock Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Shares subject to such Options or Stock Appreciation Rights) over the aggregate exercise price of such Options or Stock Appreciation Rights, (iii) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Committee in its sole discretion, or (iv) provide that for a period of at least 10 days prior to the Change of Control, such Options shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change of Control, such Options shall terminate and be of no further force or effect. For the avoidance of doubt, pursuant to (ii) above, the Committee may cancel Options and Stock Appreciation Rights for no consideration if the aggregate Fair Market Value of the Shares subject to such Options or Stock Appreciation Rights is less than or equal to the aggregate Option Price of such Options or exercise price of such Stock Appreciation Rights.

9. *No Right to Employment or Awards.* The granting of an Award under the Plan shall impose no obligation on Company or any of its Affiliates to continue the Employment of a Participant and shall not lessen or affect Company's or any of its Affiliates' right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

10. *Successors and Assigns.* The Plan shall be binding on all successors and assigns of Company and the Participants, including, without limitation, the estate of each such Participant and the executor, administrator or trustee of such estate, and any receiver or *trustee* in bankruptcy or any other representative of the Participant's creditors.

11. *Nontransferability of Awards.* Unless otherwise determined by the Committee, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

12. *Amendments or Termination.* The Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the shareholders of Company, would (except as is provided in Section 8) increase the total number of Shares reserved for the purposes of the Plan or change the maximum number of Shares for which Awards may be granted to any Participant, or (b) without the consent of a Participant, would materially adversely impair any of the rights under any Award theretofore granted to such Participant under the Plan; provided, however, that the Committee may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to Company or any Participant).

Without limiting the generality of the foregoing, to the extent applicable, notwithstanding anything herein to the contrary, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision herein to the contrary, in the event the Committee determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code and related Department of Treasury guidance prior to payment to such Participant of such amount, Company may (i) adopt such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax

treatment of the benefits provided by the Plan and Awards hereunder, and/or (ii) take such other actions as the Committee determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code.

13. *Choice of Law.* The Plan shall be governed by and construed in accordance with the laws of the State of Georgia without regard to conflicts of laws.

14. *Effectiveness of Plan.* The Plan shall be effective as of the Effective Date, subject to the approval of Company's shareholders, as provided in Section 2 in the definition of Effective Date.

15. *Section 409A.* Notwithstanding other provisions of the Plan or any Award agreements thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Committee that, as a result of Section 409A of the Code, any payment or delivery of Shares in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, Company will make such payment or delivery of Shares on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code. In the case of a Participant who is a specified employee (within the meaning of Section 409A(a)(2)(B)(i) of the Code), any payment and/or delivery of Shares in respect of any Award subject to Section 409A of the Code that is linked to the date of the Participant's separation from service shall not be made prior to the date which is six (6) months after the date of such Participant's separation from service from Company and its Affiliates, determined in accordance with Section 409A of the Code and the regulations promulgated thereunder. Company shall use commercially reasonable efforts to implement the provisions of this Section 15 in good faith; provided that neither Company, the Committee nor any of Company's employees, directors or representatives shall have any liability to Participants with respect to this Section 15.

**APPENDIX B**

**AMERICAN SOFTWARE, INC.**

**AUDIT COMMITTEE CHARTER**

**(Amended effective March 3, 2004)**

**I. Organization and Composition**

There shall be an Audit Committee (the "Committee") selected by the Board of Directors (the "Board") that shall be composed of not less than three members of the Board. Subject to the right of the Board to elect one member who is not independent to the extent permitted by the listing requirements of Nasdaq, each member of the Committee shall be (1) determined by the Board to be independent of Company management under the listing requirements of Nasdaq and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules promulgated thereunder by the Securities and Exchange Commission ("SEC") implementing Section 301 of the Sarbanes-Oxley Act of 2002 (as amended, "Sarbanes-Oxley Act"), and (2) free from any relationship to the Company that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All Committee members, either at the time of their appointment to the Committee or within a reasonable time thereafter, must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. At least one Committee member must have past employment experience in finance or accounting, professional certification in accounting or other comparable experience or background such that he or she possesses the level of financial sophistication required by the Nasdaq listing requirements.

**II. Statement of Policy**

The purpose of the Committee is to oversee the processes of accounting and financial reporting of the Company and the audits and financial statements of the Company. In addition, the Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, the independent auditor's qualifications and independence, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal accountants and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose. The independent auditor's ultimate accountability shall be to the Board of Directors and the Committee, as representatives of the shareholders. The Committee's ultimate authority and responsibility shall be to select, evaluate and, where appropriate, replace the independent auditor.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty or responsibility of the Committee to plan or conduct audits, prepare and certify the Company's financial statements, guaranty the independent auditors' report or guaranty other disclosures by the Company. Management has responsibility for the preparation, presentation, completeness and integrity of the financial statements and for the appropriate use of accounting principles and reporting policies. The independent auditors are responsible for auditing the financial statements, expressing an opinion thereon in accordance with GAAP, and complying with all applicable law. Committee members are not full-time Company employees and are not performing the functions of auditors or accountants.

**III. Meetings**

The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Committee shall maintain minutes and other relevant documentation of all its meetings. The Committee shall

submit the minutes of all meetings of the Committee to the Board and, where appropriate or necessary, discuss with the Board the matters discussed at Committee meetings.

#### **IV. Responsibilities and Processes**

(A) The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of the Committee's activities to the Board. Management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements. In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate tone for quality financial reporting, sound business risk practices and ethical behavior.

The following are the principal recurring process of the Committee in carrying out its oversight responsibilities. These processes are a guide and may be supplemented by the Committee or the Board as it deems appropriate:

(1) The Committee shall directly appoint, retain, compensate, evaluate and terminate the independent auditors of the Company. The Committee has the sole authority to approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditors. The Committee shall be directly responsible for overseeing the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent auditors shall report directly to the Committee.

(2) The Committee, in its discretion, may appoint and delegate to one or more members of the Committee who are independent directors the authority to grant the pre-approvals of the Committee described in the preceding paragraph. The decisions of any member to whom the Committee delegates its pre-approval authority shall be presented to the full Committee at the next schedule meetings.

(3) The Committee shall obtain, review and discuss reports from the independent auditors regarding: (1) all critical accounting policies and practices to be used; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of these alternative disclosures and treatments, the treatment preferred by the independent auditors and the reasons for favoring that treatment; and (3) other material written communications between the independent auditors and Company management, such as any management letter or schedule of unadjusted differences.

(4) The Committee shall discuss with both the Company's internal accountants and the independent auditors the overall scope and plans for all audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal accountants, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the Committee shall meet separately with the internal accountants and the independent auditors, with and without management present, to discuss the results of their examinations and the independent auditors evaluation of the cooperation received during the course of the audit.

(5) The Committee shall from time to time review the periodic financial statements and other financial reports of the Company with management, and with the independent auditors. The Chair of the Committee may represent the entire Committee for the purposes of any such review. The Committee shall also discuss matters required to be communicated to the Company by the independent auditors under generally accepted auditing standards.

(6) The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to

shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Committee shall prepare the Audit Committee Report required by SEC regulations to be included in the Company's annual proxy statement.

(7) The Committee shall have the authority, without Board approval, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment: (i) of compensation to the independent auditor for the purpose of rendering or issuing an audit report; (ii) of compensation to any advisors or consultants employed by the Committee pursuant to Section 10A(m) of the Exchange Act; and (iii) of ordinary Committee administrative expenses that are necessary and appropriate in carrying out its duties.

(8) The Committee shall review and reassess the adequacy of this Charter at least on an annual basis and submit proposed changes to the Board for approval.

(9) The Committee shall review all related party transactions and shall establish procedures covering the review process.

(10) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company from its employees regarding accounting, internal accounting controls and auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(11) The Committee shall ascertain annually from the independent auditors whether the Company has issues under Section 10A(b) of the Exchange Act, regarding the independent auditors' discovery of illegal acts.

(12) The Committee shall review with management and the independent auditors any correspondence with regulators and any published reports that raise material issues regarding the Company's accounting policies.

(B) Additional Authority. The Committee, to the extent it deems necessary or appropriate, may:

(1) Obtain from the independent auditors an assurance of compliance with Section 10A of the Exchange Act with respect to auditor disclosure of corporate fraud.

(2) Discuss with management and the independent auditors any matters that the Committee deems relevant, including matters as to which such discussions may be required by applicable Statements on Auditing Standards, such as Numbers 61 and 90 relating to the Company's financial statements, or the Sarbanes-Oxley Act, including any difficulties the independent auditors encountered in the course of the audit work, any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreement with management.

(3) Review and evaluate the experience and qualifications of the lead partner of the independent auditors' team and confirm that the independent auditors are taking proper steps to assure that the lead audit partner and the audit partner responsible for reviewing the audit are rotated at least every five years as required by Section 10A(j) of the Exchange Act. The Committee shall set clear hiring policies for employees or former employees of the independent auditors that are consistent with Section 10A(l) of the Exchange Act.

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**AMERICAN SOFTWARE, INC.**

**PROXY SOLICITED BY THE BOARD OF DIRECTORS FOR THE**

**ANNUAL MEETING OF SHAREHOLDERS TO BE HELD**

**AUGUST 16, 2010 AT 4:00 P.M.**

**470 EAST PACES FERRY ROAD, N.E.**

**ATLANTA, GEORGIA**

**FOR HOLDERS OF CLASS A COMMON SHARES**

The undersigned hereby appoints James C. Edenfield and Thomas L. Newberry, or either of them, attorneys and proxies, each with full power of substitution to vote, in the absence of the other, all Class A Common Shares of AMERICAN SOFTWARE, INC. ( the Company ) held by the undersigned and entitled to vote at the Annual Meeting of Shareholders to be held at 4:00 p.m. on August 16, 2010, and at any adjournment or adjournments thereof, in the transaction of such business as may properly come before the meeting, and particularly the proposals stated below, all in accordance with and as more fully described in the accompanying Proxy Statement.

It is understood that this proxy may be revoked at any time insofar as it has not been exercised and that the shares may be voted in person if the undersigned attends the meeting.

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

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ANNUAL MEETING OF SHAREHOLDERS OF  
**AMERICAN SOFTWARE, INC.**

August 16, 2010

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, Proxy Statement and Proxy Card  
are available at <http://www.rrdezproxy.com/2010/AmericanSoftware/>

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

⌘ Please detach along perforated line and mail in the envelope provided. ⌘

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE FOLLOWING PROPOSALS.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

1. Election of Class A Directors: Three Class A Directors to be elected:

	<b>NOMINEES:</b>
<b>** FOR ALL NOMINEES</b>	<input type="checkbox"/> W. Dennis Hogue
<b>** WITHHOLD AUTHORITY FOR ALL NOMINEES</b>	<input type="checkbox"/> Dr. John J. Jarvis
<b>** FOR ALL EXCEPT</b>	<input type="checkbox"/> James B. Miller, Jr.

(See instructions below)

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**INSTRUCTIONS**

To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

	FOR	AGAINST	ABSTAIN
2. <u>Approval of 2011 Equity Compensation Plan.</u> To approve the adoption of the Company's 2011 Equity Compensation Plan.	..	..	..

3. <u>Ratification of Accounting Firm.</u> To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending April 30, 2011.	..	..	..
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**THE CLASS A SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED SHAREHOLDER ON THE REVERSE OF THIS PROXY CARD OR, IF NO DIRECTION IS GIVEN, THEY WILL BE VOTED FOR THE ABOVE PROPOSALS. IN THEIR DISCRETION, THE PROXY HOLDERS ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.**

**PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.**

Signature of Shareholder

Date:

Signature of Shareholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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