

AGILYSYS INC
Form DEFM14A
June 28, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

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 Pursuant to §240.14a-12

Agilysys, Inc.

(Name of Registrant as Specified In Its Charter)

n/a

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

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The purchase price payable under the purchase agreement is \$64 million, subject to a possible adjustment as set forth in the purchase agreement. Solely for purposes of calculating the filing fee, the registrant estimates a purchase price of \$64 million.

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid with preliminary materials:

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

(3) Filing Party:

(4) Date Filed:

28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

June 28, 2011

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Agilysys, Inc., which will be held at 8:30 a.m., local time, on July 28, 2011, at our headquarters, 28925 Fountain Parkway, Solon, Ohio 44139. Your Board of Directors and management look forward to meeting with you.

At the Annual Meeting, we are seeking your authorization for an important transaction. We agreed to sell our Technology Solutions Group business segment (the "TSG Business") to OnX Acquisition LLC and OnX Enterprise Solutions Limited, pursuant to a Stock and Asset Purchase Agreement, dated as of May 28, 2011. In accordance with the terms and conditions of the Purchase Agreement, we will sell the TSG Business for an aggregate purchase price of \$64 million, subject to a possible working capital adjustment as set forth in the Purchase Agreement. The full text of the Purchase Agreement is included as Annex A to the Proxy Statement that accompanies this letter.

Additionally, at the Annual Meeting, we are seeking your approval on several important corporate governance matters, as well as several compensation matters, including two compensation plans. All of the matters to be addressed at the Annual Meeting are included in the Notice of Annual Meeting of Shareholders that follows this letter. As there are numerous, detailed matters for you to consider, we strongly encourage you to read the entire Proxy Statement and all of the Annexes to the Proxy Statement, including the Purchase Agreement, as the Purchase Agreement will be the legal governing document setting forth the terms of sale of the TSG Business.

After careful consideration, our Board of Directors unanimously determined that all of the matters proposed at the Annual Meeting are in the best interests of the Company and our shareholders; and, therefore, unanimously recommends that you vote **FOR** the authorization and approval of all matters included in the Notice of Annual Meeting of Shareholders. Certain shareholders have agreed to vote **FOR** the authorization of the sale of the TSG Business as discussed in the Proxy Statement.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, it is important that your shares are represented and voted at the Annual Meeting. In particular, several of the matters require the affirmative vote of the holders of two-thirds of our outstanding common shares for approval, including authorization of the sale of the TSG Business, and failure to vote on these matters will have the same effect as a vote **AGAINST** such matters. Accordingly, please sign, date, and mail the enclosed proxy card in the envelope provided at your earliest convenience.

Thank you for your cooperation and continued support.

Keith M. Kolerus

Chairman of the Board

28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Agilysys Inc. will be held at our headquarters, 28925 Fountain Parkway, Solon, Ohio 44139, on July 28, 2011, at 8:30 a.m., local time, for the following purposes:

1. To authorize the sale of the Company's Technology Solutions Group business segment to OnX Acquisition LLC and OnX Enterprise Solutions Limited (together, the Purchasers) pursuant to the terms and conditions of the Stock and Asset Purchase Agreement dated as of May 28, 2011, by and among Agilysys, Inc., Agilysys Technology Solutions Group, LLC, and the Purchasers (Proposal 1);
2. To approve an amendment to the Company's Amended Code of Regulations (Regulations) to reduce the required number of Directors to a minimum of three and maximum of nine (Proposal 2);
3. If Proposal 2 is approved, to approve an amendment to the Company's Regulations to reduce the number of Board classes from three to two (Proposal 3);
4. If both Proposals 2 and 3 are approved, to elect one Director for a two-year term expiring at the 2013 Annual Meeting (Proposal 4);
5. If Proposal 3 is not voted on or is not approved, to elect three Directors to hold office for terms expiring at the 2014 Annual Meeting (Proposal 5);
6. To approve an amendment to the Company's Amended Articles of Incorporation (Articles) to delete Article that states that amendments to the Regulations may only be authorized by shareholders (Proposal 6);
7. If Proposal 6 is approved, to approve an amendment to the Company's Regulations to authorize the Board of Directors to amend the Regulations to the extent permitted by Ohio General Corporation Law (Proposal 7);
8. To vote, on a non-binding advisory basis, to approve executive compensation (Proposal 8);
9. To vote, on a non-binding advisory basis, on the frequency of future advisory votes on executive compensation (Proposal 9);
10. To approve the Agilysys, Inc. 2011 Stock Incentive Plan (Proposal 10);
11. To approve the Agilysys, Inc. Annual Incentive Plan (Proposal 11);
12. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm (Proposal 12);
- 13.

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To approve adjournments or postponements of the Annual Meeting, if necessary, to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Annual Meeting to establish a quorum or to approve the above proposals (Proposal 13); and

14. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof. The foregoing matters are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on June 14, 2011 are entitled to notice of the Annual Meeting and to vote at the Annual Meeting.

By Order of the Board of Directors,

Kathleen A. Weigand

General Counsel, Secretary and

Senior Vice President Human Resources

June 28, 2011

IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE PROXY CARD AND MAIL IT PROMPTLY TO ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on July 28, 2011: The Proxy Statement and 2011 Annual Report to Shareholders and Form 10-K for the fiscal year ended March 31, 2011 are available at www.agilysys.com.

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28925 FOUNTAIN PARKWAY, SOLON, OHIO 44139

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS

JULY 28, 2011

This Proxy Statement and the enclosed proxy card are being provided in connection with the solicitation by the Board of Directors of Agilysys, Inc. to be used at the Annual Meeting on July 28, 2011, and any adjournments or postponement of the Annual Meeting. The time, place, and purposes of the Annual Meeting are stated in the Notice of Annual Meeting of Shareholders that is provided with this Proxy Statement. Without affecting any vote previously taken, a shareholder may revoke his, her, or its vote by giving written notice to the Company's Secretary at any time before the final vote on a matter is taken at the Annual Meeting. Unless revoked, common shares of the Company represented by a valid proxy card (or other valid form of proxy) received in time for voting will be voted according to the directions given on the proxy card.

This Proxy Statement, the enclosed proxy card, and our 2011 Annual Report to Shareholders and Form 10-K for the fiscal year ended March 31, 2011 (2011 Annual Report) are first being mailed to shareholders and made available electronically on our website at www.agilysys.com, under Investor Relations, beginning on or about June 28, 2011. Our 2011 Annual Report is not incorporated into this Proxy Statement and shall not be considered proxy solicitation material. If you wish to have additional copies of our 2011 Annual Report, we will mail copies to you without charge. Requests may be sent to: Agilysys, Inc., Attn: Investor Relations, 28925 Fountain Parkway, Solon, Ohio 44139, or you may request copies through our website, under Investor Relations. These documents have been filed with the Securities and Exchange Commission and also may be accessed from its website at www.sec.gov.

Holders of our common shares can vote at the Annual Meeting. At the close of business on June 14, 2011, the record date fixed for purpose of determining which shareholders can vote at the Annual Meeting (the Record Date), there were 22,993,135 common shares outstanding and entitled to vote at the Annual Meeting. Each share is entitled to one vote. References within this Proxy Statement to our common shares or shares refer to our common shares, without par value, our only class of outstanding shares.

In this Proxy Statement the terms Agilysys, Company, we, our, ours, and us refer to Agilysys, Inc., an Ohio corporation, and its subsidiary term Agilysys LLC refers to Agilysys Technology Solutions Group, LLC, a Delaware limited liability company and wholly owned subsidiary of Agilysys. The term Purchase Agreement refers to the Stock and Asset Purchase Agreement, dated as of May 28, 2011, by and between Agilysys, Agilysys LLC, OnX LLC and OnX Limited, and as it may be amended, restated, modified, or superseded from time to time in accordance with its terms. The terms TSG Business or TSG refer to the Company's Technology Solutions Group business segment as further described in the Purchase Agreement. The terms HSG Business or HSG refer to the Company's Hospitality Solutions Group business segment and the terms RSG Business or RSG refer to the Company's Retail Solutions Group business segment (together with HSG Business, HSG and RSG Businesses). The term TSG Sale refers to the proposed sale of the TSG Business pursuant to the Purchase Agreement. The term OnX LLC refers to OnX Acquisition LLC, a Delaware limited liability company. The term OnX Limited refers to OnX Enterprise Solutions Limited, an Ontario company. The terms Purchaser or Purchasers refer collectively to OnX LLC and OnX Limited (and also Marlin Equity Partners for purposes of discussing the Background of the TSG Sale and Reasons for the TSG Sale on pages 13-20 and the Opinion of Our Financial Advisor on pages 21-25). Each of Agilysys and Purchasers are sometimes referred to in this Proxy Statement as a party, or collectively as the parties.

SUMMARY TERM SHEET

*This summary highlights selected information from this Proxy Statement about the TSG Sale (Proposal 1) and about the Annual Meeting. This summary may not contain all the information that is important to you regarding the TSG Sale or the Annual Meeting. You should carefully read the entire Proxy Statement and the other documents to which we have referred you. See *Additional Information* on page 130. Each item in this summary refers to the page of this Proxy Statement on which the applicable subject is discussed in more detail.*

Parties to the TSG Sale

Agilysys, Inc.

Agilysys is a leading developer and marketer of proprietary enterprise software, services, and solutions to the hospitality and retail industries. The Company specializes in market-leading point-of-sale, property management, inventory and procurement, and mobile and wireless solutions that are designed to streamline operations, improve efficiency, and enhance the consumer's experience. The Company serves casinos, resorts, hotels, food service venues, stadiums, cruise lines, grocery stores, convenience stores, and general and specialty retail businesses, and partners. Headquartered in Cleveland, Ohio, the Company operates extensively throughout North America, with additional sales and support offices in the United Kingdom, Singapore, and Hong Kong. We have agreed to sell our TSG Business pursuant to the Purchase Agreement. For more information please visit our website at www.agilysys.com. Our common shares are listed on The NASDAQ Global Select Market under the symbol AGYS. Our common shares will continue to be listed under the symbol AGYS whether or not the TSG Sale is consummated.

Agilysys is an Ohio corporation. Our principal executive office is located at 28925 Fountain Parkway, Solon, Ohio 44139. Our telephone number is (440) 519-8700.

OnX LLC and OnX Limited

OnX LLC, a newly formed Delaware limited liability company and a subsidiary of Marlin Equity Partners (Marlin Equity), was formed by Marlin Equity solely for the purpose of entering into the Purchase Agreement and consummating the transactions contemplated thereby. OnX LLC has not engaged in any business except for the activities incident to its formation and in connection with the transactions contemplated by the Purchase Agreement. OnX LLC's principal executive office is located at 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245. Its telephone number is (310) 364-0100.

OnX Limited, an Ontario company and a portfolio company of Marlin Equity, is a leading IT solutions provider focused on designing and delivering mission critical data center solutions. OnX Limited offers a broad range of core solutions including specialized offerings in professional services, hardware and software solutions, managed services, and digital services. OnX Limited was founded in 1983 and has been recognized as one of Canada's 50 best managed companies for three consecutive years. OnX Limited's principal executive office is located at 155 Commerce Valley Drive, E, Thornmill, Ontario L3T 7T2. Its telephone number is (905) 482-2292.

Marlin Equity is a leading private investment firm with over \$1 billion of capital under management. The firm is focused on providing corporate parents, shareholders, and other stakeholders with tailored solutions that meet their business and liquidity needs. Marlin Equity primarily invests in businesses where its capital base, extensive network of operational resources, and industry relationships will strengthen a company's operating and financial performance. Marlin Equity's principal executive office is located at 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245. Its telephone number is (310) 364-0100.

The Annual Meeting

Date, Time and Place of the Annual Meeting (Page 9)

The Annual Meeting will be held at 8:30 a.m., local time, on July 28, 2011, at our headquarters, 28925 Fountain Parkway, Solon, Ohio 44139.

Purpose (Page 9)

You will be asked to consider and vote upon proposals to (i) authorize the TSG Sale (Proposal 1), (ii) approve amendments to our Articles and Regulations (Proposals 2, 3, 6 and 7), (iii) elect Directors (Proposals 4 and 5), (iv) approve an annual incentive plan and an equity incentive plan (Proposals 10 and 11), (v) approve, on a non-binding basis, our executive compensation and the frequency of future advisory votes on executive compensation (Proposals 8 and 9), and (vi) to ratify the appointment of our independent registered public accounting firm (Proposal 12). You may also be asked to approve any proposals to adjourn or postpone the Annual Meeting (Proposal 13), if necessary, to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Annual Meeting to establish a quorum or to authorize the TSG Sale or any other proposal.

Record Date, Voting and Quorum and Required Vote (Pages 1, 9)

You are entitled to vote at the Annual Meeting if you owned our common shares at the close of business on June 14, 2011, the Record Date for the Annual Meeting. You will have one vote for each common share that you owned on the Record Date. As of the Record Date, there were 22,993,135 common shares outstanding and entitled to vote. On all matters, each share has one vote.

A quorum of the holders of the outstanding common shares must be present for the Annual Meeting to be held. A quorum consists of the holders of record of a majority of shares entitled to vote at the Annual Meeting, present in person or represented by proxy. If a quorum is not present, the Annual Meeting will be adjourned or postponed until the holders of the number of votes required to constitute a quorum attend. If you submit a properly executed proxy card, even if you abstain from voting, your common shares will be counted for the purpose of determining whether a quorum is present at the Annual Meeting.

The affirmative vote of the holders of at least two-thirds of the issued and outstanding common shares of the Company is required to authorize or approve the (i) TSG Sale (Proposal 1), and (ii) amendments to our Articles and Regulations (Proposals 2, 3, 6 and 7). Additionally, approval of the reduction in number of Board classes (Proposal 3) requires the affirmative vote of a majority of disinterested shares voted.

Directors will be elected if they receive the greatest number of votes cast at the Annual Meeting by shareholders present and in person or represented by proxy and entitled to vote (Proposals 4 and 5).

The affirmative vote of the holders of shares representing a majority of the common shares present in person or represented by proxy and entitled to vote is required (i) to approve the non-binding vote on executive compensation (Proposal 8), (ii) to approve the annual incentive plan and equity incentive plan (Proposals 10 and 11), (iii) to ratify the appointment of our independent registered public accounting firm (Proposal 12), and (iv) to adjourn or postpone the Annual Meeting (Proposal 13), if necessary.

The option of one year, two years, or three years that receives the highest number of votes cast by shareholders present in person or represented by proxy and entitled to vote will be the frequency for the advisory vote on executive compensation selected by shareholders (Proposal 9).

More information about the vote required to authorize or approve each proposal is described in the discussion of each proposal and, for the TSG Sale, additional information is provided below in this Summary.

Effect of Abstentions and Broker Non-Votes on Voting (Page 10)

Abstentions will have the same effect as a vote **AGAINST** all proposals, except the Director elections and the vote on the frequency vote for executive compensation, for which abstentions will have no effect.

Generally, a broker, bank, or other nominee may only vote the common shares that it holds in street name for you in accordance with your instructions. However, if your broker, bank, or other nominee has not received your instructions, your broker, bank, or other nominee has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your broker, bank, or other nominee cannot vote on a particular matter because your broker, bank, or other nominee has not received instructions from you and because the proposal is not routine. All of the proposals are non-routine except the proposals to (i) ratify the appointment of our independent registered public accounting firm (Proposal 12), and (ii) adjourn or postpone the Annual Meeting (Proposal 13), if necessary, to permit the solicitation of additional proxies for any proposal except the TSG Sale (for which such adjournment or postponement would be a non-routine proposal). For Proposals 1, 2, 3, 6 and 7 a broker non-vote is the same as a vote **AGAINST** each proposal. For Proposals 4, 5, 8, 9, 10, 11 and 13 a broker non-vote will have no effect.

If you wish to vote on any proposal to approve adjournments or postponements of the Annual Meeting (Proposal 13), you should provide instructions to your broker, bank, or other nominee. If you do not provide instructions to your broker, bank, or other nominee, your broker, bank, or other nominee generally will have the authority to vote on proposals such as the adjournment or postponement of meetings. **However, your broker, bank, or other nominee will not be authorized to vote on any proposal to adjourn or postpone the meeting solely relating to the solicitation of proxies to authorize the TSG Sale.**

Revocability of Proxies (Page 10)

Any registered shareholder who executes and returns a proxy card may revoke the proxy at any time before it is voted in any one of the following ways:

Delivering to our principal offices (Attention: Secretary) a written instrument that revokes the proxy;

Submitting another properly completed proxy with a later date; or

Attending the Annual Meeting and voting in person.

Simply attending the Annual Meeting will not constitute revocation of a proxy. If you are not a registered shareholder and you instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change your instructions.

The TSG Sale

The TSG Sale (Page 11)

On May 27, 2011, our Board of Directors, at a meeting duly called and held, unanimously authorized the TSG Sale pursuant to the Purchase Agreement, a copy of which is included as Annex A to this Proxy Statement. Please read it carefully. Pursuant to the terms of the Purchase Agreement:

We agreed to sell the TSG Business to Purchasers; and

In exchange for the TSG Business, Purchasers agreed to make a cash payment to us in the amount of \$64 million, subject to a possible working capital adjustment as set forth in the Purchase Agreement and more fully described below under **The Purchase Agreement - General** on page 35.

If all necessary approvals have been obtained or waived, including shareholder authorization and any third party consents, we hope to complete the TSG Sale shortly after this Annual Meeting.

Reasons for the TSG Sale (Page 17)

In evaluating the TSG Sale, our Board of Directors considered, among other things, its consultations with our management and external legal and financial advisors and various other factors. For the material factors considered by our Board of Directors in reaching its decision to authorize the TSG Sale, see *The TSG Sale* *Reasons for the TSG Sale* on page 17.

Voting Requirement and Recommendation of Our Board of Directors (Page 31)

The proposal to authorize the TSG Sale requires the affirmative vote of the holders of two-thirds of the common shares outstanding as of the Record Date.

After careful consideration, our Board of Directors has unanimously:

Authorized the TSG Sale; and

Determined the TSG Sale to be in the best interests of the Company and our shareholders, and recommended to our shareholders that they authorize the TSG Sale and other transactions contemplated by the Purchase Agreement.

A shareholder group, consisting of MAK Capital Fund LP and Sunrise Partners Limited Partnership (the *MAK Shareholders*), entered into a voting agreement with OnX LLC, dated May 28, 2011 (the *Voting Agreement*), pursuant to which the MAK Shareholders agreed to vote in favor of the TSG Sale, subject to the limitations set forth in the Amended and Restated Voting Trust Agreement dated May 31, 2011, by and between MAK Capital and Computershare Trust Company, N.A. (the *Voting Trust Agreement*). The Voting Trust Agreement provides that, for a strategic transaction, including the TSG Sale, Computershare Trust Company must vote the MAK Shareholders' shares that exceed 20% of the outstanding common shares in favor of, against, or abstaining from voting in the same proportion as all other shares voted by all shareholders (including MAK Capital's shares that do not exceed the 20% threshold) (the *Voting Trust Agreement Limitations*). As of the Record Date, the MAK Shareholders held 7,056,934 shares, of which 4,598,627 shares will be voted to authorize the TSG Sale and 2,458,307 shares will be voted in the same proportion as all other shares voted by the shareholders, including the 4,598,627 shares.

Opinion of Our Financial Advisor (Page 21 and Annex B)

In connection with the TSG Sale, Agilysys' financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated (*BofA Merrill Lynch*), delivered a written opinion, dated May 27, 2011, to Agilysys' Board of Directors as to the fairness, from a financial point of view and as of the date of the opinion, to Agilysys of the \$64 million aggregate consideration to be received by Agilysys in the TSG Sale. The full text of BofA Merrill Lynch's written opinion, dated May 27, 2011, to Agilysys' Board of Directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached to this proxy statement as Annex B. **BofA Merrill Lynch delivered its opinion to Agilysys' Board of Directors for the benefit and use of Agilysys' Board of Directors (in its capacity as such) in connection with and for purposes of its evaluation of the aggregate consideration from a financial point of view. BofA Merrill Lynch's opinion did not address any other aspect of the TSG Sale and no opinion or view was expressed as to the relative merits of the TSG Sale in comparison to other strategies or transactions that might be available to Agilysys or with respect to TSG or in which Agilysys might engage or as to the underlying business decision of Agilysys to proceed with or effect the TSG Sale. BofA Merrill Lynch also expressed no opinion or recommendation as to how any shareholder should vote or act in connection with the TSG Sale or any related matter.**

Proceeds from the TSG Sale (Page 26)

We will use the proceeds of this sale to fund working capital needs and to make select investments in our higher-margin and higher-growth HSG and RSG Businesses and to return excess cash to shareholders as prudently as possible. While we may use a portion of the net cash proceeds from the TSG Sale for future acquisitions complementary to our HSG and RSG Businesses, no specific acquisition targets have been identified. If we have adequate working capital and establish adequate cash reserves without using all of our cash, and if we are unable to identify suitable acquisition targets that are appropriately valued, we will consider alternate uses of any excess cash in order to enhance shareholder value.

Effects of the TSG Sale (Page 26)

If the TSG Sale is authorized by our shareholders and the other conditions to the closing of the TSG Sale are satisfied or waived, Purchasers will acquire the TSG Business. We expect to focus exclusively on our HSG and RSG Businesses following the closing of the TSG Sale. If the TSG Sale is not authorized by the holders of two-thirds of our outstanding shares, then either we or Purchasers may terminate the Purchase Agreement and our Board of Directors, along with our management, will reassess our options in light of our long-term strategic goals.

Other Agreements and Transactions Related to the TSG Sale (Page 26)

In addition to the Purchase Agreement, we intend to enter into a number of related agreements, including the following:

A transition services agreement with OnX LLC pursuant to which we will provide certain transitional, administrative and support services to OnX LLC on a short-term basis; and

A non-compete agreement with OnX LLC pursuant to which we agreed not to directly or indirectly engage in the TSG business, and pursuant to which OnX LLC agreed, subject to certain limitations, to not engage, directly or indirectly, in business activities that would compete with our HSG and RSG Businesses.

Interests of Our Directors and Executive Officers in the TSG Sale (Page 27)

In considering the recommendation of our Board of Directors to vote for the proposal to authorize the TSG Sale, you should be aware that some of our Directors and executive officers have personal interests in the TSG Sale that are, or may be, different from, or in addition to, your interests, including:

Certain equity awards granted under the 2006 Stock Incentive Plan vested upon announcement of the TSG Sale;

The Board of Directors approved certain bonus payments to be paid by the Company to executive officers in connection with the TSG Sale;

Severance payments may be made by the Company to certain executive officers if they are terminated following the closing of the TSG Sale; and

Retention payments to certain executive officers by the Company may be triggered by the TSG Sale.

All of our Directors and executive officers own common shares and/or options to purchase common shares, and to that extent, their interests in the TSG Sale are the same as that of other shareholders.

Dissenters' Rights (Page 29)

Under Ohio law, if you own Agilysys common shares and (i) do not vote to authorize the TSG Sale and (ii) deliver a written demand for payment of the fair cash value of your common shares not later than ten days

after the Annual Meeting, you will be entitled, if and when the TSG Sale is completed, to receive the fair cash value of your common shares. The right as an Agilysys shareholder to receive the fair cash value of the common shares, however, is contingent upon strict compliance by the dissenting shareholder with the procedures set forth in Ohio Revised Code Section 1701.85, a copy of which is attached to this Proxy Statement as Annex C. If you wish to submit a written demand for payment of the fair cash value of your common shares, you should deliver your demand no later than ten days after the Annual Meeting.

Merely voting against the authorization of the TSG Sale will not preserve your dissenters' rights. Also, the submission of a proxy not marked **AGAINST** or **ABSTAIN** will result in the waiver of your dissenters' rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to demand payment of the fair cash value of your common shares.

You do not have dissenters' rights on any other proposal to be acted on at the Annual Meeting.

Material U.S. Federal, State and Foreign Income Tax Consequences (Page 31)

We do not expect to pay taxes on the proceeds from the TSG Sale. The TSG Sale will not result in any material U.S. federal income tax consequences to our shareholders. Agilysys shareholders that exercise dissenters' rights are urged to consult their tax advisors regarding the tax treatment of any cash received upon the exercise of dissenters' rights in connection with the TSG Sale.

Regulatory Matters (Page 31)

The TSG Sale is not subject to review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or any other regulatory approvals.

Purchase Agreement (Annex A)

General (Page 36)

Pursuant to the Purchase Agreement, Purchasers agreed to pay us \$64 million, subject to a possible working capital adjustment as set forth in the Purchase Agreement, for our TSG Business. The parties provided each other with customary representations and warranties as more fully set forth in the Purchase Agreement. In addition, we agreed to certain covenants, including interim operating covenants which place certain restrictions on the operation of the TSG Business until the TSG Sale closes. In addition, we agreed to enter into a non-competition agreement and a transition services agreement with OnX LLC in connection with the TSG Sale.

No Solicitation (Page 40)

The Purchase Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding specified transactions involving the TSG Business. Notwithstanding these restrictions, under certain limited circumstances, our Board of Directors may respond to a competing transaction proposal made by a third party, change its recommendation with respect to the TSG Sale or terminate the Purchase Agreement and enter into an alternative agreement, if the proposal constitutes a superior proposal under the criteria and pursuant to the procedures set forth in the Purchase Agreement and after paying the termination fee of \$2.25 million in the manner specified in the Purchase Agreement. In addition, pursuant to the Purchase Agreement, we may enter into discussions with third parties regarding a sale of the entire Company (i.e., a sale that includes both the TSG Business and the HSG and RSG Businesses).

Conditions to Completion of the TSG Sale (Page 44)

Before we can complete the TSG Sale, a number of conditions must be satisfied. See and read carefully The Purchase Agreement Conditions to Completion of the TSG Sale on page 44. Neither we nor Purchasers can provide any assurance that all of the conditions will be satisfied or waived or that the TSG Sale will occur, or the timing of the TSG Sale if it occurs.

Termination of the Purchase Agreement and Termination Fees (Page 45)

The parties may terminate the Purchase Agreement at any time prior to the completion of the TSG Sale by mutual written consent, or either we or Purchasers may terminate the Purchase Agreement under certain specified circumstances. Upon termination of the Purchase Agreement under certain specified circumstances, we may be required to pay a termination fee of \$2.25 million to OnX LLC or reimburse OnX LLC and its affiliates up to \$1.25 million of their expenses.

QUESTIONS AND ANSWERS

The following briefly responds to some commonly asked questions about this Proxy Statement, the Annual Meeting and the TSG Sale (Proposal 1). These questions and answers may not address all questions that may be important to you as a shareholder. You should carefully read the entire Proxy Statement, including each Annex.

The Annual Meeting

Q: Why am I receiving this Proxy Statement and proxy card?

A: You are receiving a Proxy Statement and proxy card because you owned common shares as of the Record Date. This Proxy Statement and proxy card are being furnished in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting (and any adjournment or postponement thereof) to be held at 8:30 a.m., local time, on July 28, 2011, at our headquarters at 28925 Fountain Parkway, Solon, Ohio 44139, for the purposes stated in the Notice of Annual Meeting of Shareholders. This Proxy Statement describes all the proposals to be considered at the Annual Meeting. The enclosed proxy card allows you to have your shares voted without attending the Annual Meeting.

Q: Who may vote at the Annual Meeting?

A: Holders of record of our common shares at the close of business on the Record Date are entitled to notice of and may vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Q: What are the voting rights of shareholders?

A: Each common share outstanding on the Record Date entitles its holder to cast one vote on each matter to be voted upon.

Q: Who can attend the Annual Meeting?

A: All holders of our common shares at the close of business on the Record Date, or their duly appointed proxies, are authorized to attend the Annual Meeting. Cameras, recording devices, and other electronic devices will not be permitted at the Annual Meeting. If you hold your common shares in street name (that is, through a bank, broker, or other nominee), you will need to bring a copy of the brokerage statement reflecting your share ownership as of the Record Date, or a legal proxy from your bank or broker.

Q: What will constitute a quorum at the Annual Meeting?

A: The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the common shares outstanding at the close of business on the Record Date will constitute a quorum, permitting the shareholders to conduct business at the Annual Meeting. We will include abstentions and broker non-votes in the number of common shares present at the Annual Meeting for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares. As of the Record Date, there were 22,993,135 common shares outstanding.

Q: What vote is necessary to pass each proposal?

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- A: Under Ohio law and our Regulations, if a quorum is present at the Annual Meeting, for Proposals 4 and 5 (the election of Directors) the nominees for election as Directors will be elected as Directors if they receive the greatest number of votes cast at the Annual Meeting by shareholders present in person or represented

by proxy and entitled to vote. Abstentions and broker non-votes will count as votes present for purposes of determining whether a quorum is present at the Annual Meeting. Abstentions and broker non-votes will have no effect on Proposals 4 and 5.

For Proposals 1, 2, 3 and 6 through 13, if a quorum is present, the affirmative vote needed to authorize or approve each proposal is set forth below in the respective discussion accompanying each proposal, including the effect of abstentions and broker non-votes. Each of these proposals, except for Proposal 12 and an adjournment proposal (Proposal 13) not related to the TSG Sale, is a non-routine proposal. If you hold your shares in street name and do not give your broker or nominee instruction as to how to vote your shares with respect these non-routine proposals, under applicable rules, your broker or nominee will not have discretionary authority to vote your shares, in which case such shares will be considered a broker non-vote.

Q: Why are certain proposals contingent on other proposals?

A: If shareholders approve reducing the number of required Directors (Proposal 2), the Board can implement such reduction only if the number of Board classes also is reduced (Proposal 3), as Ohio law requires that no Board class contains less than three Directors. Therefore, if Proposal 2 is not approved, Proposal 3 will not be voted upon. Additionally, if Proposal 3 is voted upon, but not approved, it will be necessary to vote on Proposal 5 to elect three Directors to continue with three classes of Directors, as Proposal 4 only is applicable if the number of Directors and Board classes is reduced. Lastly, to amend our Regulations as set forth in Proposal 7, shareholders must first approve Proposal 6 to amend our Articles such that the nature of the amendment in Proposal 6 is permitted. If Proposal 6 is not approved, Proposal 7 will not be voted upon. Please see the chart on page 75 under the discussion of Proposal 2 for more detail about the contingent nature of the proposals.

Q: How do I vote?

A: If you are the record holder of common shares, you or your duly authorized agent may vote by completing and returning the accompanying proxy card, or you may attend the Annual Meeting and vote in person. Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described above. Your vote will be counted even if you later decide not to attend.

Q: What does it mean if I get more than one proxy card?

A: If you have common shares that are registered differently or are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: How do I vote my common shares if they are held by a bank or broker?

A: If your common shares are held by a bank or broker, or any other nominee, you must follow the voting instructions provided to you by the bank, broker, or nominee. Although most banks and brokers offer voting by mail, telephone, and on the Internet, availability and specific procedures will depend on their voting arrangements.

Q: May I revoke or change my vote?

A: Yes. If you are the record holder of your common shares, you may revoke or change your vote at any time before the final vote on the matter is taken at the Annual Meeting by submitting to our Secretary a notice of revocation or a duly executed proxy card bearing a later date, or by attending the Annual Meeting and voting in person. If your shares are held by a bank, broker, or other nominee, you must contact the bank, broker, or nominee and follow their instructions for revoking or changing your vote.

Q: How are votes counted?

A: If the accompanying proxy card is properly signed and returned to us, and not revoked, it will be voted as directed by you. Unless contrary instructions are given, the persons designated as proxy holders on the proxy card will vote **FOR** the election of the Board's Director nominees in either Proposal 4 or 5, as set forth below in this Proxy Statement, and **FOR** Proposals 1 through 3, 6 through 8, and 10 through 13, and for a one-year frequency for Proposal 9. If any other business is properly brought before the Annual Meeting, your proxy gives discretionary authority to the proxy holders with respect to such business, and the proxy holders intend to vote the proxy as recommended by our Board with regard to any such business, or, if no such recommendation is given, the proxy holders will vote in their own discretion.

Q: What happens if I cumulate my votes for the election of Directors?

A: If any shareholder gives written notice not less than 48 hours before the Annual Meeting commences to our Chief Executive Officer or Secretary that he, she, or it wants the voting for the election of Directors to be cumulative, the shareholder giving notice, or a representative of such shareholder, the Chairman, or the Secretary, will make an announcement about such notice at the start of the Annual Meeting. Cumulative voting means that each shareholder may cumulate his, her, or its voting power for the election of Directors by distributing a number of votes, determined by multiplying the number of Directors to be elected at the Annual Meeting times the number of such shareholder's shares. The shareholder may distribute all of the votes to one individual Director nominee or distribute the votes among two or more Director nominees, as the shareholder chooses.

Q: How can I determine the results of the voting at the Annual Meeting?

A: Preliminary voting results will be announced at the Annual Meeting. Within four business days following the Annual Meeting, final results, or preliminary results if final results are unknown, will be announced on a Form 8-K filed with the Securities and Exchange Commission (SEC). If preliminary results are announced, final results will be announced on a Form 8-K filed with the SEC within four business days after the final results are known.

Q: Who should I contact if I have any questions?

A: If you have any questions about the Annual Meeting or these proxy materials, please contact Investor Relations by telephone at (440) 519.8635, or by email at investorrelations@agilysys.com, or through our website, under Investor Relations.

The TSG Sale

Q: What is the TSG Sale?

A: The Purchase Agreement provides for the sale of the TSG Business to Purchasers for a cash payment of \$64 million, subject to a possible working capital adjustment as set forth in the Purchase Agreement and more fully described below under "The Purchase Agreement General" on page 36.

Q: Why are we asking for a shareholder vote?

A: Ohio law requires that an Ohio corporation obtain authorization by its shareholders to sell all, or substantially all, of its assets. The TSG Sale may constitute the sale of substantially all our assets.

Q: What is the purpose of the TSG Sale?

A: The purpose of the TSG Sale is to enable us to focus all our resources on and enhance the value of our remaining businesses, the HSG and RSG Businesses, and to increase the funds we have available for reinvestment and for distribution to shareholders.

Q: What are the estimated net cash proceeds from the TSG Sale?

A: We currently estimate the net cash proceeds from the TSG Sale to be approximately \$60.2 after estimated transaction costs. The actual amount of net cash proceeds from the TSG Sale may vary from this estimate. This estimate does not include, and the actual amount of cash proceeds from the TSG Sale will be reduced by, among other things, up to \$3 million of severance costs for non-continuing employees and up to \$1.25 million of consulting fees related to transition services.

Q: How does the Company plan to use the net cash proceeds from the TSG Sale?

A: We will use the proceeds of this sale to fund working capital needs and to make select investments in our higher-margin and higher-growth HSG and RSG Businesses and to return excess cash to shareholders as prudently as possible. While we may use a portion of the net cash proceeds from the TSG Sale for future acquisitions complementary to our HSG and RSG Businesses, no specific acquisition targets have been identified. If we have adequate working capital and establish adequate cash reserves without using all of our cash, and if we are unable to identify suitable acquisition targets that are appropriately valued, we will consider alternate uses of any excess cash in order to enhance shareholder value.

Q: When will the TSG Sale be consummated?

A: If the shareholders authorize the TSG Sale, we expect to complete the TSG Sale promptly following our Annual Meeting.

Q: Will the Company continue to be publicly traded following the TSG Sale? Will its NASDAQ ticker symbol change?

A: The Company will continue to be a publicly traded company whether or not the TSG Sale closes and we will continue to be subject to the rules and regulations of the SEC and the NASDAQ Stock Market. Our NASDAQ ticker symbol will not change and will remain AGYS.

Q: What vote of our shareholders is required to authorize the TSG Sale?

A: For us to complete the TSG Sale, shareholders holding at least two-thirds of the outstanding common shares at the close of business on the Record Date must vote **FOR** the proposal to authorize the TSG Sale. Your failure to return a proxy card or otherwise vote will have the legal effect of a vote **AGAINST** the authorization of the TSG Sale.

The MAK Shareholders have entered into a Voting Agreement with OnX LLC pursuant to which the MAK Shareholders have agreed to vote in favor of the TSG Sale, subject to the Voting Trust Agreement Limitations. As of the Record Date, the MAK Shareholders held 7,056,934 shares, of which 4,598,627 shares will be voted to authorize the TSG Sale and 2,458,307 shares will be voted in the same proportion as all other shares voted by the shareholders, including the 4,598,627 shares.

Q: How does our Board of Directors recommend that I vote?

A: Our Board of Directors unanimously recommends that you vote **FOR** the proposal to authorize the TSG Sale. See The TSG Sale Reasons for the TSG Sale on page 17.

Q: How do the Company's Directors intend to vote?

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A: All of our Directors have informed us that they intend to vote all of their shares **FOR** authorization of the TSG Sale.

Q: Am I entitled to appraisal or dissenters rights in connection with the TSG Sale?

A: Yes. Holders of our outstanding common shares may be entitled to seek relief as a dissenting shareholder under Ohio Revised Code Section 1701.85 in connection with the TSG Sale. See [The TSG Sale Dissenters Rights](#) on page 29.

Q: What will happen if the TSG Sale is not authorized?

A: If the TSG Sale is not authorized, we will not complete the TSG Sale. In that event, we expect to reassess our options in light of our long-term strategic goals. We also may be required to pay a termination fee equal to \$2.25 million if the Purchase Agreement is terminated:

By us to approve a definitive agreement relating to a superior proposal;

By OnX LLC because our Board of Directors withdraws or modifies its recommendation regarding the TSG Sale or approves, recommends or enters into a competing transaction or a contingent seller proposal;

Following public disclosure or direct delivery to our shareholders of a competing transaction, by OnX LLC or by us because either (i) the closing of the TSG Sale has not occurred by the outside date or (ii) the TSG Sale is not authorized by our shareholders; or

By OnX LLC or us because we are in breach of the no solicitation provisions under the Purchase Agreement and the TSG Sale is not authorized by our shareholders.

If the Purchase Agreement is terminated by us or OnX LLC because our shareholders fail to authorize the TSG Sale and the termination fee described above is not otherwise payable, then we shall reimburse OnX LLC and its affiliates up to \$1.25 million of their reasonable out-of-pocket fees and expenses incurred in connection with or related to the authorization, preparation, investigation, negotiation, execution, and performance of the Purchase Agreement and the transactions contemplated thereby.

PROPOSAL 1

TO AUTHORIZE THE SALE OF THE COMPANY'S TECHNOLOGY SOLUTIONS GROUP

BUSINESS SEGMENT TO ONX ACQUISITION LLC AND ONX ENTERPRISE SOLUTIONS LIMITED PURSUANT TO THE STOCK AND ASSET PURCHASE AGREEMENT

The following is a description of the material aspects of the TSG Sale, including background information relating to the proposed terms of the Purchase Agreement. You should carefully read this Proxy Statement and the other documents to which we refer, including the Purchase Agreement, for a complete understanding of the terms of the TSG Sale.

Background of the TSG Sale

We have been in the enterprise computer systems products and solutions business since the late 1980s. From 2003 through 2007, we made a series of acquisitions broadening our information technology offerings and positioning the Company as a leading source for technology solutions in enterprise infrastructure datacenter solutions as well as an innovative provider of solutions to the hospitality and retail industries. In 2007, we divested our computer systems distribution business to focus exclusively on being a leading provider of innovative IT solutions. In early 2008, we structured the company into three businesses, TSG, HSG, and RSG.

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Our senior management and Board of Directors periodically review the performance of our TSG Business, HSG Business, and RSG Business and our strategies, opportunities, and objectives in the markets in which we operate. In conjunction with those reviews, we assess the short- and long-term prospects of our business

segments and our company as a whole. We evaluate opportunities to grow our businesses organically and also inorganically, by means of mergers, acquisitions, divestitures, asset sales, and strategic alliances with other companies. In that regard, during the summer of 2010, the Board of Directors determined to explore the range and feasibility of strategic alternatives regarding the TSG Business.

Also during the summer of 2010, a company with an information technology business, which we refer to as Company A, contacted Martin Ellis, the Company's Chief Executive Officer at that time, about its interest in possibly acquiring 100% of the equity of Agilysys. Mr. Ellis brought Company A's interest to the attention of the Board of Directors, which determined that it preferred to continue exploring potential strategic alternatives for the TSG Business.

On September 7, 2010, based solely on publicly available information, Company A submitted an unsolicited, non-binding indication of interest to acquire 100% of the capital stock of Agilysys for between \$8.25 and \$9.00 per share in cash.

Also on September 7, 2010, the Board of Directors established a Special Committee of Directors, comprised of Robert A. Lauer, Chairman, and R. Andrew Cueva, and James H. Denny, to support the Board of Directors in the execution of Agilysys' strategic plan, to evaluate a range of potential alternatives to maximize shareholder value, and to provide recommendations to the Board of Directors on these matters. The Special Committee met almost every week from this date until the purchase agreement was signed with OnX on May 27, 2011. Keith Kolerus, Chairman of the Board of Directors, and Mr. Ellis participated in nearly all of these Special Committee meetings.

In late October 2010, Agilysys engaged BofA Merrill Lynch as Agilysys' financial advisor in connection with a possible sale of the TSG Business or other business transaction involving Agilysys.

On October 28, 2010, following a comprehensive strategic review by the Board of Directors, we determined the best way to unlock value for Agilysys shareholders was to monetize the value of the TSG Business and to use the proceeds to return value to shareholders and to focus on the growth of our HSG and RSG Businesses with their proprietary offerings in the higher-margin and higher-growth hospitality and retail markets. In that regard, the Board of Directors determined to evaluate the level of potential interest in the acquisition of the TSG Business in a structured manner, and instructed management, with the assistance of BofA Merrill Lynch, to commence a formal process with respect to the TSG Business.

In early December 2010, in accordance with the directives of our Board of Directors, BofA Merrill Lynch began contacting a number of information technology companies and private equity firms in order to determine whether any of those entities would be interested in acquiring the TSG Business. BofA Merrill Lynch was directed to contact those entities based on factors including perceived interest in the TSG Business, familiarity with the information technology and datacenter solutions industries, financial position and ability to consummate an acquisition of the TSG Business. A total of 38 parties were contacted, including eight strategic buyers and 30 financial buyers, including Purchaser. Initially, 12 of these parties, including one strategic buyer and 11 financial buyers, including Purchaser, executed confidentiality agreements. Each of these parties received certain preliminary, summary, non-public information regarding Agilysys and the TSG Business and was requested to provide a non-binding, preliminary indication of interest by January 24, 2011.

On January 20, 2011, Company A submitted a revised non-binding indication of interest to acquire 100% of the capital stock of Agilysys for \$9.50 per share in cash.

By January 26, 2011, seven parties, including one strategic buyer and six financial buyers, including Purchaser, submitted a preliminary indication of interest to acquire the TSG Business.

On January 26 and 27, 2011, the Board of Directors convened a regularly scheduled meeting and considered, among other items, the preliminary indications of interest received to date, including the non-binding indication of interest from Company A to acquire the whole Company. Management and our advisors also attended this

meeting. Management discussed the status of various bidders' participation in the process. After extensive discussion, the Board of Directors determined to continue pursuing the sale of the TSG Business, and six of the parties that had submitted preliminary indications of interest for the TSG Business, including the strategic buyer and five of the financial buyers, including Purchaser, were invited to continue in the sale process. Each of these parties received certain additional non-public information regarding the TSG Business.

In addition, after January 26, 2011, three additional parties, including one additional strategic buyer and two additional financial buyers, signed confidentiality agreements and joined the sale process. Each of these parties received the summary non-public information regarding the TSG Business that previously had been distributed to the other potential bidders.

Throughout the remainder of January, February, and the early part of March 2011, the nine bidders remaining in the sale process, including Purchaser, continued their financial and legal due diligence review of the TSG Business, which included discussions and meetings with Agilysys management and review of certain additional non-public information made available in a virtual data room established by the Company for the sale process.

On March 4, 2011, one of the financial buyers included in the sale process for the TSG Business, which we refer to as Company B, submitted a non-binding indication of interest to acquire 100% of capital stock of Agilysys for \$11.00 per share in cash, which the Special Committee discussed later that same day.

By March 10, 2011, eight parties, including two strategic buyers and six financial buyers, submitted revised, preliminary indications of interest.

The Board of Directors next convened a special meeting via teleconference on March 11, 2011, and considered, among other items, the eight preliminary indications of interest received to date to acquire the TSG Business and the proposal submitted by Company B on March 4, 2011 to acquire all of Agilysys. Management and BofA Merrill Lynch discussed the status of the various bidders' participation in the process. After discussion, four parties that submitted the highest bids, including one strategic buyer and three financial buyers, including Purchaser, were invited to continue in the sale process.

On March 14, 2011, a final bid instruction letter was distributed to the four bidders that were invited to participate in the final round of bidding. These bidders were requested to submit final bids by April 1, 2011. These parties also continued, to varying degrees, their respective due diligence investigations of Agilysys and the TSG Business during this period. On March 15, 2011, a draft purchase agreement was made available to the bidders in the Company's virtual data room.

Between April 1 and April 4, 2011, the three financial buyers invited to participate in the final round of the sale process, including Purchaser and a buyer we refer to as Bidder X, submitted written proposals to purchase the TSG Business. The only remaining strategic buyer in the sale process declined to make a final bid. In addition, two financial buyers that previously had been participating in the sale process but were not formally invited by the Board of Directors to participate in the final round of bidding submitted oral indications of interest at purchase prices below the highest proposal received.

On April 5, 2011, the Board of Directors met to consider the three final bids that had been submitted. Management updated the Board of Directors on the sale process since the March 11, 2011 Board meeting and gave a general overview of the bids and discussions with the bidders. BofA Merrill Lynch also discussed with the Board of Directors financial terms of the bids and updated the Board of Directors on the status of discussions with each of the bidders.

After discussing the three bids, the Board of Directors determined that Bidder X's bid was superior as the other two bids were at a lower cash price, the other two bidders had submitted more extensively marked up purchase agreements, and neither of the other two bidders had completed as much due diligence as Bidder X,

giving Bidder X a significant timing advantage. At the conclusion of the meeting, the Board of Directors determined to grant Bidder X exclusivity until April 29, 2011 to negotiate a definitive agreement and authorized management, with the assistance of Agilysys' legal and financial advisors, to negotiate with Bidder X and its advisors to arrive at a final negotiated deal on terms generally consistent with the terms set forth in Bidder X's draft purchase agreement.

Between April 11 and April 29, 2011, Agilysys, Bidder X and their respective legal advisors negotiated the terms of the stock purchase agreement. Management, with the assistance of BofA Merrill Lynch, and Bidder X negotiated various open business points, and Bidder X continued its due diligence review of Agilysys.

On April 26, 2011, the Board of Directors convened a regularly scheduled meeting and discussed the status of discussions with Bidder X. BofA Merrill Lynch informed the Board of Directors that Bidder X had substantially reduced its proposed purchase price and that Bidder X indicated it had done so in response to declining performance of the TSG Business due to lower vendor rebates, softer revenue, and higher than expected incentive expense in the TSG Business. In addition, legal counsel summarized the current state of the purchase agreement, and the Board discussed various issues related to the use of proceeds from the sale of the TSG Business. At the conclusion of the meeting, the Board authorized management, with the assistance of BofA Merrill Lynch, to continue discussions with Bidder X to increase its proposed purchase price.

Between April 26 and April 29, 2011, management, with the assistance of BofA Merrill Lynch, negotiated with Bidder X regarding its proposed purchase price. Unable to arrive at an agreement as to the structure and certainty of its purchase price, Bidder X's exclusivity expired on April 29, 2011.

On April 30, 2011, in accordance with the directives of the Board of Directors, representatives of BofA Merrill Lynch contacted representatives of Purchaser to reopen negotiations. Later that day, Agilysys sent to Purchaser the current draft of the transaction agreements, including the purchase agreement, that had been negotiated with Bidder X.

Between April 30 and May 2, 2011, management, with the assistance of BofA Merrill Lynch, had conversations with representatives of both Bidder X and Purchaser regarding their respective proposed purchase prices.

On May 3, 2011, the Special Committee met to receive an update regarding discussions with Bidder X and Purchaser. BofA Merrill Lynch discussed with the Special Committee the components of Bidder X's and Purchaser's respective proposals. Management also discussed the fact that Purchaser had a related business to that of TSG, and therefore had relationships with many of the same vendors that worked with TSG. In addition, management noted that Purchaser may need less transition services and for a shorter period than Bidder X. The Special Committee authorized management, with the assistance of BofA Merrill Lynch, to negotiate purchase prices with each of Bidder X and Purchaser.

Between May 3 and May 11, 2011, management had extensive discussions with representatives of Bidder X and Purchaser regarding price. In addition, during this period, each of Bidder X and Purchaser submitted a revised purchase agreement.

On May 11, 2011, the Special Committee met to receive an update from management and representatives of BofA Merrill Lynch regarding the price discussions with Bidder X and Purchaser since the May 3 Special Committee meeting. As part of its proposal, Purchaser requested exclusivity until May 23, 2011. Legal counsel summarized the open issues in each party's proposed purchase agreement, and noted that the open issues in each contract, while different, did not give one party a significant competitive advantage over the other. Given that Bidder X had missed the deadline to submit a revised proposal and did not have certainty of financing, and given Purchaser's significant movement on the purchase agreement and its commitment to expedite due diligence, the Special Committee authorized management to grant exclusivity to Purchaser until May 23.

Between May 11 and May 27, 2011, management, with the assistance of outside legal counsel, negotiated with representatives of Purchaser the terms of the Purchase Agreement, transition services agreement and non-competition agreement, and Purchaser completed its due diligence investigation of the TSG Business.

On May 27, 2011, our Board of Directors convened a meeting to discuss the proposed terms of the transaction and the proposed Purchase Agreement and related documents. Our senior management and legal and financial advisors also were present at this meeting. At the meeting, a representative of Jones Day updated our Board of Directors with respect to the resolution of the remaining open issues relating to the Purchase Agreement and the related documents. BofA Merrill Lynch reviewed with our Board of Directors its financial analysis of the \$64 million aggregate consideration and delivered to our Board of Directors an oral opinion, confirmed by delivery of a written opinion dated May 27, 2011, to the effect that, as of such date and based upon and subject to the assumptions and limitations set forth in its opinion, such aggregate consideration was fair, from a financial point of view, to Agilysys. Our Board of Directors discussed the advantages and risks of the proposed transaction that are described in "Reasons for the TSG Sale" below. Following discussion, our Board of Directors unanimously determined that the TSG Sale and the Purchase Agreement were in the best interests of Agilysys and our shareholders, unanimously authorized the TSG Sale, and approved the Purchase Agreement and recommended that our shareholders authorize the TSG Sale.

The Purchase Agreement was executed by Agilysys and Purchaser's subsidiaries, OnX LLC and OnX Limited, on May 28, 2011.

On the morning of May 31, 2011, prior to commencement of trading on NASDAQ that day, Agilysys issued a press release announcing the execution of the Purchase Agreement and other matters.

Reasons for the TSG Sale

Our Board of Directors recommends authorizing the TSG Sale because we believe that separating the TSG Business from the HSG and RSG Businesses will enhance our potential to maximize value for our shareholders. We believe that focusing on our HSG and RSG Businesses will permit greater management focus on what we believe to be our greatest opportunity for growth and long-term shareholder value. Operating the HSG and RSG Businesses separately will realize their full potential while allowing the TSG Business to achieve its full potential in the private market.

Following the divestiture of the TSG Business, we expect to continue our growth as a leading developer and marketer of proprietary enterprise software, services, and solutions to the hospitality and retail industries. We believe that the hospitality and retail markets offer us the opportunity for continuing strong growth to further strengthen our position as a leader in these markets. Focusing solely on the HSG and RSG Businesses, we expect our annual revenues to be in excess of \$200 million immediately. In total, the HSG and RSG Businesses comprise in excess of \$60 million in recurring revenue—approximately \$40 million from software maintenance contracts in the HSG Business and approximately \$20 million in recurring revenue contracts in the RSG Business.

Streamlining the business through the sale of the TSG Business permits a strategic focus by management and the Board of Directors on our HSG and RSG Businesses. As competitive dynamics shaped and continue to influence our strategy, the differences between what the TSG Business requires and what our HSG and RSG Businesses require to sustain growth are growing further apart. Moreover, consistent financial performance has been elusive and well below expectations of our Board of Directors, management and analysts. We believe the sale of the TSG Business provides the most effective solution, allowing us to simplify the business model and reduce cost structure.

In addition, we received significant feedback over the last number of years from investors about our mix of businesses and how they are viewed in the eyes of the investment community. We currently trade at a

conglomerate discount, with our datacenter-focused solution provider business attracting a significantly different investor base than retail and hospitality software and services. Separating the businesses attracts the right investors to each business, unlocks value for shareholders, and provides clarity for customers and employees.

In evaluating the Purchase Agreement and the TSG Sale, our Board of Directors consulted with our senior management, outside legal counsel, and financial advisor. With respect to recommending that our shareholders authorize the TSG Sale in accordance with the applicable provisions of Ohio law, our Board of Directors consulted with our senior management and outside legal counsel. Our Board of Directors also consulted with outside legal counsel regarding its fiduciary duties, legal due diligence matters, and the terms of the Purchase Agreement and related agreements. Based on these consultations, and the factors discussed below, our Board of Directors concluded that the TSG Sale was in the best interests of the Company and our shareholders and recommended that our shareholders authorize the TSG Sale.

The factors that our Board of Directors considered in reaching its determination included, but were not limited to, the following:

The value and the consideration to be received by us pursuant to the Purchase Agreement, including the fact that we would receive an up-front payment without the placement of any funds in escrow;

The form of the consideration in the TSG Sale being cash, and the certainty of the value of such cash consideration compared to stock or other possible forms of consideration;

The ability to return a portion of the net proceeds from the TSG Sale to our shareholders;

Financial information concerning our TSG Business and our HSG and RSG Businesses (including, without limitation, information relating to the financial condition and prospects of our TSG Business and HSG and RSG Businesses), current industry, economic, and market conditions relating to our TSG Business and our HSG and RSG Businesses;

The financial projections for our TSG Business set forth under *Financial Projections* on page 31;

The decline in the TSG Business gross margin percentage, which was driven by lower product gross margins, which were affected by declines in gross margins, as a result of the reduction in vendor rebates;

The fact that the continued operation of the TSG Business together with the HSG and RSG Businesses could place certain restrictions on each business due to strategic, competitive, and operational considerations that may hinder their respective abilities to achieve their goals in the future;

The creation of a more focused business model and a clearer investment opportunity for our current and future shareholders and for our continuing employees who hold stock options and other equity in our Company;

The increased focus our management could place on our growing HSG and RSG Businesses following the TSG Sale;

The additional financial flexibility to continue to aggressively grow our HSG and RSG Businesses, both organically and through additional acquisitions;

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The strategic review process undertaken by us, which included the retention of recognized legal and financial advisors and a solicitation and bid process, which ultimately resulted in the agreement with the Purchasers to acquire the TSG Business;

The alternatives available if we were not to sell the TSG Business to Purchaser, including independent pursuit of growth of the TSG Business, through acquisitions or otherwise, all of which involve meaningful risks and uncertainties and none of which, in the view of our Board of Directors, were as favorable to us and our shareholders as, nor more favorable to us and our shareholders than, the TSG Sale;

That the Purchase Agreement was agreed to only after a lengthy auction process pursuant to which a total of 38 potential purchasers were contacted, which included, for certain parties, management presentations, due diligence sessions, the submission of seven non-binding preliminary indications of interest and the submission of three final bids;

The fact we held discussions with several other potential acquirers, but none of those potential acquirers submitted written acquisition proposals that were as favorable to us as Purchaser's proposal;

The Board of Directors' and management's evaluation of two unsolicited proposals to purchase the Company as a whole, which proposals the Board of Directors believed were not as favorable as selling the TSG Business and continuing to operate and grow the HSG and RSG Businesses, especially given each acquirer's stated intention to sell the TSG Business if it acquired the whole Company, thereby capturing the value of the sale of the TSG Business for themselves;

The opinion and financial presentation, dated May 27, 2011, of our financial advisor, BofA Merrill Lynch, to our Board of Directors as to the fairness, from a financial point of view and as of such date, to Agilysys of the \$64 million aggregate consideration to be received by Agilysys in the TSG Sale, as more fully described below under "The TSG Sale" Opinion of Our Financial Advisor on page 21;

The business reputation of Purchaser and its management, directors, and shareholders and its financial resources which our Board of Directors believed supported the conclusion that a transaction with Purchaser could be completed relatively quickly and in an orderly manner;

The experience of Purchaser in successfully completing similar corporate carve-out transactions in a timely manner;

The impact of the TSG Sale on our customers, employees, and other business partners;

The fact that the Purchase Agreement affords our Board of Directors flexibility to consider, evaluate, and accept superior proposals and alternative transactions in the period after signing and prior to the authorization of the TSG Sale by our shareholders in accordance with the terms of the Purchase Agreement; and

The reasonable likelihood of the consummation of the TSG Sale in light of the relatively limited conditions to Purchaser's obligations to consummate the TSG Sale, including the fact that the consummation of the TSG Sale is not contingent on Purchaser's ability to secure financing commitments.