

AMERICAN SOFTWARE INC
Form DEF 14A
July 28, 2006

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 Pursuant to §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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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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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:

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

(3) Filing Party:

(4) Date Filed:

AMERICAN SOFTWARE, INC.

470 East Paces Ferry Road

Atlanta, Georgia 30305

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the 2006 Annual Meeting of Shareholders of AMERICAN SOFTWARE, INC. (the Company) will be held at the offices of the Company, 470 East Paces Ferry Road, Atlanta, Georgia, on Monday, August 28, 2006 at 12:00 noon for the following purposes:

1. To elect eight directors of the Company, three of whom will be elected by the holders of Class A Common Shares and five of whom will be elected by the holders of Class B Common Shares.
2. 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 10, 2006 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 28, 2006

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.

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

TO BE HELD AT
AMERICAN SOFTWARE, INC.
470 EAST PACES FERRY ROAD
ATLANTA, GEORGIA
ON AUGUST 28, 2006

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 28, 2006 at 12:00 noon 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 28, 2006.

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, the proxy will be voted:

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

In addition, a properly executed and returned proxy card gives the authority to vote in accordance with the proxy-holders' best judgment on such other business as may properly come before the meeting or any adjournment 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.

VOTING SECURITIES

Record Date and Voting of Securities

The Board of Directors has fixed the close of business on July 10, 2006 as the record date for determining the holders of common stock entitled to notice of and to vote at the meeting. On July 10, 2006, the Company had outstanding and entitled to vote a total of 21,203,225 Class A Common Shares (Class A shares) and 3,314,994 Class B Common Shares (Class B shares).

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 7,067,742 Class A shares and of 1,104,998 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 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.

Security Ownership

Five Percent Shareholders. The only persons known by the Company to own beneficially more than 5% of the outstanding shares of common stock of either class of the Company are those set forth below. Unless otherwise noted, this information is as of June 30, 2006. The statements as to securities beneficially owned are based upon information provided by the person(s) concerned. Except as disclosed in the notes to the table, each person has sole voting and investment power with respect to the entire number of shares shown as beneficially owned by that person.

| Title of Class | Name and Address of Beneficial Owner | Shares Beneficially Owned(1) | Percent of Class(1) |
|-----------------------|-------------------------------------------------------------------------------------------|-------------------------------------|----------------------------|
| CLASS A SHARES | James C. Edenfield | 251,225(2)(3) | 1.2%(4) |
| | c/o American Software, Inc. 470 East Paces Ferry Road, N. E. Atlanta, Georgia 30305 | | |
| | Thomas L. Newberry | 251,225(2)(5) | 1.2%(4) |
| | c/o American Software, Inc. 470 East Paces Ferry Road, N. E. Atlanta, Georgia 30305 | | |
| | AXA Assurances IARD Mutuelle | 1,196,529(6) | 5.6% |
| | 1290 Avenue of the Americas New York, NY 10104 | | |
| | Brown Capital Management, Inc. | 1,291,500(7) | 6.1% |
| | 1201 N. Calvert Street Baltimore, Maryland 21202 | | |
| | Dimensional Fund Advisors, Inc. | 1,127,927(8) | 5.3% |
| | 1299 Ocean Avenue, 11 th Floor Santa Monica, California 90401 | | |
| | Wellington Management Company, LLC | 1,656,000(9) | 7.8% |
| | 75 State Street Boston, MA 02109 | | |
| CLASS B SHARES | James C. Edenfield | 3,314,994(2)(10) | 100.0% |
| | Thomas L. Newberry | 3,314,994(2)(11) | 100.0% |

(1) Class A share percentages are based on an aggregate of 21,203,225 Class A shares outstanding as of June 30, 2006, plus any shares issuable pursuant to options currently exercisable or which shall become exercisable within 60 days of June 30, 2006 (60-day option

shares).

- (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 50,000 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 141,225 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 3,566,219 Class A shares, which would represent approximately 14.4% of the total Class A shares that would be issued and outstanding after such conversion.

- (4) 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. Based on these relative voting rights, Mr. Edenfield and Dr. Newberry together beneficially own approximately 61.2% of the combined, weighted voting rights of the outstanding Class A and Class B shares.
- (5) Includes 100,000 shares that may be acquired upon the exercise of Dr. Newberry's own stock options exercisable within 60 days; also includes 110,000 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 3,566,219 Class A shares, which would represent approximately 14.4% of the total Class A shares that would be issued and outstanding after such conversion.
- (6) Based on Schedule 13G dated February 14, 2006 reporting as of December 31, 2005. Of this amount, the holders had sole voting power as to 406,709 shares and sole dispositive power as to all 1,119,529 shares. 250,000 of the shares were acquired solely for investment purposes on behalf of client discretionary investment advisory accounts; beneficial ownership is disclaimed as to all 1,119,529 shares.
- (7) Based on Schedule 13G amendment dated December 31, 2005 reporting as of December 31, 2005. Of this amount, the holder had sole voting power as to 865,400 shares and sole dispositive powers as to all 1,291,500 shares, which are owned by various investment advisory clients of the record holder.
- (8) Based on Schedule 13G amendment dated February 1, 2006 reporting as of December 31, 2005. The record holder of these shares has reported that the shares are owned by its advisory clients, and that it disclaims beneficial ownership of the shares.
- (9) Based on Schedule 13G dated February 14, 2006. Of this amount, the reporting person has shared voting power as to 480,000 shares and shared disposition power as to all 1,656,000 shares, which are owned of record by its investment advisory clients.
- (10) Includes 1,244,937 Class B shares of which Dr. Newberry is the record owner, as to which Mr. Edenfield shares voting power.
- (11) Includes 2,070,057 Class B shares of which Mr. Edenfield is the record owner, as to which Dr. Newberry shares voting power.

Directors and Executive Officers. The following table shows the shares of common stock of the Company, both Class A and Class B, beneficially owned by each director, by each executive officer named in the Summary Compensation Table and by all directors and executive officers as a group as of June 30, 2006. The statements as to securities beneficially owned are based upon information provided by the person(s) concerned. Except as disclosed in the notes to the table, each person has sole voting and investment power with respect to the entire number of shares shown as beneficially owned by that person.

| Name Of Beneficial Owner or Description Of Group | Shares Beneficially Owned | | Percent of Class | |
|---------------------------------------------------------------------|---------------------------|------------------|------------------|---------------|
| | Class A | Class B | Class A(1) | Class B(1) |
| James C. Edenfield | 251,225(2) | 3,314,994 | 1.2%(3) | 100.0%(2) |
| Thomas L. Newberry | 251,225(4) | 3,314,944 | 1.2%(3) | 100.0%(4) |
| Jeffrey W. Coombs | 240,448(5) | -0- | 1.1% | |
| J. Michael Edenfield | 661,000(6) | -0- | 3.1% | |
| David H. Gambrell | 105,000(7) | -0- | 0.5% | |
| W. Dennis Hogue | 56,000(6) | -0- | 0.3% | |
| John J. Jarvis | 56,000(8) | -0- | 0.3% | |
| Vincent C. Klinges | 183,756(9) | -0- | 0.9% | |
| James B. Miller, Jr. | 59,000(10) | -0- | 0.3% | |
| Thomas L. Newberry, V | 46,000(6) | -0- | 0.2% | |
| ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (11 Persons) | 1,668,429(11) | 3,314,994 | 7.4% | 100.0% |

- (1) Share percentages are based on an aggregate of 21,203,225 Class A shares outstanding as of June 30, 2006, plus 60-day option shares held by the person or group in question. There were 3,314,994 Class B shares outstanding as of June 30, 2006.
- (2) See footnotes (2), (3) and (10) to the table under the caption Five Percent Shareholders, above.
- (3) For all matters except the election of directors, which involves class voting, Mr. Edenfield and Dr. Newberry together beneficially own approximately 61.2% of the combined, weighted voting rights of the outstanding Class A and Class B shares.
- (4) See footnotes (2), (5) and (11) to the table under the caption Five Percent Shareholders, above.
- (5) Includes 195,250 shares subject to options exercisable within 60 days.
- (6) Represents shares subject to options exercisable within 60 days.
- (7) Includes 27,000 shares subject to options exercisable within 60 days.
- (8) Includes 45,000 shares subject to options exercisable within 60 days.
- (9) Includes 153,500 shares subject to options exercisable within 60 days.
- (10) Includes 44,000 shares subject to options exercisable within 60 days.

(11) Includes 1,397,750 shares subject to options exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (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 (the Commission). Officers, directors and holders of more than 10% of the Class A shares are required under regulations promulgated by the Commission 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 2006 were filed on a timely basis, except Jeffrey W. Coombs filed one report late.

ELECTION OF DIRECTORS

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, Thomas L. Newberry, J. Michael Edenfield and Thomas L. Newberry, V will be elected as Class B directors.

The directors (including Mr. Gambrell, who is not standing for re-election), 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 |
|---------------------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| CLASS A DIRECTORS: | | | |
| W. Dennis Hogue(1) | 53 | Chief Executive Officer of Hogue Enterprises, Inc. | 2001 |
| John J. Jarvis(2) | 64 | Retired; former Executive Director of The Logistics Institute Asia Pacific | 2001 |
| James B. Miller, Jr.(3) | 66 | Founder, Chairman, President, and Chief Executive Officer of Fidelity Southern Corporation, the parent company of Fidelity Bank | 2002 |
| CLASS B DIRECTORS: | | | |
| James C. Edenfield(4) | 71 | President, Chief Executive Officer and Treasurer of American Software, Inc. and American Software USA, Inc.; Chairman of Board of Directors of Logility, Inc. | 1971 |
| J. Michael Edenfield(5) | 48 | Executive Vice President of American Software, Inc. and President and Chief Executive Officer of Logility, Inc.; currently a Director of Logility, Inc. and INSIGHT, Inc. | 2001 |
| David H. Gambrell(6) | 76 | Partner, Gambrell & Stolz, LLP, Attorneys at law, Atlanta, Georgia | 1983 |
| Thomas L. Newberry(7) | 73 | Chairman of the Board of American Software, Inc. | 1971 |
| Thomas L. Newberry, V(8) | 39 | Founder and Chief Executive Officer of The 1% Club, Inc. | 2001 |

- (1) Since January 2005, Mr. Hogue has served as chief executive officer of Hogue Enterprises, Inc., a real estate investment company. 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. From April 2002 to June 2003, Mr. Hogue was Chief Executive Officer and President of Mercari Technologies, a provider of shelf-space optimization technology for the retail market. Mercari Technologies sold its principal assets in December 2002. Prior to joining Mercari Technologies, he served as Chief Executive Officer of Global Food Exchange, a provider of web-based procurement solutions to the global food market, from January 2001 to March 2002. Prior to joining Global Food Exchange, Mr. Hogue served

as President and Chief Executive Officer of E3 Corporation, an international provider of inventory management solutions to the wholesale and retail market, from December 1999 to December 2000. He earned a Bachelor of Science degree in Psychology from Florida State University in 1974.

- (2) 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. From 1990 to 2001, he was Chair of the School of Industrial and Systems Engineering at the Georgia Institute of Technology, where he has been a member of the faculty since 1968. Dr. Jarvis was co-founder of CAPS Logistics, Inc., a provider of software and consulting services in logistics, which was acquired by Baan NV in 1998. 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.
- (3) 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 textile manufacturing company. Since 2003, Mr. Miller has been Chairman of Berlin American Company, a private real estate company, and of Prescott Automotive Group, a private automobile dealer. Mr. Miller holds a Bachelor of Arts Degree from Florida State University and an L.L.B. from Vanderbilt University Law School.
- (4) James C. 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.
- (5) J. Michael Edenfield has served as President and Chief Executive Officer of Logility, Inc., a majority-owned subsidiary of the Company, since January 1997. From June 1994 until October 1997, he served as Chief Operating Officer of the Company. Mr. Edenfield has served as Executive Vice President of the Company from June 1994 to the present. 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.
- (6) Mr. Gambrell has been a practicing attorney since 1952, and is a partner in the law firm of Gambrell & Stolz, LLP, counsel to the Company. He served as a member of the United States Senate from the State of Georgia in 1971 and 1972. Mr. Gambrell holds a Bachelor of Science degree from Davidson College and a J.D. from the Harvard Law School. Mr. Gambrell has decided not to stand for re-election to the Board.
- (7) 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.
- (8) Thomas L. Newberry, V 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.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT CLASS A

SHAREHOLDERS VOTE FOR MESSRS. HOGUE, JARVIS AND MILLER.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors held five meetings during fiscal 2006. 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.

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, 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 Voting Securities Security Ownership, above. Therefore, the Company is not subject to the provisions of Rule 4350(c) of the Nasdaq Marketplace Rules that would otherwise 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.

In light of the voting power of Mr. Edenfield and Dr. Newberry, and in view of the fact that Board vacancies occur 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.

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.

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, 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.

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. Except for Thomas L. Newberry, who was not able to attend, all of the Company's directors were in attendance at the 2005 Annual Meeting.

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.

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 2006, in addition to its consultations with our independent auditors 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 auditors, pre-approving audit services and permitted non-audit services and related fees, and reviewing with management and the independent auditors 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 David H. Gambrell and Thomas L. Newberry. During fiscal 2006, the Compensation Committee met on three occasions and in its capacity as the Special Stock Option Committee acted once by written consent. See "Certain Information Regarding Executive Officers and Directors" Report on Executive Compensation, below, for a discussion of the Compensation Committee and the functions it performs. The Board has not yet determined which director will be selected to serve in Mr. Gambrell's place on the Compensation Committee following the Annual Meeting of Shareholders.

Two different committees of the Board administer the 2001 Stock Option Plan, depending on whether the option grant is to an officer or director or to other employees. The Special Stock Option Committee, which consists of David H. Gambrell and Dr. Thomas L. Newberry, as 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 Dr. Thomas L. Newberry, administers grants to other employees. The functions of these Committees are to grant options and establish the terms of those options, as well as to construe and interpret the Plan and to adopt rules in connection therewith. During fiscal 2006, the Stock Option Committee acted by written consent on two occasions in connection with the grant of stock options under the Company's 2001 Stock Option Plan. As stated above, the Special Stock Option Committee acted by written consent on one occasion during fiscal 2006.

CERTAIN INFORMATION REGARDING EXECUTIVE OFFICERS AND DIRECTORS
Executive Compensation

The following table provides certain summary information concerning compensation paid or accrued by the Company to or on behalf of the Company's Chief Executive Officer and the other executive officers of the Company whose annual compensation exceeded \$100,000 during fiscal 2006 (referred to herein as the named executive officers), for the fiscal years ended April 30, 2006, 2005 and 2004:

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Fiscal Year | Annual | Bonus or | Long-Term | All Other |
|-----------------------------------------------|----------------|---------|------------------------------|--------------------------------------------|--------------|
| | | Salary | Other Annual Compensation | Compensation Awards/Number of Option | Compensation |
| | | (\$) | (\$) | Shares Granted | (\$)(1) |
| James C. Edenfield, | 2006 | | | | |
| President and Chief | 2005 | 434,500 | 200,735 | 100,000 | 78,763(2)(3) |
| | | 434,500 | -0- | 80,000 | 73,313(2)(4) |
| Executive Officer | 2004 | 434,500 | 14,850 | -0- | 948(2)(5) |
| J. Michael Edenfield, | 2006 | | | | |
| Executive Vice President; President and Chief | 2005 | 265,000 | 500,000 | 80,000 | 2,040(8) |
| | | 259,200 | -0- | 75,000(7) | 2,040(8) |
| Executive Officer of Logility, Inc. (6) | 2004 | 259,200 | 156,690 | -0- | 2,040(8) |
| Jeffrey W. Coombs, Senior | 2006 | | | | |
| Vice President of American | 2005 | 181,948 | 5,000 | -0- | -0- |
| | | 181,948 | 8,500 | 50,000 | -0- |
| Software USA, Inc. | 2004 | 181,948 | 4,500 | -0- | -0- |
| Vincent C. Klinges, Chief | 2006 | | | | |
| Financial Officer of the | 2005 | 162,000 | 50,000 | 60,000 | -0- |
| | | 150,000 | 14,000 | 25,000 | -0- |
| Company and of Logility, Inc. (9) | 2004 | 150,000 | 5,500 | -0- | -0- |

- (1) The aggregate amount of perquisites and other personal benefits, securities or property given to each named executive officer, valued on the basis of aggregate incremental cost to the Company, was less than the greater of \$50,000 or 10% of the total annual salary and bonus for that executive officer during each of these years.
- (2) Each of these amounts includes \$948 reimbursed for medical insurance coverage obtained through the Company and paid by the executive officer.
- (3) Of this amount \$77,815 represents the economic benefit in fiscal 2006 of the split dollar policy.
- (4) Of this amount \$72,365 represents the economic benefit in fiscal 2005 of a split dollar life insurance policy acquired by the Company in fiscal 2000 on the life of Mr. Edenfield (the split dollar policy).

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- (5) Compensation for 2004 does not include any economic benefit of the split dollar policy, as the Company did not pay such premium for 2004.
- (6) Logility, Inc. is an 88%-owned subsidiary of the Company. All the fiscal 2006, 2005 and 2004 annual salary and bonus amounts were paid by Logility.
- (7) Includes 25,000 stock option shares granted by Logility.
- (8) Each of these amounts includes \$2,040 reimbursed to the executive officer for medical insurance coverage obtained through the Company and paid by him.
- (9) Thirty percent of Mr. Klinges' salary and bonus shown in this table in fiscal 2004, 37% of his salary and bonus in fiscal 2005 and 37% of his salary and bonus in fiscal 2006 was paid by Logility.

Stock Option Plans

The Company has outstanding stock options granted pursuant to three stock option plans. The 1991 Employee Stock Option Plan (the "Employee Option Plan") and the Directors and Officers Stock Option Plan (the "Directors and Officers Option Plan") were adopted in 1991. These Plans were terminated effective September 1, 2000 and replaced by the 2001 Stock Option Plan (the "2001 Option Plan"). Options outstanding under the Employee Option Plan and the Directors and Officers Option Plan remain in effect, but no new options may be granted under those plans. The following sections describe these three stock option plans. All employees of the Company and its subsidiaries, totaling 321 persons as of June 30, 2006, are eligible to participate in the 2001 Option Plan.

1991 Employee Stock Option Plan. On August 22, 1991, the Company adopted the 1991 Employee Stock Option Plan. This Plan was designed to provide certain key employees of the Company and its subsidiaries with additional incentives to increase their efforts on the Company's behalf and remain in the employ of the Company. Options to purchase Class A common shares were granted in the form of incentive stock options and non-qualified stock options. Participants in this plan were selected from key personnel of the Company or a subsidiary, provided, however, that no director, officer or 10% shareholder of the Company was eligible to participate. Options are exercisable at any time within the option period, but no more than ten years from the date of grant. As of June 30, 2006, there were outstanding under this Plan options to purchase 678,415 Class A shares.

Directors and Officers Stock Option Plan. On August 22, 1991, the Company adopted the Directors and Officers Stock Option Plan. This Plan was designed to provide directors and officers of the Company and its subsidiaries with additional incentives to increase their efforts on the Company's behalf and to remain in the employ of the Company or to remain as directors of the Company. Options to purchase Class A common shares were granted in the form of both incentive stock options and non-qualified stock options. Participants in this plan were selected from among the directors and officers of the Company or a subsidiary. The number of options granted under this plan was determined with each grant. Further, each non-employee member of the Board of Directors received an automatic grant of nonqualified options to purchase 5,000 shares on April 30 and October 31 of each year. The option price for such grant was equal to the closing market price of the shares on the date of grant and were exercisable one year after grant. Options are exercisable at any time within the option period, but no more than ten years from the date of grant. As of June 30, 2006 there were outstanding under this Plan options to purchase 527,003 Class A shares.

2001 Stock Option Plan. The 2001 Stock Option Plan became effective September 1, 2000. This Plan was designed 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 the Company's business. Options to purchase Class A common shares are granted in the form of incentive stock options and non-qualified stock options. The number of options granted under this Plan is determined with each grant, except with respect to non-employee directors, who receive 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 such grants is equal to the closing market price of the shares on the date of grant. As of the close of business on June 30 2006, the market value of the Common Stock was \$6.72 per share.

In February 2005, the Board of Directors 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. Options granted to any person who owns 10% or more of the combined voting power of all classes of capital stock of the Company at the time of grant are limited to a five-year term (with a four-year vesting schedule) if the option is to be classified as an incentive stock option. A total of 3,575,000 shares are authorized for issuance pursuant to options granted under this Plan. As of June 30, 2006, under this Plan 1,179,951 option shares had been exercised, there were outstanding options to purchase 1,786,652 shares, and 608,397 shares remained available for stock option grants.

Stock Option Committees. Prior to its termination, the 1991 Employee Stock Option Plan was administered by the 1991 Employee Stock Option Plan Committee, consisting of Mr. Edenfield and Dr. Newberry. Prior to its termination, the Directors and Officers Stock Option Plan was administered by the Compensation Committee. The 2001 Option Plan is administered by two separate committees: (i) the Special Stock Option Committee (comprised of David H. Gambrell 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 Mr. Edenfield and Dr. Newberry) is responsible for other option grants.

The members of these Committees are not eligible to participate in the portion of the option plan that they administer, except pursuant to the formula option grant program for non-employee directors under the 2001 Option Plan. Under the option 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 respective option plans and adopt rules in connection therewith.

Stock Option Grants

The following table sets forth information with respect to stock options granted during fiscal 2006 to each of the named executive officers.

| Name | Number of Options Granted (1) | Percent of Total Options Granted to Employees and Directors in Fiscal 2006 | Exercise Price (Per Share) (\$) | Expiration Date |
|------|-------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------|--------------------|
|------|-------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------|--------------------|