Risk Factors Comparison 2023-07-13 to 2022-06-29 Form: 10-K

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The following summarizes risks and uncertainties that could materially adversely affect our business, financial condition, results of operations and stock price. You should read this summary together with the detailed description of each risk factor contained below. RISK FACTORS RELATED TO THE ECONOMY a. Disruptions in the financial and credit markets, government policies regarding interest rates **and inflation rates** , international trade disputes, the ~~ongoing~~ **effects of a pandemic or major public health concern such as** COVID- 19 pandemic, the invasion of Ukraine by Russia ~~,~~ and other external influences **in the U. S. global markets** may reduce demand for our software and related services **, which may negatively affect or revenue and operating results.** . b. The effects of **a pandemic or major public health concern such as** the ~~ongoing~~ COVID- 19 pandemic ~~have~~ **could** materially ~~affected~~ -- **affect** how we and our clients ~~are~~ **will** ~~operating~~ **operate** our businesses. c. There may be an increase in client bankruptcies due to weak economic conditions. d. We are subject to foreign exchange rate risk. RISK FACTORS RELATED TO COMPETITION a. Our markets are very competitive ~~,~~ and we may not be able to compete effectively. b. Many of our current and potential competitors have significantly greater resources than we do ~~,~~ and therefore we may be at a disadvantage in competing with them. c. Due to competition, we may change our pricing practices, which could adversely affect operating margins or client ordering patterns. RISK FACTORS RELATED TO OUR OPERATIONS a. Our growth is dependent upon the successful further development of our direct and indirect sales channels. b. Our growth depends upon our ability to develop and sustain relationships with complementary vendors to market and implement our software products **and a failure to develop and sustain these relationships could have a material adverse effect on our operating performance and financial condition** . c. We are dependent upon the retail industry for a significant portion of our revenue **. If these clients were to discontinue the use of our service or delay their implementation, our total revenue would be adversely affected** . d. We derive a significant portion of our services revenue from a small number of clients. e. We may derive a significant portion of our revenue from a limited number of large, non- recurring sales. f. Our lengthy sales cycle makes it difficult to predict quarterly revenue levels and operating results. g. Services revenue carries lower gross margins than do license or subscription revenue and an overall increase in services revenue as a percentage of total revenue could have an adverse impact on our business. h. Failure to maintain our margins and service rates for implementation services could have a material adverse effect on our operating performance and financial condition. i. We are subject to risks related to renewal of maintenance contracts. j. We are subject to risks related to accounting interpretations. k. Our past and future acquisitions may not be successful and we may have difficulty integrating acquisitions. l. **Unanticipated changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us or our paying clients could increase the costs of our products and services and harm our business. m.** Our business may require additional capital **n** ~~. m~~ . Business disruptions could affect our operating results. ~~n~~ **o** . Our international operations and sales subject us to **additional** risks. ~~o~~ **p** . It may become increasingly expensive to obtain and maintain liability insurance. ~~p~~ **q** . Growth in our operations could increase demands on our managerial and operational resources **. r. Changes in regulations or disruptions of the Internet may negatively affect our business** . RISK FACTORS RELATED TO OUR PRODUCTS a. We may not be successful in convincing clients to migrate to current or future releases of our products **which may lead to reduced services and maintenance revenue and less future business from existing clients.** . b. We may be unable to retain or attract clients if we do not develop new products and enhance our current products in response to technological changes and competing products. c. If our products are not able to deliver quick, demonstrable value to our clients, our business could be seriously harmed. d. If we do not maintain software performance across accepted platforms and operating environments, our license, subscription and services revenue could be adversely affected. e. Our software products and product development are complex, which makes it increasingly difficult to innovate, extend our product offerings ~~,~~ and avoid costs related to correction of program errors. f. The use of open source software in our products may expose us to additional risks and harm our intellectual property. g. If the open source community expands into enterprise application and supply chain software, our revenue may decline. h. Implementation of our products can be complex, time- consuming and expensive, clients may be unable to implement our products successfully ~~,~~ and we may become subject to warranty or product liability claims. i. An increase in sales of software products that require customization would result in revenue being recognized over the term of the contract for those products **and could have a material adverse effect on our operating performance and financial condition.** . j. We sometimes experience delays in product releases, which can adversely affect our business. k. We may not receive significant revenue from our current research and development efforts for several years. l. We have limited protection of our intellectual property and proprietary rights and may potentially infringe third- party intellectual property rights. m. We may experience liability claims arising out of the sale of our software and provision of services. n. Privacy and security concerns, including evolving government regulation in the area of data privacy, could adversely affect our business and operating results. o. We face risks associated with the security of our products **which could reduce our revenue and earnings, increase our expenses and expose us to legal claims and regulatory actions.** . p. We depend on third- party technology which could result in increased costs or delays in the production and improvement of our products if it should become unavailable or if it contains defects. q. Any interruptions or delays in services from third parties or our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business. **r. Any failure to offer high- quality customer support for our cloud platform may adversely affect our relationships with our clients and harm our financial results.** RISK FACTORS RELATED TO OUR PERSONNEL a. We are dependent upon key personnel ~~,~~ and need to attract and retain highly qualified personnel. b. We ~~periodically have~~ **may need to** ~~restructured~~ - **restructure** our sales force, which can be disruptive. c. Our technical personnel have unique access to client data ~~,~~ and may abuse that privilege. RISK FACTORS RELATED TO OUR CORPORATE STRUCTURE AND GOVERNANCE a. Our business is subject to changing regulation of corporate governance and public disclosure **that has increased both our costs and the risk of non- compliance** . b. One shareholder beneficially owns a substantial portion of our stock ~~,~~ and as a result, exerts substantial control over us. c. Our articles of incorporation and bylaws and Georgia law may inhibit a takeover of our company. d. We are a " controlled company " within the meaning of NASDAQ rules and, as a result, qualify for ~~,~~ and rely on, exemptions from certain corporate governance requirements. RISK FACTORS RELATED TO OUR STOCK PRICE a. We could experience fluctuations in quarterly operating results that could adversely affect our stock price. b. Our stock price is volatile and there is a risk of litigation. c. Our dividend policy is subject to change. d. The price of our common stock may decline due to shares eligible for future sale or actual future sales of substantial amounts of our common stock. A variety of factors may affect our future results and the market price of our stock. We have included certain forward- looking statements in Management' s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Form 10- K. We may also make oral and written forward- looking statements from time to time, in reports filed with the SEC and otherwise. We undertake no obligation to revise or publicly release the results of any revisions to these forward- looking statements based on circumstances or events which occur in the future, unless otherwise required by law. Actual results may differ materially from those projected in any such forward- looking statements due to a number of factors, including those set forth below and elsewhere in this Form 10- K. We operate in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. New risk factors emerge from time to time ~~,~~ and it is not possible for management to predict all such risk factors, nor can it assess the potential impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those in any forward- looking statements. The following section lists some, but not all, of the risks and uncertainties that we believe may have a material adverse effect on our business, financial condition, cash flow or results of operations. In that case, the trading price of our securities could decline and you may lose all or part of your investment in our Company. This section should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto ~~,~~ and Management' s Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10- K. We cannot predict every event and circumstance that may affect our business ~~,~~ and therefore the risks and uncertainties discussed below may not be the only ones you should consider. The risks and uncertainties discussed below are in addition to those that apply to most businesses generally. Furthermore, as we continue to operate our business, we may encounter risks of which we are not aware at this time. These additional risks may cause serious damage to our business in the future, the impact of which we cannot estimate at this time. Disruptions in the financial and credit markets, government policies regarding interest rates **and inflation rates** , international trade disputes, the ~~ongoing~~ **effects of a pandemic or major public health concern such as the** COVID- 19 pandemic, the invasion of Ukraine by Russia ~~,~~ and other external influences in the U. S. and global markets may reduce demand for our software and related services, which may negatively affect our revenue and operating results. Our revenue and profitability depend on the overall demand for our software, professional services and maintenance services. Regional and global changes in the economy and financial markets, such as the severe global economic downturn in 2008, which was followed by a slow and relatively weak recovery ~~,~~ and more recently, the timing, likelihood and amount of future increases in interest rates by the U. S. Federal Reserve, have resulted in companies generally reducing their spending for technology projects and therefore delaying or reconsidering potential purchases of our products and related services. A new economic recession, or adverse conditions in credit markets, lagging consumer confidence and spending, inflation, higher labor, healthcare ~~,~~ and insurance costs, the fluctuating cost of fuel and commodities and their effects on the U. S. and global economies and markets are all examples of negative factors that have delayed or canceled certain potential client purchases. Furthermore, the uncertainty posed by the long- term effects of global and regional conflicts, terrorist activities, **a global pandemic such as** the ~~ongoing~~ COVID- 19 pandemic ~~,~~ and other geopolitical and trade issues also may adversely affect the purchasing decisions of current or potential clients. For example, financial and credit markets around the world experienced volatility following the invasion of Ukraine by Russia in February 2022. In response to the invasion, the United States, United Kingdom and European Union, along with others, imposed significant new sanctions and export controls against Russia, Russian banks and certain Russian individuals and may implement additional sanctions or take further punitive actions in the future. The full economic and social impact of the sanctions imposed on Russia (as well as possible future punitive measures that may be implemented), as well as the counter measures imposed by Russia, remains uncertain. Furthermore, weakness in European economies may adversely affect demand for our products and services, both directly and by affecting U. S. clients that rely heavily on European sales. There can be no assurance that government responses to these factors will sufficiently restore confidence, stabilize markets or increase liquidity and the availability of credit. We are a technology company selling technology- based ~~solutions~~ **software** with total pricing, including software and services, in many cases exceeding $ 500, 000. Reductions in the capital budgets of our clients and prospective clients could have an adverse impact on our ability to sell our ~~solutions~~ **software** . These economic, trade ~~,~~ **and** public health and political conditions may reduce the willingness or ability of our clients and prospective clients to commit funds to purchase our products and services or renew existing post- contract support agreements, or their ability to pay for our products and services after purchase. Future declines in demand for our products or services, or a broadening or protracted extension of these conditions, would have a significant negative impact on our revenue and operating results. The effects of **a pandemic or major public health concern such as** the ~~ongoing~~ COVID- 19 pandemic ~~have~~ **could** materially ~~affected~~ -- **affect** how we and our clients ~~are operating~~ **operate** our businesses ~~,~~ and the duration and extent to which this ~~will~~ **may** impact our future results of operations and overall financial performance remain uncertain. In December 2019, a novel coronavirus, COVID- 19, was first reported. On March 11, 2020, the World Health Organization (WHO) characterized COVID- 19 as a pandemic. The COVID- 19 pandemic, which ~~has~~ spread throughout the world ~~,~~ and the related adverse public health developments, including orders to shelter- in- place, travel restrictions ~~,~~ and mandated business closures, have adversely affected ~~workforces~~ - **workforce** , organizations, clients, economies ~~,~~ and financial markets globally, leading to increased market volatility. It also has disrupted the normal operations of many businesses, including ours. ~~As~~ **Moreover, the conditions caused by** a ~~result of~~ **pandemic or major public health concern such as** the COVID- 19 pandemic ~~, substantially all Company employees globally have been encouraged to work from home and we have either canceled or changed employee, client and industry events to dial- in experiences. We~~ may ~~deem it advisable to similarly alter, postpone or cancel entirely additional client, employee or industry events in the future. All of these changes may disrupt the way we operate our business. Moreover, the conditions caused by the COVID- 19 pandemic may continue to~~ affect the rate of spending on our products and services ~~,~~ and could adversely affect our clients' ability or willingness to purchase our offerings or the timing of our current or prospective clients' purchasing decisions; require pricing discounts or extended payment terms; or increase client attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance. The duration and extent of the impact of **a pandemic or major public health concern such as** the COVID- 19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus and any new variant, the extent and effectiveness of containment actions, the disruption caused by such actions, the efficacy of vaccines and rates of vaccination in various states and countries ~~,~~ and the impact of these and other factors on our employees, clients, partners, vendors and the global economy. If we are not able to effectively respond to and manage the impact of such events, our business will be harmed. To the extent that **a pandemic or major public health concern such as** the COVID- 19 pandemic ~~adversely~~ affects our business and financial results, it may also amplify many of the other risks described in this " Risk Factors " section. We have been in the past ~~,~~ and may be in the future, affected by client bankruptcies that occur in periods subsequent to the software sale. During weak economic conditions, there is an increased risk that some of our clients will file a petition for bankruptcy. When our clients file a petition for bankruptcy, we may be required to forego collection of pre- petition amounts owed and to repay amounts remitted to us during the 90- day preference period preceding the filing. Accounts receivable balances related to pre- petition amounts may in some of these instances be large, due to extended payment terms for software fees and significant billings for consulting and implementation services on large projects. The bankruptcy laws, as well as the specific circumstances of each bankruptcy, may severely limit our ability to collect pre- petition amounts ~~,~~ and may force us to disgorge payments made during the 90- day preference period. We also face risk from international clients that file for bankruptcy protection in foreign jurisdictions, as the application of foreign bankruptcy laws may be more difficult to predict. Although we believe that we have sufficient reserves to cover anticipated client bankruptcies, there can be no assurance that such reserves will be adequate ~~,~~ and if they are not adequate, our business, operating results and financial condition would be adversely affected. We anticipate that **a global pandemic such as** the ~~ongoing~~ COVID- 19 pandemic ~~will~~ **could** increase the likelihood of these risks ~~. Changes in the value of the U. S. dollar, as compared to the currencies of foreign countries where we transact business, could harm our operating results~~ . Our international revenue and the majority of our international expenses, including the wages of some of our employees, are denominated primarily in currencies other than the U. S. dollar. Therefore, changes in the value of the U. S. dollar as compared to these other currencies may adversely affect our operating results. We do not hedge our exposure to currency fluctuations affecting future international revenue and expenses and other commitments. For the foregoing reasons, currency exchange rate fluctuations have caused ~~,~~ and likely will continue to cause, variability in our foreign currency denominated revenue streams and our cost to settle foreign currency denominated liabilities. The markets for our ~~solutions~~ **software** are very competitive. The intensity of competition in our markets has significantly increased, in part as a result of the slow growth in investment in IT software. We expect this intense competition to increase in the future. Our current and potential competitors have made and may continue to make acquisitions of other competitors and may establish cooperative relationships among themselves or with third parties. Any significant consolidation among supply chain software providers could adversely affect our competitive position. Increased competition has resulted and, in the future, could result in price reductions, lower gross margins, longer sales cycles and loss of market share. Each of these developments could have a material adverse effect on our operating performance and financial condition. We directly compete with other supply chain software vendors, including SAP SE, Oracle Corporation, Blue Yonder, o9 Solutions, Kinaxis, Inc. and others. Many of our current and potential competitors have significantly greater financial, marketing, technical and other competitive resources than we do, as well as greater name recognition and a larger installed base of clients. The software market has experienced significant consolidation, including numerous mergers and acquisitions. It is difficult to estimate what long- term effect these acquisitions will have on our competitive environment. We have encountered competitive situations where we suspect that large competitors, in order to encourage clients to purchase non- retail applications and gain retail market share, also have offered at no charge certain retail software applications that compete with our ~~solutions~~ **software** . If competitors such as Oracle and SAP SE and other large private companies are willing to offer their retail and / or other applications at no charge, this may result in a more difficult competitive environment for our products. In addition, we could face competition from large, multi- industry technology companies that historically have not offered an enterprise solution set to the retail supply chain market. We cannot guarantee that we will be able to compete successfully for clients against our current or future competitors, or that such competition will not have a material adverse effect on our business, operating results and financial condition. Also, some prospective buyers are reluctant to purchase applications that could have a short lifespan, as an acquisition could result in the application' s life being abruptly cut short. In addition, increased competition and consolidation in these markets is likely to result in price reductions, reduced operating margins and changes in market share, any one of which could adversely affect us. If clients or prospects want fewer software vendors, they may elect to purchase competing products from a larger vendor than us since those larger vendors offer a wider range of products. Furthermore, some of these larger vendors may be able to bundle their software with their database applications, which underlie a significant portion of our installed applications. When we compete with these larger vendors for new clients, we believe that these larger businesses often attempt to use their size as a competitive advantage against us. Many of our competitors have well- established relationships with our current and potential clients and have extensive knowledge of our industry. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in client requirements or devote greater resources to the development, promotion and sale of their products than we can. Some competitors have become more aggressive with their prices and payment terms and issuance of contractual implementation terms or guarantees. In addition, third parties may offer competing maintenance and implementation services to our clients and thereby reduce our opportunities to provide those services. We may be unable to continue to compete successfully with new and existing competitors without lowering prices or offering other favorable terms. Furthermore, potential clients may consider outsourcing options, including application service providers, data center outsourcing and service bureaus, as alternatives to our software products. Any of these factors could materially impair our ability to compete and have a material adverse effect on our operating performance and financial condition. We also face competition from the corporate IT departments of current or potential clients capable of internally developing ~~solutions~~ **software** and we compete with a variety of more specialized software and services vendors, including: • Internet (on demand) software vendors; • single- industry software vendors; • enterprise resource optimization software vendors; • human resource management software vendors; • financial management software vendors; • merchandising software vendors; • services automation software vendors; and • outsourced services providers. As a result, the market for enterprise software applications has been and continues to be intensely competitive. We expect competition to persist and continue to intensify, which could negatively affect our operating results and market share. The intensely competitive markets in which we compete can put pressure on us to reduce our prices. If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products or services, we may need to lower prices or offer other favorable terms in order to compete successfully. For these and other reasons, in the future we may choose to make changes to our pricing practices. For example, we may offer additional discounts to clients; increase (or decrease) the use of pricing that involves periodic fees based on the number of users of a product; or change maintenance pricing. Such changes could materially and adversely affect our margins ~~,~~ and our revenue may be negatively affected if our competitors are able to recapture or gain market share. We believe that our future growth will depend on developing and maintaining successful strategic relationships with systems integrators and other technology companies. We intend to continue to increase the proportion of clients served through these indirect channels, so we are currently investing ~~,~~ and plan to continue to invest, significant resources to develop them. This investment could adversely affect our operating results if these efforts do not generate sufficient license, subscription and service revenue to offset our investment. Also, our inability to partner with other technology companies and qualified systems integrators could adversely affect our results of operations. Because lower unit prices are typically charged on sales made through indirect channels, increased indirect sales could reduce our average selling prices and result in lower gross margins. In addition, sales of our products through indirect channels will likely reduce our consulting service revenue, as third- party systems integrators generally provide these services. As indirect sales increase, our direct contact with our client base will decrease ~~,~~ and we may have more difficulty accurately forecasting sales, evaluating client satisfaction and recognizing emerging client requirements. In addition, these systems integrators and third- party software providers may develop, acquire or market products competitive with our products. Marketing our products directly to clients and indirectly through systems integrators and other technology companies may result in distribution channel conflicts. Our direct sales efforts may compete with those of our indirect channels and, to the extent that different systems integrators target the same clients, systems integrators also may come into conflict with each other. Any channel conflicts that develop may have a material adverse effect on our relationships with systems integrators or harm our ability to attract new systems integrators ~~. Our growth depends upon our ability to develop and sustain relationships with complementary vendors to market and implement our software products, and a failure to develop and sustain these relationships could have a material adverse effect on our operating performance and financial condition~~ . We are developing, maintaining and enhancing significant working relationships with complementary vendors, such as software companies, consulting firms, resellers and others that we believe can play important roles in marketing our products and ~~solutions~~ **software** . We are currently investing ~~,~~ and intend to continue to invest, significant resources to develop and enhance these relationships, which could adversely affect our operating margins. We may be unable to develop relationships with organizations that will be able to market our products effectively. Our arrangements with these organizations are not exclusive ~~,~~ and in many cases may be terminated by either party without cause. Many of the organizations with which we are developing or maintaining marketing relationships have commercial relationships with our competitors. There can be no assurance that any organization will continue its involvement with us. The loss of relationships with such organizations could materially and adversely affect our operating performance and financial condition. Historically, we have derived a significant percentage of our revenue from the sale of software products and collaborative applications that address vertical market opportunities with manufacturers and wholesalers that supply retail clients. The success of our clients is directly linked to economic conditions in the retail industry, which in turn are subject to intense competitive pressures and are affected by overall economic conditions. In addition, we believe that the acquisition of certain of our software products involves a large capital expenditure, which is often accompanied by large- scale hardware purchases or other capital commitments. As a result, demand for our products and services could decline in the event of instability or potential downturns in our clients' industries. Due to current economic conditions, ~~including the ongoing COVID- 19 pandemic,~~ we expect the retail industry to remain relatively cautious in its level of investment in IT when compared to other industries. We are concerned about weak and uncertain economic conditions, consolidations and the disappointing results of retailers in certain markets, especially if such weak economic conditions persist for an extended period of time. Weak and uncertain economic conditions have negatively affected our revenue in the past and may do so in the future, including potential deterioration of our maintenance revenue base as clients look to reduce their costs, elongation of our selling cycles ~~,~~ and reduction in the demand for our products. As a result, in the current economic environment it is difficult to predict exactly when specific sales will close. In addition, weak and uncertain economic conditions could impair our clients' ability to pay for our products or services. We also believe the retail business transformation from retail brick- and- mortar to technology- enabled ~~omni- channel~~ **omnichannel** commerce models will be a multi- year trend and **was** ~~may have been~~ accelerated by ~~the onset of~~ the COVID- 19 pandemic. Consequently, we cannot predict when ~~the disruption from the COVID- 19 pandemic or~~ the transformation to new commerce models may moderate or end. Any of these factors could adversely affect our business, our quarterly or annual operating results and our financial condition. We have observed that as the retail industry consolidates, it is experiencing increased competition in certain geographic regions that could negatively affect the industry and our clients' ability to pay for our products and services. Such consolidation has negatively impacted our revenue in the past and may continue to do so in the future, which may reduce the demand for our products ~~,~~ and may adversely affect our business, operating results and financial condition. We derive a significant portion of our services revenue from a small number of clients. If these clients were to discontinue the use of our services or delay their implementation, our total revenue would be adversely affected. We derive a significant portion of our services revenue from a small number of clients. If these clients were to discontinue or delay their use of these services, or obtain these services from a competitor, our services revenue and total revenue would be adversely affected. Clients may delay or terminate implementation of our services due to budgetary constraints related to economic uncertainty, dissatisfaction with product quality, the difficulty of prioritizing numerous IT projects, changes in business strategy, personnel or priorities, or other reasons. Clients may be less likely to invest in additional software in the future or continue to pay for software maintenance. Our business relies to a large extent upon sales to existing clients and maintenance and services revenue are key elements of our revenue base, so any reduction in these sales or these maintenance and services payments could have a material adverse effect on our business, results of operations, cash flows and financial condition. We may derive a significant portion of our revenue in any quarter from a limited number of large, non- recurring sales. From time to time, we expect to continue to experience large, individual client sales, which may cause significant variations in quarterly fees. We also believe that purchasing our products is relatively discretionary and generally involves a significant commitment of a client' s capital resources. Therefore, a downturn in any client' s business could result in order cancellations or requests for flexible payment terms that could have a significant adverse impact on our revenue and quarterly results. Moreover, continued uncertainty about general economic conditions could precipitate significant reductions in corporate spending for IT, which could result in delays or cancellations of orders for our products. Because fees for our software products are substantial and the decision to purchase our products typically involves members of our clients' senior management, the sales process for our ~~solutions~~ **software** is lengthy. Furthermore, our existing and prospective clients routinely require education regarding the use and benefits of our products, which may lead to delays in receiving clients' orders. Accordingly, the timing of our revenue is difficult to predict ~~,~~ and the delay of an order could cause our quarterly revenue to fall substantially below our expectations and those of public market analysts and investors. Moreover, to the extent that we succeed in shifting client purchases away from individual software products and toward more costly integrated suites of software and services, our sales cycle may lengthen further, which could increase the likelihood of delays and cause the effect of a delay to become more pronounced. Delays in sales could cause significant shortfalls in our revenue and operating results for any particular period. Also, it is difficult for us to forecast the timing and recognition of revenue from sales of our products because our existing and prospective clients often take significant time evaluating our products before purchasing them. The period between initial client contact and a purchase by a client could be nine months or longer. During the evaluation period, prospective clients may decide not to purchase or may scale down proposed orders of our products for various reasons, including: • reduced demand for enterprise software ~~solutions~~ **software** ; • introduction of products by our competitors; • lower prices offered by our competitors; • changes in budgets and purchasing priorities; • increased time to obtain purchasing approval; and • reduced need to upgrade existing systems. Because our service revenue has lower gross margins than do our license or subscription revenue, an increase in the percentage of total revenue represented by service revenue or a change in the mix between services that are provided by our employees versus services provided by third- party consultants could have a detrimental impact on our overall gross margins and could adversely affect operating results. A significant portion of our revenue is derived from implementation services. If we fail to scope our implementation projects correctly, our services margins may suffer. We bill for implementation services predominantly on an hourly or daily basis (time and materials) and sometimes under fixed price contracts ~~,~~ and we generally recognize revenue from those services as we perform the work. If we are not able to maintain the current service rates for our time and materials implementation services and cannot make corresponding cost reductions, or if the percentage of fixed price contracts increases and we underestimate the costs of our fixed price contracts, our operating performance may suffer. The rates we charge for our implementation services depend on a number of factors, including: • perceptions of our ability to add value through our implementation services; • complexity of services performed; • competition; • pricing policies of our competitors and of systems integrators; • use of globally sourced, lower- cost service delivery capabilities within our industry; and • economic, political and market conditions. ~~If our clients elect not to renew maintenance contracts after the initial maintenance period and the loss of those clients is not offset by new maintenance clients, our maintenance revenue and total revenue would be adversely affected.~~ Upon the purchase of a software license, our clients typically enter into a maintenance contract with a typical term of one to three years. If clients elect not to renew their maintenance contracts after this initial maintenance period and we do not offset the loss of those clients with new maintenance clients as a result of new license fees, our maintenance revenue and total revenue would be adversely affected ~~. If accounting interpretations relating to revenue recognition change or companies we acquire have applied such standards differently than we do or have not applied them at all, our reported revenue could decline or we could be forced to make changes in our business practices or we may incur the expense and risks associated with an audit or restatement of the acquired company' s financial statements~~ . There are several accounting standards and interpretations covering revenue recognition for the software industry. These standards address software revenue recognition matters primarily from a conceptual level and do not include specific implementation guidance. We believe that we currently comply with these standards. The accounting profession and regulatory agencies continue to discuss various provisions of these pronouncements with the objective of providing additional guidance on their application and potential interpretations. These discussions and the issuance of new interpretations could lead to unanticipated changes in our current revenue accounting practices, which could change the timing of recognized revenue. They also could drive significant adjustments to our business practices, which could result in increased administrative costs, lengthened sales cycles and other changes that could adversely affect our reported revenue and results of operations. In addition, companies we acquire historically may have interpreted software revenue recognition rules differently than we do or may not have been subject to U. S. GAAP as a result of reporting in a foreign country. If we discover that companies we have acquired have interpreted and applied software revenue recognition rules differently than prescribed by U. S. GAAP, we could be required to devote significant management resources ~~,~~ and incur the expense associated with an audit, restatement or other examination of the acquired companies' financial statements. We continually evaluate potential acquisitions of complementary businesses, products and technologies. We have in the past acquired and invested ~~,~~ and may continue to acquire or invest in, complementary companies, products and technologies ~~,~~ and enter into joint ventures and strategic alliances with other companies. Acquisitions, joint ventures, strategic alliances ~~,~~ and investments present many risks ~~,~~ and we may not realize the financial and strategic goals that were contemplated at the time of any transaction. Risks commonly encountered in such transactions include: • risk that an acquired company or assets may not further our business strategy or that we paid more than the company or assets were worth; • difficulty of assimilating the operations and retaining and motivating personnel of an acquired company; • risk that we may not be able to integrate acquired technologies or products with our current products and technologies; • potential disruption of our ongoing business and the diversion of our management' s attention from other business concerns; • inability of management to maximize our financial and strategic position through the successful integration of an acquired company; • adverse impact on our annual effective tax rate; • dilution of existing equity holders caused by capital stock issuance to the shareholders of an acquired company or stock option grants to retain employees of an acquired company; • difficulty in maintaining controls, procedures and policies; • potential adverse impact on our relationships with partner companies or third- party providers of technology or products; • impairment of relationships with employees and clients; • potential assumption of liabilities of the acquired company; • significant exit or impairment charges if products acquired in business combinations are unsuccessful; and • issues with product quality, product architecture, legal contingencies, product development issues, or other significant issues that may not be detected through our due diligence process. Accounting rules require the use of the purchase method of accounting in all new business acquisitions. Many acquisition candidates have significant intangible assets, so an acquisition of these businesses would likely result in significant amounts of goodwill and other intangible assets. The purchase method of accounting for business combinations may require large write- offs of any in-process research and development costs related to companies being acquired, as well as ongoing amortization costs for other intangible assets. Goodwill and certain other intangible assets are not amortized to income, but are subject to impairment reviews at least annually. If the acquisitions do not perform as planned, future write- offs and charges to income arising from such impairment reviews could be significant. In addition, these acquisitions could involve acquisition- related charges, such as one- time acquired research and development charges. Such write- offs and ongoing amortization charges may have a significant negative impact on operating margins and net earnings in the quarter of the combination and for several subsequent years. We may not be successful in overcoming these risks or any other problems encountered in connection with such transactions. Fully integrating an acquired company or business into our operations may take a significant amount of time. In addition, we may be able to conduct only limited due diligence on an acquired company' s operations. Following an acquisition, we may be subject to liabilities arising from an acquired company' s past or present operations, including liabilities related to data security, encryption and privacy of client data ~~,~~ and these liabilities may not be covered by the warranty and indemnity provisions that we negotiate. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also could impact our financial position and capital needs ~~,~~ and could cause substantial fluctuations in our quarterly and yearly results of operations **. We are subject to income taxes in the United States and various jurisdictions outside of the United States. Significant judgment is often required in the determination of our worldwide provision for income taxes. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could materially impact our income tax liabilities. We may also be subject to additional tax liabilities and penalties due to changes in non-income based taxes resulting from changes in federal, state or international tax laws; changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions; results of tax examinations, settlements or judicial decisions; changes in accounting principles; changes to the business operations, including acquisitions; and the evaluation of new information that results in a change to a tax position taken in a prior period. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results. Additionally, new income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Those enactments could harm our domestic and international business operations, our business, results of operations and financial condition. Further, tax regulations could be interpreted, changed, modified or applied adversely to us. These events could require us or our paying clients to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our paying clients to pay fines and / or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these changes, existing and potential future paying clients may elect not to purchase our products and services. In addition, the United States and other governments adopt tax reform measures from time to time that impact future effective tax rates favorably or unfavorably. These tax reforms may be in the form of changes in tax rates, changes in the valuation of deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes can have a material adverse impact on our financial results. In 2022, the United States enacted the Inflation Reduction Act (the " Act "), which includes a 1 % excise tax on corporate stock repurchases. While we do not anticipate**

that changes in the tax laws or rates in that Act will have a material, direct impact on the Company, imposition of new excise taxes and minimum corporate tax rates such as these can have a material adverse impact on the Company in the future. As a multinational organization, we may be subject to taxation in various jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. Countries, trading regions and local taxing jurisdictions have differing rules and regulations governing sales and use taxes and these rules and regulations are subject to varying interpretations that may change over time. We collect and remit U. S. sales and value- added tax (VAT) in several jurisdictions. However, it is possible that we could face sales tax or VAT audits and that our liability for these taxes could exceed our estimates as tax authorities could still assert that we are obligated to collect additional tax amounts from our paying clients and remit those taxes to those authorities. We could also be subject to audits in states and international jurisdictions for which we have not accrued tax liabilities. Further, one or more state or foreign authorities could seek to impose additional sales, use or other tax collection and record- keeping obligations on us or may determine that such taxes should have, but have not been, paid by us. Liability for past taxes may also include substantial interest and penalty charges. Any successful action by state, foreign or other authorities to compel us to collect and remit sales tax, use tax or other taxes, either retroactively, prospectively or both, could harm our business, results of operations and financial condition. Our business may require additional capital . We may require additional capital to finance our growth or to fund acquisitions or investments in complementary businesses, technologies or product lines. Our capital requirements may be influenced by many factors, including: • demand for our products; • timing and extent of our investment in new technology; • timing and extent of our acquisition of other companies; • level and timing of revenue; • expenses of sales, marketing and new product development; • cost of facilities to accommodate a growing workforce; • extent to which competitors are successful in developing new products and increasing their market shares; and • costs involved in maintaining and enforcing intellectual property rights. To the extent that our resources are insufficient to fund our future activities, we may need to raise additional funds through public or private financing. However, additional funding, if needed, may not be available on terms attractive to us, or at all. Our inability to raise capital when needed could have a material adverse effect on our business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of our Company by our current shareholders would be diluted. A significant portion of our research and development activities and certain other critical business operations is concentrated in a few geographic areas. We are a highly automated business and a disruption or failure of our systems could cause delays in completing sales and providing services. A natural disaster, **major** public health ~~crisis~~ **concern** such as the COVID- 19 pandemic, or other catastrophic event such as fire, power loss, telecommunications failure, cyber- attack, war, or terrorist attack that results in the destruction or disruption of any of our critical business or IT systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be materially and adversely affected. To effectively mitigate this risk, we must continue to improve our operational, financial and management controls and our reporting systems and procedures by, among other things, improving our key processes and IT infrastructure to support our business needs ~~,~~ and enhancing information and communication systems to ensure that our employees and offices around the world are well- connected and can effectively communicate with each other and our clients and employees can work remotely as appropriate. Although we maintain crisis management and disaster response plans, in the event of a natural disaster, public health crisis or other catastrophic event, or if we fail to implement the improvements described above, we may be unable to continue our operations and may experience system interruptions, reputational harm, delays in our product development, lengthy interruptions in service, breaches of data security ~~,~~ and loss of critical data, all of which could have an adverse effect on our future operating results. ~~Our international operations and sales subject us to risks associated with unexpected activities outside of the United States.~~ The global reach of our business could cause us to be subject to unexpected, uncontrollable and rapidly changing events and circumstances outside the United States. As we grow our international operations, we may need to recruit and hire new consulting, product development, sales, marketing and support personnel in the countries in which we have or will establish offices or otherwise have a significant presence. Entry into new international markets typically requires the establishment of new marketing and distribution channels ~~,~~ and may involve the development and subsequent support of localized versions of our software. International introductions of our products often require a significant investment in advance of anticipated future revenue. In addition, the opening of a new office typically results in initial recruiting and training expenses and reduced labor efficiencies. If we are less successful than we expect in a new market, we may not be able to realize an adequate return on our initial investment and our operating results could suffer. We cannot guarantee that the countries in which we operate will have a sufficient pool of qualified personnel from which to hire, that we will be successful at hiring, training or retaining such personnel or that we can expand or contract our international operations in a timely, cost- effective manner. If we have to downsize certain international operations, the costs to do so are typically much higher than downsizing costs in the United States. The following factors, among others, could have an adverse impact on our business and earnings: • failure to properly comply with foreign laws and regulations applicable to our foreign activities including, without limitation, software localization requirements; • failure to properly comply with U. S. laws and regulations relating to the export of our products and services; • compliance with multiple and potentially conflicting regulations in Europe, Asia and North America, including export requirements, tariffs, import duties and other trade barriers, as well as health and safety requirements; • difficulties in managing foreign operations and appropriate levels of staffing; • longer collection cycles; • tariffs and other trade barriers, including the economic burden and uncertainty placed on our clients by the imposition and threatened imposition of tariffs by the U. S., China and other countries; • seasonal reductions in business activities, particularly throughout Europe; • reduced protection for intellectual property rights in some countries; • proper compliance with local tax laws which can be complex and may result in unintended adverse tax consequences; • anti- American sentiment due to conflicts in the Middle East and elsewhere and U. S. policies that may be unpopular in certain countries; • localized spread of infection resulting from ~~the~~ **a global pandemic such**

as COVID- 19 pandemic, including any economic downturns and other adverse impacts; • political instability, adverse economic conditions and the potential for war or other hostilities in many of these countries; • difficulties in enforcing agreements through foreign legal systems; • fluctuations in exchange rates that may affect product demand and may adversely affect the profitability in U. S. dollars of products and services provided by us in foreign markets where payment for our products and services is made in the local currency, including any fluctuations caused by uncertainties related to the invasion of Ukraine by Russia; • changes in general economic, health and political conditions in countries where we operate; • potential labor strikes, lockouts, work slowdowns and work stoppages; and • restrictions on downsizing operations in Europe and expenses and delays associated with any such activities. Our products are often critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. If our products fail to function as required, we may be subject to claims for substantial damages. Courts may not enforce provisions in our contracts that would limit our liability or otherwise protect us from liability for damages. Although we maintain general liability insurance coverage, including coverage for errors or omissions and cybersecurity risks, this coverage may not continue to be available on reasonable terms or in sufficient amounts to cover claims against us. In addition, our insurers may disclaim coverage for future claims. If claims exceeding the available insurance coverage are successfully asserted against us, or our insurers impose premium increases, large deductibles or co-insurance requirements, our business and results of operations could be adversely affected. We contract for insurance to cover a variety of potential risks and liabilities, including those relating to the unexpected failure of our products. In the current market, insurance coverage for all types of risk is becoming more restrictive ~~,~~ and when insurance coverage is offered, the amount for which we are responsible is larger. In light of these circumstances, it may become more difficult to maintain insurance coverage at historical levels or, if such coverage is available, the cost to obtain or maintain it may increase substantially. Consequently, we may be forced to bear the burden of an increased portion of risks for which we have traditionally been covered by insurance, which could negatively impact our results of operations. If the scope of our operating and financial systems and the geographic distribution of our operations and clients significantly expand, this may increase demands on our management and operations. Our officers and other key employees will need to implement and improve our operational, client support and financial control systems and effectively expand, train and manage our employee base. We also may be required to manage an increasing number of relationships with various clients and other third parties. We may not be able to manage future expansion successfully ~~,~~ and our inability to do so could harm our business, operating results and financial condition **. Privacy concerns and laws, evolving regulation of the Internet and cloud computing, cross- border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our products and adversely affect our business. Interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction. Our services depend on the ability of our registered users to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government- owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the Internet, including changes to laws or regulations impacting Internet neutrality, could decrease the demand for our products, increase our operating costs, require us to alter the manner in which we conduct our business and / or otherwise adversely affect our business. In addition, the rapid and continual growth of traffic on the Internet has resulted at times in slow connection and download speeds of Internet users. Our business may be harmed if the Internet infrastructure cannot handle our clients' demands or if hosting capacity becomes insufficient. If our clients become frustrated with the speed at which they can utilize our products over the Internet, our clients may discontinue the use of our software and choose not to renew their contracts with us. Further, the performance of the Internet has also been adversely affected by viruses, worms, hacking, phishing attacks, denial of service attacks and other similar malicious programs, as well as other forms of damage to portions of its infrastructure, which have resulted in a variety of Internet outages, interruptions and other delays. These service interruptions could diminish the overall attractiveness of our products to existing and potential users and could cause demand for our products to suffer** . We may not be successful in convincing clients to migrate to current or future releases of our products, which may lead to reduced services and maintenance revenue and less future business from existing clients. Our clients may not be willing to incur the costs or invest the resources necessary to complete upgrades to current or future releases of our products. This may lead to a loss of services and maintenance revenue and future business from clients that continue to operate prior versions of our products or choose to no longer use our products. Over time, we have been required to migrate our products and services from mainframe to client server to web- based environments. In addition, we have been required to adapt our products to emerging standards for operating systems, databases and other technologies. We will be unable to compete effectively if we fail to: • maintain and enhance our technological capabilities to correspond to these emerging environments and standards; • develop and market products and services that meet changing client needs; or • anticipate or respond to technological changes on a cost- effective and timely basis. A substantial portion of our research and development resources is devoted to product upgrades that address regulatory and support requirements, leaving fewer resources available for new products. New products require significant development investment. That investment is further constrained because of the added costs of developing new products that work with multiple operating systems or databases. We face uncertainty when we develop or acquire new products because there is no assurance that a sufficient market will develop for those products. If we do not attract sufficient client interest in those products, we will not realize a return on our investment and our operating results will be adversely affected. Our core products face competition from new or modified technologies that may render our existing technology less competitive or obsolete, reducing the demand for our products. As a result, we must continually redesign our products to incorporate these new technologies and adapt our software products to operate on ~~,~~ and comply with evolving industry standards for, various hardware and software platforms. Maintaining and upgrading our products to operate on multiple hardware and database platforms reduces our resources for developing new products. Because of the increased costs of developing and supporting software products across multiple platforms, we may need to reduce the number of those platforms. In addition, conflicting new technologies present us with difficult choices about which new technologies to adopt. If we fail to anticipate the most popular platforms, fail to respond adequately to technological developments, or experience significant delays in product development or introduction, our business and operating results will be negatively impacted. In addition, to the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies may require us to make significant capital investments. We may not have sufficient capital for these purposes and investments in new technologies may not result in commercially viable products. The loss of revenue and increased costs from such changing technologies would adversely affect our business and operating results. Enterprises are requiring their application software vendors to provide faster returns on their technology investments. We must continue to improve our speed of implementation and the pace at which our products deliver value or our competitors may gain important strategic advantages over us. If we cannot successfully respond to these market demands, or if our competitors respond more successfully than we do, our business, results of operations and financial condition could be materially and adversely affected. We continuously evaluate new technologies and implement advanced technology into our products. However, if in our product development efforts we fail to accurately address, in a timely manner, evolving industry standards, new technology advancements or important third- party interfaces or product architectures, sales of our products and services will suffer. Market acceptance of new platforms and operating environments may require us to undergo the expense of developing and maintaining compatible product lines. We can license our software products for use with a variety of popular industry standard relational database management system platforms using different programming languages and underlying databases and architectures. There may be future or existing relational database platforms that achieve popularity in the marketplace that may or may not be architecturally compatible with our software product design. In addition, the effort and expense of developing, testing ~~,~~ and maintaining software product lines will increase as more hardware platforms and operating systems achieve market acceptance within our target markets. Moreover, future or existing user interfaces may or may not be architecturally compatible with our software product design. If we do not achieve market acceptance of new user interfaces that we support, or adapt to popular new user interfaces that we do not support, our sales and revenue may be adversely affected. Developing and maintaining consistent software product performance characteristics across all of these combinations could place a significant strain on our resources and software product release schedules, which could adversely affect revenue and results of operations. The market for our software products is characterized by rapid technological change, evolving industry standards, changes in client requirements and frequent new product introductions and enhancements. For example, existing products can become obsolete and unmarketable when vendors introduce products utilizing new technologies or new industry standards emerge. As a result, it is difficult for us to estimate the life cycles of our software products. There can be no assurance that we will successfully identify new product opportunities or develop and bring new products to the market in a timely ~~and~~ **or** cost- effective manner, or that products, capabilities or technologies developed by our competitors will not render our products obsolete. Our future success will depend in part upon our ability to: • continue to enhance and expand our core applications; • continue to sell our products; • continue to successfully integrate third- party products; • enter new markets and achieve market acceptance; and • develop and introduce new products that keep pace with technological developments, satisfy increasingly sophisticated client requirements and achieve market acceptance. Despite our testing, our software programs, like software programs generally, may contain a number of undetected errors or " bugs " when we first introduce them or as new versions are released. We do not discover some errors until we have installed the product and our clients have used it. Errors may result in the delay or loss of revenue, diversion of software engineering resources, material non- monetary concessions, negative media attention, or increased service or warranty costs as a result of performance or warranty claims that could lead to client dissatisfaction, litigation, damage to our reputation ~~,~~ and impaired demand for our products. Correcting bugs may result in increased costs and reduced acceptance of our software products in the marketplace. Further, such errors could subject us to claims from our clients for significant damages ~~,~~ and we cannot assure you that courts would enforce the provisions in our client agreements that limit our liability for damages. The effort and expense of developing, testing and maintaining software product lines will increase with the increasing number of possible combinations of: • vendor hardware platforms; • operating systems and updated versions; • application software products and updated versions; and • database management system platforms and updated versions. Developing consistent software product performance characteristics across all of these combinations could place a significant strain on our development resources and software product release schedules. Some of our products use or incorporate software that is subject to one or more open source licenses. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user' s software to disclose publicly part or all of the source code to the user' s software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms. While we monitor the use of all open source software in our products, processes and technology and try to ensure that our open source software use does not require us to disclose the source code to the related product or solution, such use could inadvertently occur. Additionally, if a third- party software provider has incorporated certain types of open source software in software we license from such third party for our products and ~~solutions~~ **software** , under certain circumstances we could be required to disclose the source code to our products and ~~solutions~~ **software** . This could harm our intellectual property rights and have a material adverse effect on our business, results of operations, cash flow and financial condition. The open source community is comprised of many different formal and informal groups of software developers and individuals who have created a wide variety of software and have made that software available for use, distribution and modification, often free of charge. Open source software, such as the Linux operating system, has been gaining in popularity among business users. If developers contribute enterprise and supply chain application software to the open source community and that software has competitive features and scale to support business users in our markets, we will need to change our product pricing and distribution strategy to compete successfully. ~~Implementation of our products can be complex, time- consuming and expensive, clients may be unable to implement our products successfully, and we may become subject to warranty or product liability claims, which could be costly to resolve and result in negative publicity.~~ Our products must integrate with the existing computer systems and software programs of our clients. This can be complex, time- consuming and expensive ~~,~~ and may cause delays in the deployment of our products. Our clients may be unable to implement our products successfully or otherwise achieve the benefits attributable to our products. Although we test each of our new products and releases and evaluate and test the products we obtain through acquisitions before introducing them to the market, there still may be significant errors in existing or future releases of our software products, with the possible result that we may be required to expend significant resources in order to correct such errors or otherwise satisfy client demands. In addition, defects in our products or difficulty integrating our products with our clients' systems could result in delayed or lost revenue, warranty or other claims against us by clients or third parties, adverse client reactions and negative publicity about us or our products and services, or reduced acceptance of our products and services in the marketplace, any of which could have a material adverse effect on our reputation, business, results of operations and financial condition. ~~An increase in sales of software products that require customization would result in revenue being recognized over the term of the contract for those products and could have a material adverse effect on our operating performance and financial condition.~~ Historically, we generally have been able to recognize software revenue upon delivery of our ~~solutions~~ **software** and contract execution. Clients and prospects could ask for unique capabilities in addition to our core capabilities, which could cause us to recognize more of our software revenue on a contract accounting basis over the course of the delivery of the solution rather than upon delivery and contract execution. The period between the initial contract and the completion of the implementation of our products can be lengthy and is subject to a number of factors (over many of which we have little or no control) that may cause significant delays, including the size and complexity of the overall project. As a result, a shift toward a higher proportion of software contracts requiring contract accounting would have a material adverse effect on our operating performance and financial condition and cause our operating results to vary significantly from quarter to quarter. Historically, we have issued significant new releases of our software products periodically, with minor interim releases issued more frequently. Although we now issue software releases more frequently under our agile methodology, the complexities inherent in our software, major new product enhancements and new products often require long development and testing periods before they are released. On occasion, we have experienced delays in the scheduled release dates of new or enhanced products ~~,~~ and we cannot provide any assurance that we will achieve future scheduled release dates. The delay of product releases or enhancements, or the failure of such products or enhancements to achieve market acceptance, could materially affect our business and reputation. Developing and localizing software is expensive ~~,~~ and investment in product development may involve a long payback cycle. Our future plans include significant investments in software research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain or improve our competitive position. However, we do not expect to receive significant revenue from these investments for several years, if at all. We consider certain aspects of our internal operations, software and documentation to be proprietary ~~,~~ and rely on a combination of copyright, trademark and trade secret laws; confidentiality agreements with employees and third parties; protective contractual provisions (such as those contained in our agreements with consultants, vendors, partners and clients); and other measures to protect this information. Existing copyright laws afford only limited protection. We believe that the rapid pace of technological change in the computer software industry has made trade secret and copyright protection less significant than factors such as: • knowledge, ability and experience of our employees; • frequent software product enhancements; • client education; and • timeliness and quality of support services. Our competitors may independently develop technologies that are substantially equivalent or superior to our technology. The laws of some countries in which our software products are or may be sold do not protect our software products and intellectual property rights to the same extent as do the laws of the United States. We generally enter into confidentiality or similar agreements with our employees, clients ~~,~~ and vendors. These agreements control access to and distribution of our software, documentation ~~,~~ and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products, obtain and use information that we regard as proprietary, or develop similar technology through reverse engineering or other means. Preventing or detecting unauthorized use of our products is difficult. There can be no assurance that the steps we take will prevent misappropriation of our technology or that such agreements will be enforceable. In addition, we may need to resort to litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of others' proprietary rights, or defend against claims of infringement or invalidity. Such litigation could result in significant costs and the diversion of resources. This could materially and adversely affect our business, operating results and financial condition. Third parties may assert infringement claims against us. Although we do not believe that our products infringe on the proprietary rights of third parties, we cannot guarantee that third parties will not assert or prosecute infringement or invalidity claims against us. These claims could distract management, require us to enter into royalty arrangements ~~,~~ and result in costly and time-consuming litigation, including damage awards. Such assertions or the defense of such claims may materially and adversely affect our business, operating results, or financial condition. In addition, such assertions could result in injunctions against us. Injunctions that prevent us from distributing our products would have a material adverse effect on our business, operating results ~~,~~ and financial condition. If third parties assert such claims against us, we may seek to obtain a license to use such intellectual property rights. There can be no assurance that such a license would be available on commercially reasonable terms or at all. If a patent claim against us were successful and we could not obtain a license on acceptable terms or license a substitute technology or redesign to avoid infringement, we may be prevented from distributing our software or required to incur significant expense and delay in developing non- infringing software. Our agreements normally contain provisions designed to limit our exposure to potential liability claims and generally exclude consequential and other forms of extraordinary damages. However, these provisions could be rendered ineffective, invalid or unenforceable by unfavorable judicial decisions or by federal, state, local or foreign laws or ordinances. For example, we may not be able to avoid or limit liability for disputes relating to product performance or the provision of services. If a claim against us were to be successful, we may be required to incur significant expense and pay substantial damages, including consequential or punitive damages, which could have a material adverse effect on our business, operating results and financial condition. Even if we prevail in contesting such a claim, the accompanying publicity could adversely affect the demand for our products and services. We also rely on certain technology that we license from third parties, including software that is integrated with our internally developed software. Although these third parties generally indemnify us against claims that their technology infringes on the proprietary rights of others, such indemnification is not always available for all types of intellectual property. Often such third- party ~~indemnifiers~~ **indemnitors** are not well capitalized and may not be able to indemnify us in the event that their technology infringes on the proprietary rights of others. As a result, we may face substantial exposure if technology we license from a third party infringes on another party' s proprietary rights. Defending such infringement claims, regardless of their validity, could result in significant ~~cost~~ **costs** and **a** diversion of resources. Governments in many jurisdictions have enacted or are considering enacting consumer data privacy legislation, including laws and regulations applying to the solicitation, collection, processing and use of consumer data. For example, in 2016, the European Union adopted a new law governing data practices and privacy called the General Data Protection Regulation (" GDPR "), which became effective in May 2018. The law establishes new requirements regarding the handling of personal data. Non- compliance with the GDPR may result in monetary penalties of up to 4 % of worldwide revenue. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate. In the U. S., California enacted the California Consumer Privacy Act of 2018 (" CCPA "), which took effect on January 1, 2020, and the California Privacy Rights Act (" CPRA "), which expands upon the CCPA was passed in November 2020 and **took** ~~comes into~~ effect on January 1, 2023, with a " lookback " period to January 1, 2022. This legislation broadly defines personal information, gives California residents expanded privacy rights and protections and provides for civil penalties for violations. Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect our reputation or influence regulators to enact regulations and laws that may limit our ability to provide certain products. Federal, state, or foreign laws and regulations, including laws and regulations regulating privacy, data security, or consumer protection, or other policies, public perception, standards, self- regulatory requirements or legal obligations, could reduce the demand for our software products if we fail to design or enhance our products to enable our clients to comply with the privacy and security measures dictated by these requirements. Moreover, we may be exposed to liability under existing or new data privacy legislation. Even technical violations of these laws can result in penalties that are assessed for each non- compliant transaction. If we or our clients were found to be subject to and in violation of any of these laws or other data privacy laws or regulations, our business could suffer and we and / or our clients would likely have to change our business practices. We face risks associated with the security of our products, ~~and if our data protection or other security measures are compromised and as a result our data, our clients' data or our IT systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable, our reputation could be damaged, the IT services we provide to our clients could be disrupted, and clients may stop using our products and services, all of~~ which could reduce our revenue and earnings, increase our expenses and expose us to legal claims and regulatory actions. Maintaining the security of computers and computer networks is an issue of critical importance for our clients. Attempts by experienced computer programmers, or hackers, to penetrate client network security or the security of web sites to misappropriate confidential information have become an industry- wide phenomenon that affects computers and networks across all platforms. We have included security features in certain of our Internet browser- enabled products that are intended to protect the privacy and integrity of client data. In addition, some of our software applications use encryption technology to permit the secure exchange of valuable and confidential information. Despite these security features, our products may be vulnerable to break- ins and similar problems caused by hackers, which could jeopardize the security of information stored in and transmitted through the computer systems of our clients. Actual or perceived security vulnerabilities in our products (or the Internet in general) could lead some clients to seek to reduce or delay future purchases or to purchase competitors' products which are not Internet- based applications. Clients may also increase their spending to protect their computer networks from attack, which could delay adoption of new technologies. Any of these actions by clients and the cost of addressing such security problems may have a material adverse effect on our business. Although our agreements with our clients contain provisions designed to limit our exposure as a result of the situations listed above, such provisions may not be effective. Existing or future federal, state, local or foreign laws or ordinances or unfavorable judicial decisions could affect their enforceability. ~~To date, we have not experienced any such product liability claims, but there can be no assurance that this will not occur in the future. Because our products may be used in essential business applications, a successful product liability claim could have a material adverse effect on our business, operating results, and financial condition.~~ Additionally, defending such a ~~suit~~ **data breach lawsuit brought by a client**, regardless of its merits, could entail substantial expense and require the time and attention of key management. We depend on third- party technology, which could result in increased costs or delays in the production and improvement of our products if it should become unavailable or if it contains defects. We license critical third- party software that we incorporate into our own software products. We are likely to incorporate and include additional third- party software in our products and ~~solutions~~ **software** as we expand our product offerings. The operation of our products would be impaired if errors occur in the third- party software that we utilize. It may be difficult for us to correct any defects in third- party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that third parties will continue to make their software available to us on acceptable terms, invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software, or even remain in business. Further, due to the limited number of vendors of certain types of third- party software, it may be difficult for us to replace such third- party software if a vendor terminates our license of the software or our ability to license the software to clients. If our relations with any of these third- party software providers are impaired ~~,~~ and if we are unable to obtain or develop a replacement for the software, our business could be harmed. In addition, if the cost of licensing any of these third- party software products significantly increases, our gross margin levels could significantly decrease. Any interruptions or delays in services from third parties ~~, including data center hosting facilities and cloud computing platform providers~~ , or our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business. We currently serve our clients from third- party data center hosting facilities and cloud computing platform providers located in the United States and other countries. Any damage to or failure of our systems generally, including the systems of our third- party platform providers, could result in interruptions in our services. From time to time we have experienced interruptions in our services and such interruptions may occur in the future. As we increase our reliance on these third- party systems, the risk of service interruptions may increase. Interruptions in our services may cause clients to make warranty or other claims against us or terminate their agreements and adversely affect our ability to attract new clients, all of which would reduce our revenue. Our business also would be harmed if clients and potential clients believe our services are unreliable. These data and cloud computing platforms may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these cloud computing platforms could significantly increase our expenses and otherwise result in delays in providing our services until equivalent technology either is developed by us or, if available, is identified, purchased or licensed and integrated into our services. If we do not accurately plan for our infrastructure capacity requirements and we experience significant strain on our data center capacity, our clients could experience performance degradation or service outages that may subject us to financial liability, result in client losses and harm our business. As we add data centers and capacity and continue to move to a cloud computing platform, we may move or transfer our data and our clients' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may adversely impact our business. **Once our software is implemented, our clients use our support organization to resolve technical issues relating to our software. In addition, we also believe that our success in selling our software and services is highly dependent on our business reputation and on favorable recommendations from our existing clients. Any failure to maintain high- quality customer support, or a market perception that we do not maintain high- quality support, could harm our reputation, adversely affect our ability to maintain existing clients or sell our solutions to existing and prospective clients and harm our business, operating results and financial condition.** We **may be unable** ~~are dependent upon key personnel, and need~~ to ~~attract and retain highly qualified personnel~~ **respond quickly enough to accommodate short- term increases** in ~~all areas~~ **client demand for support services. Increased client demand for these services, without corresponding revenues, could also increase costs and adversely affect our operating results** . Our future operating results depend significantly upon the continued service of a relatively small number of key senior management and technical personnel, including our Chief Executive Officer and President, H. Allan Dow. None of our key personnel are bound by long- term employment agreements. We do not have in place " key person " life insurance policies on any of our employees. If we fail to retain senior management or other key personnel, or fail to attract key personnel, our succession planning and operations could be materially and adversely affected and could jeopardize our ability to meet our business goals. Our future success also depends on our continuing ability to attract, train, retain and motivate other highly qualified managerial and technical personnel. Competition for these personnel is intense ~~,~~ and at times we have experienced difficulty in recruiting and retaining qualified personnel, including sales and marketing representatives, qualified software engineers involved in ongoing product development ~~,~~ and personnel who assist in the implementation of our products and provide other services. The market for such individuals is competitive. Given the critical roles of our sales, product development and consulting personnel, our inability to recruit successfully or any significant loss of key personnel would adversely affect us. The software industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel. It may be particularly difficult to retain or compete for skilled personnel against larger, better- known software companies. We cannot guarantee that we will be able to retain our current personnel, attract and retain other highly qualified technical and managerial personnel in the future, or assimilate the employees from any acquired businesses. We will continue to adjust the size and composition of our workforce to match the relevant product and geographic demand cycles. If we are unable to attract and retain the necessary technical and managerial personnel, or assimilate the employees from any acquired businesses, our business, operating results and financial condition would be adversely affected. The failure to attract, train, retain and effectively manage employees could negatively impact our development and sales efforts and cause a degradation of our customer service. In particular, the loss of sales personnel could lead to lost sales opportunities because it can take several months to hire and train replacement sales personnel. If our competitors increase their use of non- compete agreements, the pool of available sales and technical personnel may further shrink, even if the non- compete agreements ultimately prove to be unenforceable. We may grant large numbers of stock options to attract and retain personnel, which could be highly dilutive to our shareholders. The volatility or lack of positive performance of our stock price may adversely affect our ability to retain or attract employees. The loss of key management and technical personnel or the inability to attract and retain additional qualified personnel could have an adverse effect on us. We ~~periodically have~~ **may need to** ~~restructured~~ - **restructure** our work force, which can be disruptive. Periodically, we have restructured or made other adjustments to our work force in response to factors such as product changes, geographical coverage and other internal considerations. Change in the structures of the work force and management can cause us to terminate and then hire new personnel ~~,~~ and / or result in temporary lack of focus and reduced productivity, which may affect revenue in one or more quarters. Future restructuring of our work force could occur ~~,~~ and if so **,** we may again experience the adverse transition issues associated with such restructuring. In order to properly render the services we provide, our technical personnel have the ability to access data on the systems run by our clients or hosted by us for our clients, including data about the operations of our clients and even about the customers of our clients. Although we have never had such an occurrence in the entire history of our Company, it is conceivable that such access could be abused in order to improperly utilize that data to the detriment of such clients. ~~Our business is subject to changing regulation of corporate governance and public disclosure that has increased both our costs and the risk of non- compliance.~~ Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued requirements and regulations and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these regulations have resulted in ~~,~~ and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue- generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm' s audits of that assessment have required ~~,~~ and continue to require, the commitment of significant financial and managerial resources. Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. Over time, we have made significant changes in ~~,~~ and may consider making additional changes to, our internal controls, our disclosure controls and procedures ~~,~~ and our corporate governance policies and procedures. Any system of controls, however well- designed and- operated, is based in part on certain assumptions and can provide only reasonable ~~,~~ and not absolute, assurances that the objectives of the system are met. Any failure of our controls, policies and procedures could have a material adverse effect on our business, results of operations, cash flow and financial condition. If in the future we are unable to assert that our internal control over financial reporting is effective as of the end of the then current fiscal year (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a negative market reaction. One shareholder beneficially owns a substantial portion of our stock ~~,~~ and as a result exerts substantial control over us. As of ~~June 27~~ **July 3** , ~~2022~~ **2023** , James C. Edenfield, Executive Chairman, Treasurer and a Director of the Company, beneficially owned 1, 821, 587 shares, or 100 %, of our Class B common stock ~~,~~ and 60, 000 shares, or 0. 18 %, of our Class A common stock. If all of Mr. Edenfield' s Class B shares were converted into Class A shares, Mr. Edenfield would beneficially own 1, 881, 587 Class A shares, which would represent approximately 5. ~~59~~ **51** % of all outstanding Class A shares after giving effect to such conversion. As a result of Mr. Edenfield' s ownership of Class B common stock, he has the right to elect a majority of our Board of Directors. Such control and concentration of ownership may discourage a potential acquirer from making a purchase offer that other shareholders might find favorable, which in turn could adversely affect the market price of our common stock. Our basic corporate documents and Georgia law contain provisions that might enable our management to resist a takeover. These provisions might discourage, delay or prevent a change in the control or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. Because Mr. Edenfield has the ability to elect more than half of the members of our Board of Directors, we are a " controlled company " within the meaning of the rules governing companies with stock quoted on the NASDAQ Global Select Market. Under these rules, a " controlled company " is a company of which more than 50 % of the voting power for the election of directors is held by an individual, a group or another company. As a controlled company, we are exempt from certain corporate governance requirements, including requirements that: (1) a majority of the board of directors consist of independent directors; (2) compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee that is composed entirely of independent directors; and (3) director nominees be selected or recommended for selection by a majority of the independent directors or by a nominating committee composed solely of independent directors ~~. Our Board of Directors does not have a majority of independent directors, and our compensation committee is not required to consist entirely of independent directors. We are not required to have, and have not chosen to establish, a nominating committee~~ . Accordingly, our procedures for approving significant corporate decisions are not subject to the same corporate governance requirements as non- controlled companies with stock quoted on the NASDAQ Global Select Market. We have difficulty predicting our actual quarterly operating results, which have varied widely in the past and which we expect to continue to vary significantly from quarter to quarter due to a number of factors, many of which are outside our control. We base our expense levels, operating costs and hiring plans on projections of future revenue ~~,~~ and it is difficult for us to rapidly adjust when actual results do not match our projections. If our quarterly revenue or operating results fall below the expectations of investors or public market analysts, the price of our common stock could fall substantially. Revenue in any quarter depend on the combined sales activity of the **Company and its subsidiaries** ~~American Software group of companies~~ and our ability to recognize revenue in that quarter in accordance with our revenue recognition policies. Our sales activity is difficult to forecast for a variety of reasons, including the following: • we complete a significant portion of our client agreements within the last few weeks of each quarter; • if an agreement includes cloud services that are performed over the term of the contract, this requires all revenue to be spread over the term of the contract; • our sales cycle for products and services, including multiple levels of authorization required by some clients, is relatively long and variable because of the complex and mission-critical nature of our products; • the demand for our products and services can vary significantly; • the size of our transactions can vary significantly; • the possibility of adverse global political or public health conditions and economic downturns, both domestic and international, characterized by decreased product demand, price erosion, technological shifts, work slowdowns and layoffs, may substantially reduce client demand and contracting activity; • clients may unexpectedly postpone or cancel anticipated system replacement or new system evaluation and implementation due to changes in their strategic priorities, project objectives, budgetary constraints, internal purchasing processes or company management; • client evaluation and purchasing processes vary from company to company ~~,~~ and a client' s internal approval and expenditure authorization process can be difficult and time- consuming, even after selection of a vendor; and • the number, timing and significance of software product enhancements and new software product announcements by us and by our competitors may affect purchase decisions. Variances or slowdowns in our contracting activity in prior quarters may affect current and future consulting, training and maintenance revenue, since these revenue typically follow license or subscription fee revenue. Our ability to maintain or increase services revenue primarily depends on our ability to increase the number and size of our client agreements. In addition, we base our budgeted operating costs and hiring plans primarily on our projections of future revenue. Because most of our expenses, including employee compensation and rent, are relatively fixed in the near term, if our actual revenue falls below projections in any particular quarter, our business, operating results ~~,~~ and financial condition could be materially and adversely affected. In addition, our expense levels are based, in part, on our expectations regarding future revenue increases. As a result, any shortfall in revenue in relation to our expectations could cause significant changes in our operating results from quarter to quarter and could result in quarterly losses. As a result of these factors, we believe that period- to- period comparisons of our revenue and operating results are not necessarily meaningful. Therefore, predictions of our future performance should not be based solely on our historical quarterly revenue and operating results. The trading price of our common stock has been in the past and in the future may be subject to wide fluctuations in response to factors such as the following: • general market conditions including an economic recession; • revenue or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community; • client order deferrals resulting from the anticipation of new products, economic uncertainty, disappointing operating results by the client, management changes, corporate reorganizations or otherwise; • reduced investor confidence in equity markets, due in part to corporate collapses in recent years; • speculation in the press or analyst community; • wide fluctuations in stock prices, particularly in relation to the stock prices for other technology companies; • announcements of technological innovations by us or our competitors; • new products or the acquisition or loss of significant clients by us or our competitors; • developments with respect to our proprietary rights or those of our competitors; • changes in interest rates **and inflation rates** ; • changes in investors' beliefs as to the appropriate price- earnings ratios for us and our competitors; • changes in recommendations or financial estimates by securities analysts who track our common stock or the stock of other software companies; • changes in management; • sales of common stock by our controlling shareholder, directors and executive officers; • rumors or dissemination of false or misleading information, particularly through **the** Internet ~~chat rooms, instant messaging,~~ **(e. g. social media)** and other rapid- dissemination methods; • conditions and trends in the software industry generally; • the announcement of acquisitions or other significant transactions by us or our competitors; • adoption of new accounting standards affecting the software industry; • domestic or international terrorism, global or regional conflicts including the invasion of Ukraine by Russia, **major** public health ~~crises~~ **concern** including the COVID- 19 pandemic ~~,~~ and other significant external factors; and • other factors described in these " Risk Factors. " Fluctuations in the price of our common stock may expose us to the risk of securities class action lawsuits. Although no such lawsuits are currently pending against us and we are not aware that any such lawsuit is threatened to be filed in the future, there is no assurance that we will not be sued based on fluctuations in the price of our common stock. Defending against such lawsuits could result in substantial cost and divert management' s attention and resources. In addition, any settlement or adverse determination of these lawsuits could subject us to significant liabilities. On ~~May 25~~ **June 1** , ~~2022~~ **2023** , our Board of Directors declared a quarterly cash dividend of $ 0. 11 per share of our Class A and Class B common stock. The cash dividend will be payable on ~~or about~~ August ~~26~~ **25** , ~~2022~~ **2023** to Class A and Class B shareholders of record at the close of business on August ~~12~~ **11** , ~~2022~~ **2023** . We currently expect to declare and pay cash dividends at this level on a quarterly basis in the future. However, our dividend policy may be affected by, among other things, our views on business conditions, financial position, earnings, earnings outlook, capital spending plans and other factors that our Board of Directors considers relevant at that time. Our dividend policy has changed in the past and may change from time to time ~~,~~ and we cannot provide assurance that we will continue to declare dividends in any particular amounts or at all. A change in our dividend policy could have a negative effect on the market price of our common stock. Sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could cause the market price of our common stock to decline. As of ~~June 27~~ **July 3** , ~~2022~~ **2023** , if all of our outstanding Class B common shares were converted into Class A common shares, our current directors and executive officers of the Company as a group would beneficially own approximately 10. ~~40~~ **86** % of all outstanding Class A common shares after giving effect to such conversion. Sales of substantial amounts of our common stock in the public market by these persons, or the perception that such sales may occur, could cause the market price of our common stock to decline and could impair our ability to raise capital through the sale of additional equity securities. ~~31~~ **32**