

This report provides a summary of relevant data and documents we received in response to Freedom of Information Act (FOIA) requests we filed on this company.

Involvement in a Previously Undisclosed SEC Investigation Now Appears Over

Watch List Status: Removed from Watch List of Companies with Undisclosed SEC Investigations

Documents Received

We were tracking confirmed, undisclosed SEC investigative activity at this company since Sep-2015. In Dec-2016, the SEC published a litigation release announcing an accounting-related enforcement action against the company. This was never disclosed. We now have related documents.

Since that probe ended, the SEC has twice confirmed enforcement proceedings were ongoing, on 22-Feb-2017, and again on 26-Sep-2017. However, In Jun-2018, the SEC released 59 pages of documents from the investigation that ended in late 2016/early 2017. Though mostly comprised of heavily-redacted emails exchanged between company representatives and the SEC, there are some juicy morsels buried within. Those with an interest in this company will find this material worthwhile.

Since we know there was at least one investigation in the recent past, we recommend those with an interest ask Jack Henry & Associates what contact it has had with the SEC's Division of Enforcement in the past two years. Keep in mind that a public company can be involved in more than one SEC investigation at a time.

From the Probes Reporter Database:

We filed our first FOIA request on this company in **Jan-2013**.

If we alert you to the existence of an undisclosed SEC investigation – or any response from the SEC – that means we filed a FOIA request on the company in question and have a response, in black-and-white on government letterhead, that supports our statement.

Below is the SEC response history for this company:

23-Jan-2013	FOIA Response	No SEC investigative records found.
28-Jan-2014	FOIA Response	No SEC investigative records found.
14-Nov-2014	FOIA Response	No SEC investigative records found.
14-Sep-2015	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
30-Sep-2015	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.

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In nearly 20 years of conducting this kind of research, this was the first time we came across a company that had an SEC investigation go all the way to an enforcement action in which the company never told investors about it – even after it was over. This is troubling.

This was no small matter either. The SEC's investigation concluded Jack Henry had, "materially misstated its revenue, net income, and other financial metrics." Excerpts appear below.

In one email message we obtained it is clear the company even tried to avoid having the SEC give any public indication of the enforcement action brought against Jack Henry.

Yes, the SEC investigation is over. But in our opinion, the management of Jack Henry has proven it cannot and should not be trusted.

-- John P. Gavin, CFA

24-May-2016	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
6-Jun-2016	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.
8-Feb-2017	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
22-Feb-2017	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.
6-Sep-2017	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
26-Sep-2017	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.
20-Jun-2018	FOIA Response with Document(s)	The SEC sent us a cover letter referencing documents from a closed investigation which were released to us.

When research history is available in our database, we present it above so you can compare it to company disclosures. Other interpretative guidance and disclosures appear below.

As can be seen in the table above, at least once in the past the SEC cited the "law enforcement exemption" of the Freedom of Information Act (FOIA) as basis to deny the public's access to the detailed records we sought on this company. As a matter of law, the SEC is acknowledging some sort of investigative activity with this response. We filed an appeal with the SEC's Office of the General Counsel to challenge that response. In response to at least one of those appeals, the date(s) of which is/are also shown in the table above, the SEC stated, "We have confirmed with staff that releasing the withheld information could reasonably be expected to interfere with on-going enforcement proceedings." We now have those records.

While the SEC as a matter of course tells the public that an on-going investigation should not be construed as a finding of any wrongdoing, the public interest is understandably high in tracking these investigations and their outcome. In this case, our research shows these SEC proceedings were undisclosed by **Jack Henry & Associates Inc.** This is despite the fact the SEC investigation resulted in an enforcement and the company paying a fine. Recent responses, explained here, tell us Jack Henry & Associates no longer has an undisclosed SEC investigation

Notable Disclosures: Repeated searches of this company's SEC filings, back to Oct-2013, found no clear disclosures of SEC investigative activity. The company was subject to an SEC accounting investigation which ended in Dec-2016. The SEC had found the company had, "materially misstated its revenue, net income, and other financial metrics." [The SEC's litigation release/settlement order](#), dated 21-Dec-2016, was posted to the SEC's website. Though this was clearly a serious investigation, to this day it has not been disclosed by the company.

Documents Acquired Under the Freedom of Information Act: In Jun-2018, the SEC released 59 pages of documents from the investigation that ended in late 2016/early 2017. Though mostly comprised of heavily-redacted emails exchanged between company representatives and the SEC, there are some juicy morsel buried within. For example, in one email message it is clear the company is trying to avoid having the SEC give any public indication of the enforcement action brought against Jack Henry.

Supplemental Data:

Below is the excerpt from the [SEC's litigation release regarding an enforcement action brought against Jack Henry & Associates, dated 21-Dec-2016](#) [Emphasis added] –

SUMMARY

During the time period from fiscal year ended June 30, 2012 through fiscal year ended June 30, 2014, Jack Henry & Associates, Inc. (“JKHY”), a banking software company, materially misstated its revenue, net income, and other financial metrics in certain of its annual and quarterly reports filed with the Commission and in certain of its earnings releases. In particular, JKHY failed to properly record and report revenue from its software license sales in the correct accounting periods because it: (1) improperly separated contracts so closely related that they should have been considered to be parts of a single arrangement; and (2) prematurely recognized revenue from sales of software given its lack of vendor-specific objective evidence (“VSOE”) of the fair value of undelivered services related to implementation and post-contract support. JKHY’s failures in these areas were caused by inadequate internal control surrounding revenue recognition.

Ultimately, in June 2015, JKHY restated its financial statements for fiscal years June 30, 2012 through June 30, 2014, and in its restatement acknowledged, among other things, material weaknesses in its internal control over financial reporting. By engaging in the foregoing conduct, JKHY violated the reporting, books and records, and internal control provisions of the federal securities laws, namely Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

Independent Investment Research Focused on Public Company Interactions with the SEC.

Notes: New SEC investigative activity could theoretically begin or end after the date covered by the latest information in this report, which would not be reflected here. The SEC did not disclose the details on investigations referenced herein. All we know is that they somehow pertain to the conduct, transactions, and/or disclosures of the companies referenced above. Companies with undisclosed SEC investigations are maintained on our Watch List of companies with undisclosed SEC investigations.

The SEC reminds us that its assertion of the law enforcement exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.

To learn more about our research process, including how to best use this information in your own decision-making, [click here](#).

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