

ACI WORLDWIDE, INC.  
Form DEF 14A  
April 27, 2018  
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**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ACI WORLDWIDE, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:
  
- (4) Date Filed:



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April 27, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of ACI Worldwide, Inc.

Details of the business to be conducted at our meeting are provided in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is very important and I urge you to use this opportunity to take part in the affairs of your company.

On behalf of the Board of Directors, thank you for your commitment to ACI.

Sincerely,

David A. Poe  
*Chairman of the Board of Directors*

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In this Proxy Statement, the terms ACI, we, and our refer to ACI Worldwide, Inc.

This Proxy Statement contains a report issued by the Audit Committee relating to certain of its activities during 2017 and a report issued by the Compensation and Leadership Development Committee relating to executive compensation during 2017 and 2018. Stockholders should be aware that under Securities and Exchange Commission rules, these committee reports are not considered filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and are not incorporated by reference in any past or future filing by ACI Worldwide, Inc. under the Securities Exchange Act of 1934 or the Securities Act of 1933, unless specifically referenced. Additionally, the information contained on aciworldwide.com is not incorporated by reference into this Proxy Statement.

These materials were first made available to stockholders on April 27, 2018.

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**ACI WORLDWIDE, INC.**

**Notice of 2018 Annual Meeting of Stockholders**

ACI Worldwide, Inc.

June 12, 2018

3520 Kraft Road

8:30 a.m. Eastern Time

Suite 300

Naples, Florida 34105

**Items of Business**

1. To elect the eight directors named in the accompanying proxy statement to our Board of Directors to hold office until the 2019 Annual Meeting of Stockholders;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018;
3. To conduct an advisory vote on executive compensation; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

**Record Date**

Close of business on April 18, 2018

By Order of the Board of Directors

**YOUR VOTE IS VERY IMPORTANT**

**Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. You may vote over the Internet, by telephone or, if you requested printed proxy materials, by mailing a completed proxy card. For more detailed information regarding how to vote your shares, please refer to the Notice of Internet Availability of Proxy Materials you received in the mail, the section entitled Voting Instructions beginning on page 75 of the Proxy Statement, or, if you requested to receive printed proxy materials, your enclosed proxy card.**

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**ACI WORLDWIDE, INC.**

**PROXY STATEMENT**  
**for the**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**to be held on June 12, 2018**

**ABOUT ACI**

ACI Worldwide, the Universal Payments (UP) company, is a global payments software company. We power electronic payments for more than 5,100 organizations around the world. The world's largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. Thousands more organizations utilize our electronic bill presentment and payment services. Our UP software solutions address a full range of payment needs, including retail, merchant and bill payments, payments intelligence and fraud protection. Whether delivered through our private cloud or as installed software on a customer's premises, our UP software delivers real-time, immediate payments capabilities and enables a complete omni-channel payments solution for our customers.

**ANNUAL MEETING PROPOSALS**

Proposal	Recommendation of the Board
1. Election of Directors	<b>FOR</b>

Each of the nominees

2. Ratification of Appointment of Independent Registered Public Accounting Firm **FOR**

3. Advisory Vote to Approve Executive Compensation **FOR**

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**CORPORATE GOVERNANCE**

Our corporate governance practices and the diverse skills and attributes that our directors bring to ACI support our business as a global payments software company. All our director nominees have served in leadership roles and, except for our CEO, all nominees are independent. Through proactive evaluation and assessment, our Board can adapt and ensure the right skills and experience are represented on our Board. As a result, all of our independent director nominees have a tenure of four years or less, and one new nominee is proposed this year.

Our corporate governance structure is designed to serve the best interests of our stockholders.

Excellence on our Board

Annual elections of directors

Annual Board and committee evaluations

All committee members are independent

Conditional director resignation required in the event of excess withheld votes in an uncontested election

Stockholder Alignment

Proactive engagement with our stockholders

Adoption of proxy access to make it easier for stockholders to nominate director candidates

Prohibition of short sales, transactions in derivatives, and hedging and pledging of ACI stock by our directors and executive officers

Robust stock ownership guidelines for our CEO, executive officers and directors

ACI's key governance documents, including our Corporate Governance Guidelines, Code of Business Conduct and Ethics and charters for each of our Board committees, are available on our website at [aciworldwide.com](http://aciworldwide.com).

**Table of Contents****Board of Directors and Committees**

Name	Audit	Compensation	Corporate		Independent	Tenure <sup>(1)</sup>	# of Other Public Company Boards
			Governance	Risk			
Janet O. Estep			Chair		Y	2	0
James C. Hale				Chair	Y	2	3
Philip G. Heasley ( <i>CEO</i> )					N	13	0
Charles E. Peters, Jr.	Chair				Y	3	0
David A. Poe ( <i>Chairman</i> )					Y	4	0
Adalio T. Sanchez					Y	3	1
Thomas W. Warsop III					Y	3	0

The following directors are not standing for re-election:

James C. McGroddy		Y	10	0
John M. Shay, Jr.		Y	12	0
Jan H. Suwinski	Chair	Y	11	1

The following nominee is standing for her first election as an ACI director:

Pamela H. Patsley					Y	0	3
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<sup>(1)</sup> Full years of service as of the annual meeting date

### Director Independence

Our Board follows the NASDAQ listing standards requirements on director independence. Except for Mr. Heasley, our CEO, each of our directors is independent.

### Board Committees

The **Audit Committee** assists our Board in its general oversight of financial reporting, internal controls and audit functions and is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm. See the [Report of the Audit Committee](#) below.

The **Compensation and Leadership Development Committee** (the [Compensation Committee](#)) reviews and determines salaries, performance-based incentives and other matters relating to executive compensation; administers our equity award and stock option plans, including reviewing and granting equity awards to our executive officers; reviews and evaluates the performance of, and succession planning for, executive officers other than our CEO; and provides general oversight of leadership development processes and strategies for executive and senior officers.

The **Nominating and Corporate Governance Committee** (the [Corporate Governance Committee](#)) assists our Board in ensuring that we are governed in a manner consistent with the interests of our stockholders. The Corporate Governance Committee conducts the Board evaluations and assessments and recommends director nominees. The Corporate Governance Committee also assists the Board in its evaluation of, and succession planning for, our CEO.



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The ***Risk Committee*** reviews, evaluates and approves our risk management framework, reviews the extent to which management has established effective enterprise risk management across the organization, and reviews with management our most significant risks and the steps management has taken to monitor and control those risks.

**Meeting Attendance**

Our Board held ten meetings during 2017 and each director attended at least 90% of the meetings.

Type of Meeting	Full Board	Audit	Compensation	Corporate	
				Governance	Risk
In Person	4	4	4	4	4
Telephonic	6	7	4	3	3
<b>Total Meetings in 2017</b>	10	11	8	7	7

Director nominees are expected to attend our annual meetings of stockholders. All the 2017 director nominees attended our 2017 annual meeting.

**Board Leadership Structure**

Mr. Poe is the Chairman of the Board. Our CEO, Mr. Heasley, is the only member of ACI's Board who is not an independent director. We believe that this leadership structure enhances the accountability of our CEO to the Board and strengthens the Board's independence from management.

**Board Evaluation and Nomination Process**

The Board believes that a robust and continuous evaluation process allows it to assess its effectiveness and proactively identify gaps in desired skills and attributes represented on the Board.



The Corporate Governance Committee oversees an annual review process, seeking feedback from individual directors, management and stockholders. An evaluation is completed with respect to each director, each committee and the Board as a whole. Additionally, committee goals are reviewed at each committee meeting, supporting the annual review process.

As part of this process, the Board also updates and reviews the desired skillsets and the current needs of ACI as it progresses its strategy. Any gaps in the desired skillsets are identified and considered as part of the annual director nomination process.

Because of this process, five new directors were added to the Board in 2015, with three incumbent directors retiring that year. This year, the Board's nominees include one new individual Pamela H. Patsley. Messrs. McGroddy, Shay and Suwinski are retiring and will not stand for re-election.

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### **Diversity**

Consistent with its proactive evaluation of director performance, skills and attributes, the Board is committed to a policy of inclusiveness and actively seeks out highly qualified diverse candidates (including race, gender and ethnicity) to include in the pool from which director nominees are chosen. The composition of our director nominees reflects these efforts and the importance of differentiating personal characteristics and diversity among our directors.

### **Board's Role in Risk Oversight**

Our Board provides broad oversight of ACI's risk management programs. In this oversight role, our Board considers the effectiveness of the company's risk management processes. The involvement of our full Board in the risk oversight process allows our Board to assess management's tolerance for risk and also to determine what constitutes an appropriate level of risk for ACI.

While our Board provides broad oversight, various committees of the Board oversee risk management in their respective areas and regularly report on their activities to the entire Board. In particular, the Risk Committee focuses on reviewing, evaluating and approving ACI's risk management profile, reviewing the extent to which management has established effective enterprise risk management across the organization, and reviewing and discussing with management the company's most significant potential risks and the steps management has taken to monitor and control those risks.

The Audit Committee focuses on assessing and mitigating financial risk, including internal controls, and receives an annual risk assessment report from ACI's internal auditors. As part of its annual audit, ACI's independent registered accounting firm, Deloitte and Touche, also provides the Audit Committee with a risk assessment identifying risks of material misstatements and related controls. The Audit Committee reviews these and other reports on risks facing the company at its meetings throughout the year.

The Compensation Committee reviews and oversees the management of potential material risks related to ACI's compensation policies and practices. Compensia, the Compensation Committee's independent compensation consultant, provides an annual assessment of such risks. The Compensation Committee reviews this annual assessment and evaluates such risks as it considers compensation and benefits matters throughout the year.

### **Compensation Risk Analysis**

The Compensation Committee has concluded that ACI's compensation policies and practices are not reasonably likely to have a material adverse effect on ACI. The Compensation Committee believes that the following features of its compensation program help ensure that management performance is focused on long-term stockholder value creation without encouraging unnecessary or excessive risk-taking:

A balance of fixed and variable compensation, with variable compensation tied to both short-term and long-term objectives;

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Annual incentive awards tied to ACI's financial performance, with caps on payout amounts;

The use of time-based and performance-based equity awards that vest, if at all, over several years and align our executives' interests with those of our stockholders;

The Compensation Committee's ability to exercise discretion in determining incentive program payouts;

A recoupment and forfeiture policy pertaining to annual incentive payouts and long-term incentive equity awards applicable to all employees, including our executive officers; and

Share ownership guidelines for our executive officers that further align our executives' interests with those of our stockholders.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Our Board has nominated for election as directors Janet O. Estep, James C. Hale, Philip G. Heasley, Pamela H. Patsley, Charles E. Peters, Jr., David A. Poe, Adalio T. Sanchez and Thomas W. Warsop III, each to serve until the 2019 Annual Meeting of Stockholders and thereafter, until his or her respective successor is duly elected and qualified. We expect that each of the nominees will be available for election, but if any of them is unwilling or unable to serve as a candidate at the time the election occurs, it is intended that each share represented by proxy at the Annual Meeting will be voted for the election of another nominee to be designated by the Board to fill any such vacancy.

Our Board selects nominees with a view to establishing a Board that is comprised of members who:

Possess the skills and attributes described below

Are independent and free of any conflicts of interest

Are willing and able to devote sufficient time to the affairs of ACI

Have the capacity and desire to represent the balanced, best interest of our stockholders

Bring diverse perspectives to our Board

We believe that each director nominee brings these qualifications to our Board, providing a diverse complement of specific business skills and experience aligned with our business needs.

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**Specific Skills and Attributes to be Represented on the Board**

To effectively serve ACI's business and long-term strategy, the Board believes it is important that the following key skills and attributes be represented on the Board as a whole:

<b>Skills and Attributes</b>	<b>Importance to ACI</b>
Payments industry knowledge	ACI provides payments solutions and is a leader in the transformation of the payments industry to real-time, any-to-any payments systems.
Financial services industry experience	ACI's customers include the largest financial institutions and financial intermediaries in the world.
Financial Expert	<p>ACI's business involves long-term contracts with significant economic value.</p> <p>ACI's capital structure is important to the achievement of its long-term financial goals.</p>
Executive Leadership of a Complex Business	Senior leadership experience provides perspective on business matters and affords our CEO and executives an experienced advisor.
Technology and innovation experience	ACI's business is built around its software and involves licensing the use of that software to its customers around the world.

Ensuring that ACI's products are positioned to meet the demands of a quickly evolving payments industry is critical to our future success.

Risk and regulatory experience

The Board's responsibilities include understanding and overseeing the various risks facing ACI and ensuring that appropriate policies and procedures are in place to effectively manage risk.

International experience

ACI serves customers in 80 countries and 47% of our 2017 revenue was generated outside of the United States.

Diversity of race, ethnicity or gender

Varied backgrounds and perspectives are invaluable to our Board in addressing complex business matters.

ACI employees over 4,000 people in 38 countries. Our most important asset, ACI's employees represent a great diversity of background and experiences, and our ability to attract and retain these employees is critical to our long-term success.

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**Director Nominees**

The following provides biographical information regarding our director nominees and describes the key skills, experience and expertise that each director nominee brings to our Board.

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**Adalio T. Sanchez**

Director Since 2015

Age: 58

***Skills and Attributes***

***Biographical Information***

<b>Executive Leadership of a Complex Business</b>	President, S Group Advisory, LLC, a firm specializing in management consulting services around business strategy, operational excellence, and business transformation
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**Technology and Innovation Experience**

**International Experience**

Served as interim CEO of Quantum Corporation (NYSE: QTM), a computer storage systems company, from November 2017 to January 2018

**Diversity of Race, Ethnicity or Gender**

Served as Senior Vice President of the Lenovo Group Limited (HK:0992), an international technology company, from 2014 to 2015

Served in various capacities at International Business Machines Corporation (NYSE: IBM), a global technology and innovation company, from 1982 to 2014, including sixteen years in senior executive officer and global general management roles

Member of the Board of Directors of Quantum Corporation (NYSE: QTM)

Member of the Board of Directors of the Florida International University Foundation

**Thomas W. Warsop III**

Director Since 2015

Age: 51

*Skills and Attributes*

*Biographical Information*

**Payments Industry Knowledge**

Executive Chairman of York Risk Services Group, a leading provider of integrated insurance and managed care solutions, since June 2017

**Financial Services Industry Experience**

Chief Executive Officer of Hananui, LLC, a provider of strategic consulting services, since January 2017

**Executive Leadership of a Complex Business**

**Technology and Innovation Experience**

Served as President and Chief Executive Officer of The Warranty Group, Inc., a provider of insurance and insurance services, from August 2012 to January 2017

**International Experience**

Served as Group President and held various management positions at Fiserv, Inc. (NASDAQ: FISV), a provider of technology solutions to the financial world, from 2007 to 2012

Served in various capacities for Electronic Data Systems for 17 years, including President of its Business Process Outsourcing unit in Asia Pacific and Vice President in the United Kingdom, and Vice President of Global Financial Services

Previously served as a director of The Warranty Group, Inc., and ISGN, a provider of mortgage processing software and services





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**Board Matrix**

The following chart summarizes the Board's assessment of how the key skills and attributes described above are represented on the Board:

	Janet Estep	James Hale	Philip Heasley	Pamela Patsley	Charles Peters	David Poe	Adalio Sanchez	Thomas Warsop
Payments Industry Knowledge								
Financial Services Industry Experience								
Financial Expert					(1)			
Executive Leadership of a Complex Business								
Technology and Innovation Experience								
Risk and Regulatory Experience								
International Experience								
Diversity of Race, Ethnicity or Gender								

Age	61	66	68	61	66	69	58	51
Board Tenure (full years of service)	2	2	13	0	3	4	3	3

<sup>(1)</sup>Designated audit committee financial expert

**OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE EIGHT NOMINEES LISTED ABOVE.**

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**DIRECTOR COMPENSATION**

Compensation for our independent directors consists of a cash retainer fee and an annual equity award. Our Board believes that providing a meaningful portion of compensation in the form of equity creates a direct linkage with company performance and stockholder interests. We do not pay Mr. Heasley, our CEO and only non-independent director, for service on our Board.

**Retainer Fees**

Each independent director receives a \$60,000 base annual retainer fee. The Chairman of the Board receives an additional \$100,000 annual premium. The Chairman of the Audit Committee and the Chairman of the Compensation Committee each receive an additional \$20,000 annual premium. The Chairman of the Risk Committee and the Chairman of the Corporate Governance Committee each receive an additional \$12,000 annual premium. Members of the Audit Committee and members of the Compensation Committee, other than the chairmen, receive an additional \$4,000 annual premium. Members of the Risk Committee and members of the Corporate Governance Committee, other than the chairmen, each receive an additional \$3,000 annual premium. Annual retainer fees are paid on a quarterly basis.

**Equity-Based Compensation**

Our independent directors are granted an annual equity award with a target grant date fair value of \$250,000. Such grants are made at the discretion of our Board based on the recommendations of the Corporate Governance Committee. Director equity awards are provided pursuant to the terms of our 2016 Equity and Performance Incentive Plan, as amended (the "2016 Incentive Plan"). Director equity awards vest on the earlier to occur of (i) the date that is one year following the date of grant, and (ii) the day immediately prior to the date of the next annual meeting of our stockholders occurring following the date of grant. The independent directors' equity awards provide for accelerated vesting upon the director's death or disability or upon a change-in-control of ACI.

On June 14, 2017, our independent directors were each granted 11,067 shares of restricted stock.

**Table of Contents****Director Summary Compensation Table**

The table below summarizes the compensation we paid to our independent directors during the fiscal year ended December 31, 2017.

**Director Summary Compensation Table<sup>(1)</sup>**

Name <sup>(2)</sup>	Fees Earned or	Stock	Total
	Paid in Cash	Awards <sup>(3)</sup>	
	(\$)	(\$)	
(a)	(b)	(c)	(h)
Janet O. Estep	69,000	250,004	319,004
James C. Hale	76,000	250,004	326,004
James C. McGroddy	72,750	250,004	322,754
Charles E. Peters, Jr.	72,000	250,004	322,004
David A. Poe	160,000	250,004	410,004
Adalio T. Sanchez	66,250	250,004	316,254
John M. Shay, Jr.	79,000	250,004	329,004
Jan H. Suwinski	83,000	250,004	333,004
Thomas W. Warsop III	68,000	250,004	318,004

<sup>(1)</sup>Columns (d), (e), (f) and (g) to this table entitled Option Awards, Non-Equity Incentive Plan Compensation, Change in Pension Value and Nonqualified Compensation Earnings and All Other Compensation, respectively, have been omitted because no compensation is reportable thereunder.

<sup>(2)</sup>Philip G. Heasley, our CEO, is not included in this table as he is an employee of ACI and thus receives no compensation for his service as a director.

<sup>(3)</sup>The grant date fair value of the stock awards granted to our independent directors on June 14, 2017 was \$22.59 per share of restricted stock, the closing price on the date of grant, multiplied by the number of shares awarded, 11,067. The following table sets forth each independent director's aggregate number of stock awards (unvested shares of restricted stock) and stock option awards (all of which have vested) outstanding as of December 31, 2017:

Name	Unvested Stock Awards	Aggregate Stock Option Awards
Janet O. Estep	11,067	
James C. Hale	11,067	

James C. McGroddy	11,067	
Charles E. Peters, Jr.	11,067	
David A. Poe	11,067	
Adalio T. Sanchez	11,067	
John M. Shay, Jr.	11,067	40,000
Jan H. Suwinski	11,067	180,000
Thomas W. Warsop III	11,067	

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**Director Stock Ownership Guidelines**

The Board has stock ownership guidelines designed to further link the interests of our Board with that of our stockholders. These guidelines provide that each of our independent directors should have equity positions in ACI with a value equal to five times his or her annual retainer amount. Direct and indirect stock ownership, including the vested in-the-money portion of any stock options held by the independent director, are included in determining each director's equity position. Each independent director has five years to achieve the target ownership level. A director who fails to meet the ownership guidelines within the five-year period will not be eligible for new equity awards until the director achieves his or her prescribed ownership level.

As our CEO, Mr. Heasley's ownership guideline is a value equal to six times his base salary.

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**REPORT OF THE AUDIT COMMITTEE**

At all times during 2017, each member of the Audit Committee was independent as defined in the NASDAQ listing standards. Our Board determined that each of the members met the NASDAQ regulatory requirements for financial literacy and that Messrs. Shay and Peters are audit committee financial experts as defined under SEC rules.

The Audit Committee operates pursuant to a charter, a copy of which is available on our website at [aciworldwide.com](http://aciworldwide.com).

The Audit Committee, on behalf of our Board, oversees ACI's financial reporting process as more fully described in its charter. Management is responsible for the preparation, presentation and integrity of ACI's consolidated financial statements, accounting and financial reporting principles, internal controls over financial reporting and compliance with laws and regulations and ethical business standards. Management is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of ACI's system of internal controls. Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent registered public accounting firm.

ACI's independent registered public accounting firm, Deloitte & Touche LLP (Deloitte), is responsible for performing independent audits of ACI's consolidated financial statements and the effectiveness of ACI's internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue reports thereon. In fulfilling its oversight responsibilities, the Audit Committee (i) reviewed and discussed the audited consolidated financial statements and the footnotes thereto in ACI's annual report on Form 10-K for 2017 with management and Deloitte, and (ii) discussed with management and Deloitte the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. The Audit Committee discussed with ACI's internal auditors and Deloitte, with and without management present, their evaluations of ACI's internal accounting controls and reviewed with management the basis for management's assessment of the effectiveness of ACI's internal controls over financial reporting.

Deloitte is responsible for expressing opinions on (i) the conformity of ACI's audited consolidated financial statements, in all material respects, to accounting principles generally accepted in the U.S., and (ii) the effectiveness of ACI's internal controls over financial reporting. Deloitte has full and free access to the Audit Committee. Deloitte has expressed the opinion that ACI's audited consolidated financial statements conform, in all material respects, to accounting principles generally accepted in the U.S. The Audit Committee reviewed and discussed with Deloitte its judgments as to the quality, not just the acceptability, of ACI's accounting principles and such other matters as are required to be discussed by the standards of the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee discussed with Deloitte its independence from management and ACI, and received from Deloitte the written disclosures and the letter required by applicable requirements of the PCAOB regarding Deloitte's communications with the Audit Committee concerning independence, and has discussed with Deloitte and management Deloitte's independence.

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In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board that the audited consolidated financial statements be included in ACI's annual report on Form 10-K for 2017.

MEMBERS OF THE AUDIT COMMITTEE

Charles E. Peters, Jr., Chair

James C. Hale

John M. Shay, Jr.

Thomas W. Warsop III



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The Audit Committee has selected and appointed, and our Board has approved the Audit Committee's selection and appointment of, Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. If the stockholders do not ratify the selection, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm for the next fiscal year. Even if the selection is ratified by our stockholders, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such a change would be in the best interests of stockholders.

Representatives of Deloitte are expected to be present at the Annual Meeting to make a statement should they so desire and to respond to appropriate questions.

**Independent Registered Public Accounting Firm Fees**

The following table sets forth the aggregate fees paid or payable for the indicated services performed by Deloitte during 2017 and 2016 in its capacity as our independent registered public accounting firm during such years.

	<b>2017</b>	<b>2016</b>
<b>Fee Category</b>	<b>\$</b>	<b>\$</b>
Audit Fees	3,834,175	3,633,500
Audit-Related Fees	230,525	0
Tax Fees	730,615	696,139
All Other Fees	0	0
<b>Total Fees</b>	<b>4,795,315</b>	<b>4,329,639</b>

*Audit Fees.* This category represents the aggregate fees paid or payable to Deloitte for professional services rendered for (i) the audit and quarterly reviews of ACI's annual consolidated financial statements for 2017 and 2016, (ii) the audit of the effectiveness of ACI's internal controls over financial reporting as of December 31, 2017 and December 31, 2016 in accordance with the standards of the PCAOB and (iii) statutory audits of certain subsidiaries.

*Audit-Related Fees.* This category represents the aggregate fees billed by Deloitte for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of ACI's financial statements that are not reported under *Audit Fees* for 2017 or 2016. The professional services performed by Deloitte in 2017 consisted of audit and tax related services.

*Tax Fees.* This category represents the aggregate fees billed by Deloitte for tax-related services rendered to ACI for 2017 and 2016. Tax fees billed by Deloitte in 2017 and 2016 consisted

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of fees for professional services related primarily to tax compliance projects, including audit- and tax-related services.

*All Other Fees.* There were no other fees billed by Deloitte for services rendered to ACI during 2017 or 2016, other than the services described above under Audit Fees, Audit-Related Fees and Tax Fees.

The Audit Committee has considered whether the provision of the services by Deloitte as described above in Tax Fees is compatible with maintaining the independent registered public accounting firm's independence.

**Pre-Approval of Audit and Non-Audit Services**

We have policies for pre-approval of all audit and non-audit services to be provided to us by our independent registered public accounting firm and its member firms. Under these policies, all audit and non-audit services to be performed by our independent registered public accounting firm must be approved by the Audit Committee in advance. A proposal for audit and non-audit services must include a description and purpose of the services, estimated fees and other terms of the services. To the extent a proposal relates to non-audit services, a determination that such services qualify as permitted non-audit services and an explanation as to why the provision of such services would not impair the independence of our independent registered public accounting firm are also required. Any engagement letter relating to a proposal must be presented to the Audit Committee for review and approval, and the Chairman of the Audit Committee may sign, or authorize an officer to sign, such engagement letter.

All services provided by Deloitte in 2017 and 2016 were pre-approved by the Audit Committee.

**Vote Required**

The affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on this proposal is required for the approval of this proposal.

**OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018.**

**Table of Contents****INFORMATION REGARDING SECURITY OWNERSHIP**

The following tables set forth certain information regarding the beneficial ownership of our common stock as of March 31, 2018 by (i) each of our directors, (ii) each of our Named Executive Officers (as defined in the Compensation Discussion and Analysis below), (iii) all of our executive officers and directors as a group, and (iv) each person known by us to beneficially own, as of December 31, 2017, more than 5% of the outstanding shares of our common stock. The percentages in these tables are based on 116,392,230 outstanding shares of common stock as of March 31, 2018. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares underlying options held by that person that will be exercisable within 60 days of March 31, 2018 are deemed to be outstanding. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

**Security Ownership of Directors and Executive Officers**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2018 by (i) each of our directors and director nominees, (ii) each of our Named Executive Officers, and (iii) all of our executive officers, directors and director nominees as a group. No family relationships exist among our directors and executive officers.

Beneficial Owner <sup>(1)</sup>	Number of Shares Subject to Currently Exercisable Options or Which May be Acquired Within 60 Days <sup>(2)</sup>		Total Shares Beneficially Owned	Percent
	Number of Shares Directly Owned			
Philip G. Heasley	1,338,411	935,148	2,273,559	1.95%
Scott W. Behrens	245,920	381,421	627,341	*
Daniel J. Frate	144,558	223,962	368,520	*
Craig S. Saks	51,935	136,876	188,811	*
Anthony M. Scotto, Jr.	157,124	66,442	224,566	*

Janet O. Estep	29,163	-	29,163	*
James C. Hale, III	31,681	-	31,681	*
James C. McGroddy	46,896	-	46,896	*
Pamela H. Patsley	-	-	-	*
Charles E. Peters, Jr.	33,357	-	33,357	*
David A. Poe	46,896	-	46,896	*
Adalio T. Sanchez	40,177	-	40,177	*
John M. Shay, Jr.	23,115	-	23,115	*
Jan H. Suwinski	136,896	150,000	286,896	*
Thomas W. Warsop	33,857	-	33,857	*
All Directors, Nominees and Executive Officers as a group (17 persons)	2,717,867	2,428,613	5,146,480	4.42%

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\* Less than 1% of the outstanding shares of our common stock.

(1)The address for all of our directors, director nominees and executive officers is the address of ACI's principal executive offices located at 3520 Kraft Rd, Suite 300, Naples, Florida 34105.

(2)Includes shares issuable upon exercise of vested stock options as of 60 days following March 31, 2018 (May 30, 2018).

**Security Ownership of Certain Beneficial Owners**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of December 31, 2017 by each person known by us to beneficially own more than 5% of the outstanding shares of our common stock.

Beneficial Owner	Number of Shares	Percent
Waddell & Reed Financial, Inc. <sup>(1)</sup> 6300 Lamar Avenue, Oakland Park, KS 66202	13,677,931	11.80%
BlackRock, Inc. <sup>(2)</sup> 55 East 52 <sup>nd</sup> Street, New York, NY 10055	11,365,051	9.81%
The Vanguard Group, Inc. <sup>(3)</sup> 100 Vanguard Blvd, Malvern, PA 19355	10,220,078	8.82%

Brown Capital Management, LLC <sup>(4)</sup>	9,339,032	8.06%
1201 N. Calvert Street, Baltimore, Maryland 21202		
Vulcan Value Partners, LLC <sup>(5)</sup>	6,398,210	5.52%
Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, AL 35223		
Fuller & Thaler Asset Management Inc. <sup>(6)</sup>	5,818,872	5.02%
411 Borel Avenue, Suite 300, San Mateo, CA 94402		

(1) Based on a Schedule 13G filed with the SEC on February 14, 2018, which contained information as of December 31, 2017.

(2) Based on a Schedule 13G filed with the SEC on January 19, 2018, which contained information as of December 31, 2017.

(3) Based on a Schedule 13G filed with the SEC on February 8, 2018, which contained information as of December 31, 2017.

(4) Based on a Schedule 13G filed with the SEC on February 14, 2018, which contained information as of December 31, 2017.

(5) Based on a Schedule 13G filed with the SEC on February 14, 2018, which contained information as of December 31, 2017.

(6) Based on a Schedule 13G filed with the SEC on February 14, 2018, which contained information as of December 31, 2017.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the rules of the SEC require our directors, certain officers and beneficial owners of more than 10% of our outstanding common stock to file reports of their ownership and changes in ownership of our common stock with the SEC. ACI employees generally prepare these reports on behalf of our executive officers and directors on the basis of information obtained from them, and we review the forms submitted to us by beneficial owners of more than 10% of our common stock. Based on such information, we believe that all reports required by Section 16(a) of the Exchange Act to be filed by our directors, officers and beneficial owners of more than 10% of the common stock during or with respect to 2017 were filed on time.

**Table of Contents****INFORMATION REGARDING EQUITY COMPENSATION PLANS**

The following table sets forth, as of December 31, 2017, certain information related to our compensation plans under which shares of our common stock are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	7,964,625 <sup>(1)</sup>	\$16.83	9,273,863 <sup>(2)</sup>
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>7,964,625<sup>(3)</sup></b>	<b>\$16.83</b>	<b>9,273,863<sup>(2)</sup></b>

<sup>(1)</sup> This number reflects shares reserved for issuance in connection with outstanding options, restricted share, performance share and performance-based restricted share awards under our 2005 and 2016 Equity and Performance Incentive Plans outstanding as of December 31, 2017 based on the targeted award amounts.

<sup>(2)</sup> Of these shares, 2,963,571 remain available for future issuance under our 2017 Employee Stock Purchase Plan and 6,310,292 remain available for future issuance under our 2016 Equity and Performance Incentive Plan.

<sup>(3)</sup> Excludes 11,367 options with a weighted-average exercise price of \$29.73 that ACI assumed in connection with its acquisition of Online Resources Corporation.

**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes the compensation program for our Principal Executive Officer, our Principal Financial Officer, and the next three most highly-compensated executive officers during 2017 (our Named Executive Officers), who were:



Philip G. Heasley, our President and Chief Executive Officer (our CEO );

Scott W. Behrens, our Senior Executive Vice President and Chief Financial Officer (our CFO )

Craig S. Saks, our Chief Operating Officer (our COO );

Daniel J. Frate, our Senior Executive Vice President and Group President, ACI On Demand P&L; and

Anthony M. Scotto, Jr., our Senior Executive Vice President, Technology.

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during 2017. It also provides an overview of our executive compensation philosophy, core principles and objectives. Finally, it analyzes how and why the Compensation Committee arrived at the specific compensation decisions for our executive officers,

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including the Named Executive Officers, for 2017, including the key factors that the Compensation Committee considered in determining their compensation.

## **Executive Summary**

In 2017, in response to our prior year Say-on-Pay results, we reached out to stockholders representing over 85% of our outstanding shares.

Stockholder Outreach	Reached out to stockholders representing over 85% of our outstanding shares
	Spoke with 24 stockholders representing 78% of our outstanding shares

ACI's performance in 2017 exceeded the midpoint of guidance on revenue and adjusted earnings before interest, taxes, depreciation and amortization ( adjusted EBITDA ) and generated significant growth in operating free cash flow.

Financial Results <sup>(1)</sup>	Revenue growth of 3% over 2016
	Adjusted EBITDA growth of 9% over 2016
	Cash flows from operations growth of 46% over 2016
	Adjusted operating free cash flow (OFCF) up 80% over 2016
	Achieved 60-month backlog of \$4.1 billion

*(1) For year-over-year comparisons, foreign currency changes and the Community Financial Services ( CFS ) divestiture are accounted for in revenue and adjusted EBITDA growth.*

2017 compensation highlights for our Named Executive Officers are as follows:

2017 Base

Salary

Our CEO did not receive a base salary increase in 2017. The base salary of our CEO, Mr. Heasley, has been increased only 3% since 2014.

The base salary for Mr. Saks, our COO, was increased due to his promotion to COO.

The base salary for Mr. Behrens, our CFO, was increased to a competitive, market-based level for that role.

The base salary for Mr. Scotto was increased to a competitive, market-based level for that role.

With these changes, Mr. Saks, Mr. Behrens and Mr. Frate had the same base salary of \$415,000. Mr. Scotto's base salary was increased to \$400,000, and our CEO remained at his 2016 base salary.

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2017 Management Incentive Compensation ( MIC ) Actual payout to our CEO was 90% of target and our payouts to our other Named Executive Officers ranged from 84% to 98% of their respective on-target amount depending on their business unit performance and individual MBO performance.

2017 Long Term Incentive Plan ( LTIP ) Our Named Executive Officers received long-term equity awards based on a three-year performance period with one-third of the total grant value equally allocated between (i) performance shares which are earned, if at all, based on three-year financial metrics; (ii) relative Total Stockholder Return (referred to as rTSR performance shares) awards that vest, if at all, based on ACI's total stockholder return for a three-year performance period versus an index; and (iii) stock options that vest ratably over a three-year period.

The grant date value of the 2017 LTIP awards for our CEO was \$4,800,000 and the remainder of our Named Executive Officers' grant date value was \$1,200,000.

**Stockholder Input on Executive Compensation Program**

**2017 Say-on-Pay Vote**

At our 2017 annual meeting, our stockholders approved our executive compensation with approximately 62% of the votes cast in favor of the proposal, which was slightly lower than the 67% of the votes cast in favor in 2016. As the Compensation Committee reviewed what gave rise to the lower Say-on-Pay votes in 2016 and 2017, it commenced an extensive stockholder outreach (as discussed in further detail below) and reviewed all our executive compensation policies and practices. The Compensation Committee took into consideration the feedback from our extensive stockholder outreach and feedback that it received from stockholders generally in the design for the 2018 executive compensation program (note that the results of our 2017 Say-on-Pay vote occurred after we had approved 2017 executive compensation in the first quarter of 2017).

**Stockholder Engagement and Feedback**

We carefully consider feedback from our stockholders regarding our executive compensation program through our annual Say-on-Pay vote, as well as through our communications with stockholders throughout the year. Our stockholders are invited to express their views to the Compensation Committee as described under Stockholder Communications with our Board below.

Based on our 2017 Say-on-Pay results, and in preparation for our 2018 executive compensation decisions, in the second half of 2017 we reached out to our top 30 outside stockholders, which constituted approximately 85% of our outstanding shares, to discuss our

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executive compensation practices and any other items of interest to them. Twenty-four stockholders, constituting approximately 78% of our outstanding shares, accepted our invitation and spoke with us.

The meetings were generally telephonic and included some combination of our CEO, Compensation Committee Chairman, Chief Human Resources Officer and Vice President of Investor Relations. The purpose of the meetings was to discuss our executive compensation programs and elicit each stockholder's feedback on what we are doing well and what we can improve.

Common themes included aligning compensation with performance metrics, simplifying compensations programs, the use of supplementary and retention grants and overall stockholder engagement. Specifically, the feedback from our stockholders is summarized as follows:

### **What Stockholders Told Us**

#### **2015 Retention Awards**

Some stockholders did not fully understand the purpose of the 2015 Retention Awards, and the business necessity in retaining and motivating our key talent.

### **Action ACI Is Taking**

The 2015 Retention Awards were granted to address the non-vesting of the performance shares under our 2013 and 2014 LTIP as a means of retaining and motivating key talent.

Management launched an aggressive stockholder engagement campaign in late 2017 and provided detailed explanation of the 2015 Retention Awards which were necessary due to a faster than expected shift in customer purchases from our licensed on-premise solutions to our cloud or platform-based solutions and the impact this had on the timing of forecasted revenue and operating income. This caused the financial performance metrics of the 2013 and 2014 performance shares to fall short of threshold values and resulted in the forfeiture of those long-term incentive awards.

#### **Pay-for-Performance and Stockholder Alignment**

Provide clear alignment between pay and performance and emphasize alignment with stockholders for long term incentive design.

2018 LTIP Design: We have revised the performance-based equity awards to be based only on rTSR in comparison to the S&P 400 MidCap index, of which we are a constituent.

In addition, we have increased the performance criteria for target payout from the 50<sup>th</sup> percentile of the index to the 55<sup>th</sup> percentile so that it takes above median returns to earn the target payout. We believe this more strongly supports our stockholders favorable view of the use of rTSRs and strengthens the pay-for-performance aspect of our long-term incentive plan.

We also cap the payout to target if our TSR is negative, so that our executives cannot receive above-target payouts when the stock has not appreciated.

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What Stockholders Told Us	Action ACI Is Taking
<p><b>Eliminate Overlapping Goals Between Short- and Long-term incentives</b></p> <p>Stockholders noted that using similar goals for our one-year MIC plan and our long-term equity plans compounded the effect of shifting business conditions altering the timing of the achievement of key financial metrics as occurred with the performance shares under the 2013 and 2014 LTIP.</p>	<p>As noted above, the 2018 LTIP was redesigned to focus on rTSR rather than financial goals, which eliminated any overlap.</p>
<p><b>Understanding the importance of periodic communication with stockholders</b></p>	<p>ACI will continue to have regular communications with stockholders to gain insight on how our executive compensation programs drive pay-for-performance and stockholder friendly practices.</p>

**Frequency of Say-on-Pay Vote**

We are required to conduct a non-binding stockholder advisory vote on the frequency of future Say-on-Pay votes every six years. At our 2017 Annual Meeting of Stockholders, our stockholders cast the highest number of votes for future Say-on-Pay votes to be held on an annual basis. In light of this result and other factors considered, our Board has determined that until the next required vote on the frequency of future Say-on-Pay votes, to be conducted at our 2023 Annual Meeting of Stockholders, we will hold annual Say-on-Pay votes.

**Pay-for-Performance Alignment**

Underlying our executive compensation program is a strong belief in promoting a pay-for-performance culture. As a result, the Compensation Committee designs the target total direct compensation of our executive officers, including our Named Executive Officers, so that a significant portion of each executive officer's overall compensation opportunity is linked to our annual and long-term financial performance and our long-term relative total stockholder return. In addition, the Compensation Committee seeks to set challenging threshold and target performance levels for each of the metrics used in our incentive compensation plans to ensure that the amounts earned are based upon outstanding performance as measured against pre-established financial, operational and strategic objectives.



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**At-Risk Incentives Align Executive Officer and Stockholder Interests**

The pay mix of the target total direct compensation for our CEO and our other Named Executive Officers for 2017 reflects this pay-for-performance design:

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**Strong Correlation between Executive Officer Compensation and Our Performance**

In addition, the Compensation Committee endeavors to align the compensation of our executive officers with stockholder value creation. As noted above, for 2017 89% of our CEO's target total direct compensation was performance-based (when categorizing stock options as performance-based, which aligns with how our Compensation Committee views them). The following chart compares both our CEO's compensation as reported in the Summary Compensation Table and our CEO's actual realized total direct compensation for each of the past five years against our total stockholder return for the same period. We believe this chart demonstrates our strong pay-for-performance alignment. Over the past three years, where our total stockholder return has been relatively flat, our CEO's actual compensation has been substantially less than the compensation reported in the Summary Compensation Table, due to the value of his long-term incentives, including his options, not delivering as much value as the reported grant date value of these awards.

Note that in 2014, our CEO recommended to the Compensation Committee that he receive no payments under the 2014 Executive MIC and the Compensation Committee exercised its discretion accordingly. His equity grants were deferred until 2015.

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**Executive Compensation-Related Policies and Practices**

We endeavor to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards, consistent with our executive compensation philosophy. The following summarizes our executive compensation and related governance policies and practices:

<b>What We Do</b>	
<b>Use a Pay-for-Performance Philosophy</b>	Most of our executive officers' compensation is directly linked to corporate performance; we also structure their target total direct compensation with a significant long-term equity component, thereby making a substantial portion of each executive officer's target total direct compensation dependent upon our stock price and/or total stockholder return.
<b>Compensation At-Risk</b>	Our executive compensation program is designed so that a significant portion of our executive officers' compensation is at risk based on corporate performance, as well as equity-based, to align the interests of our executive officers and stockholders.
<b>Performance-Based Equity Awards</b>	Our CEO and our other executive officers received performance-based equity awards, which consisted of performance share awards and stock options in 2017. 75% of our CEO's and on average 60% of our other Named Executive Officers' target total direct compensation consists of these performance-based equity awards.
<b>Double-Trigger Change-in-Control Arrangements</b>	In 2016, we revised our post-employment compensation arrangements to a double-trigger provision that required both a change in control of the company plus a qualifying termination of employment before payments and benefits are paid. Except for certain legacy stock option awards with market price conditions, all past and future equity awards will have a double-trigger provision.
The Compensation Committee consists solely of independent directors.	

**Maintain an Independent  
Compensation Committee**

**Compensation Recovery ( Clawback Policy**

We have adopted a policy providing for the recovery of annual cash incentive compensation and any equity awards from our CEO and other executive officers (including our other Named Executive Officers) if (i) we restate our financial statements due to a material noncompliance with federal securities laws due in whole or in part to an employee, or (ii) it is determined that an employee has engaged in misconduct in the course of his or her employment.

**Stock Ownership Guidelines**

We maintain stock ownership guidelines for our CEO, our other executive officers and the non-employee members of our Board.

**Conduct an Annual Stockholder  
Advisory Vote on Named Executive  
Officer Compensation**

We conduct an annual stockholder advisory vote on the compensation of our named executive officers.

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<b>What We Do</b>	
<b>Retain an Independent Compensation Advisor</b>	The Compensation Committee has engaged its own independent compensation advisor to provide information, analysis and other advice on executive compensation independent of management.
<b>Annual Executive Compensation Review</b>	The Compensation Committee conducts an annual review of our compensation strategy, including a review of our compensation peer group used for comparative purposes.
<b>Annual Compensation-Related Risk Assessment</b>	The Compensation Committee regularly reviews our compensation-related risk profile.
<b>Succession Planning</b>	We have robust succession planning and executive assessment processes to ensure succession plans are in place.
<b>Balanced Time Horizon for Incentive Compensation</b>	We have a balance of time horizons for our incentive awards, including an annual cash incentive compensation plan, three-year performance periods for our LTIP performance share awards, stock options and restricted share awards and a five-year performance period for our supplemental LTIP performance share awards.
<b>What We Don't Do</b>	
<b>No Retirement Plans</b>	We do not currently offer pension arrangements or retirement plans to our executive officers other than the Section 401(k) retirement plan that is available to all U.S. employees, although we do provide our executives with the ability to defer a portion of their compensation to be paid at the end of their service with us.

<b>No Guaranteed Bonuses</b>	We do not provide guaranteed bonuses to our executive officers.
<b>No Stock Option Re-Pricing</b>	Our employee stock plan does not permit stock options or stock appreciation rights to be repriced to a lower exercise or strike price without the approval of our stockholders.
<b>No Single Trigger Change-in-Control Arrangements</b>	We do not provide cash severance solely upon a change in control of the company. We changed our change-in-control agreements in 2016 to prohibit single trigger vesting acceleration for our equity awards. All equity awards, except certain legacy stock option awards with a market price condition, are subject to double trigger vesting acceleration.
<b>No Perquisites or Other Personal Benefits</b>	We do not provide our executive officers with any perquisites or other personal benefits that are not available to our employees generally.
<b>No Tax Payments on Perquisites</b>	We do not provide any tax reimbursement payments (including gross-ups ) on any perquisites or other personal benefits, other than standard relocation benefits.

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**What We Don't Do**

<b>No Excise Tax Payments on Future Post-Employment Compensation Arrangements</b>	We do not provide any excise tax reimbursement payments (including gross-ups ) with respect to payments or benefits contingent upon a change in control of the company. We amended all agreements to remove these provisions in 2016.
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<b>No Hedging</b>	We prohibit our employees, including our executive officers, and the non-employee members of our Board from engaging in short sales and certain derivative transactions relating to our securities.
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<b>No Special Welfare or Health Benefits</b>	We do not provide our executive officers with any welfare or health benefit programs, other than participation on the same basis as all of our full-time employees in the employee programs that are standard in our industry sector.
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<b>No Dividends or Dividend Equivalents Payable on Unvested Equity Awards</b>	We do not pay dividends or dividend equivalents on unvested equity awards.
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<b>No Pledging</b>	Current award agreements for awards granted under our equity plans provide that they may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the grantee until they become vested.
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<b>Limited Contractual Vesting Acceleration</b>	We have no acceleration of vesting for any outstanding equity, except for these limited, common exceptions: death or long-term disability of the recipient, or pursuant to change in control benefits.
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**Compensation Philosophy**

Our executive compensation program is guided by our overarching philosophy of paying for demonstrable performance. Consistent with this philosophy, we have designed our executive compensation program to achieve the following primary objectives:

Provide compensation and benefit levels that will attract, retain, motivate and reward a highly-talented management team within the context of responsible cost management;

Establish a direct link between our financial and operational results and achievement of strategic objectives and the compensation of our executive officers; and

Align the interests and objectives of our executive officers with those of our stockholders by linking the long-term incentive compensation opportunities to stockholder value creation and their cash incentives to our annual performance.

### **Compensation Design**

Our executive compensation consists of three principal elements: base salary, an annual incentive compensation opportunity under the MIC plan and long-term incentive compensation



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( LTIP ) in the form of equity awards. In alignment with our pay-for-performance philosophy, a significant portion of our executive officers' target total direct compensation is at risk and variable in the amount ultimately paid.

We believe that linking a significant portion of our executive officers' target total direct compensation to challenging performance objectives creates strong incentives for them to achieve our short-term profitability and growth objectives as well as to create sustainable long-term value for our stockholders. We believe that this approach also assists us in attracting talented individuals who are committed to achieving challenging goals with the opportunity to earn superior compensation if they and the company demonstrate superior results.

## **Compensation-Setting Process**

### **Role of Compensation Committee**

The Compensation Committee discharges the responsibilities of our Board relating to the compensation of our executive officers with input from all of our independent directors.

The Compensation Committee is responsible for:

Overseeing our compensation and benefit plans, policies and programs generally

Annually reviewing and overseeing the process of evaluating our CEO's performance

Recommending the compensation of our CEO for approval by the Board

Reviewing and approving all compensation for our executive officers, including our other Named Executive Officers

Overseeing and administering our cash-based and equity-based compensation plans

Reviewing and overseeing our leadership development and succession plans

Reviewing and approving our post-employment compensation arrangements

Reviewing and approving this Compensation Discussion and Analysis

The Compensation Committee is also responsible for the periodic review and evaluation of (i) the design and administration of our annual and long-term incentive compensation plans to ensure that they are structured and administered in a manner consistent with our goals and objectives, (ii) our policies and practices relating to the grant of equity awards, (iii) our employee benefits plans and arrangements and (iv), if applicable, our perquisite programs.

The Compensation Committee's practice of developing and maintaining compensation arrangements that are competitive includes a balance between hiring and retaining the best possible talent and maintaining a reasonable and responsible cost structure. We compete for talent in a highly-competitive environment, and our future success and our ability to remain competitive are dependent on our continuing efforts to attract, retain and motivate highly-qualified executives in this environment.

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### **Role of Our CEO and Management Team**

In discharging its responsibilities, the Compensation Committee works with members of our management team, including our CEO. Our management team assists the Compensation Committee by providing information on corporate and individual performance as well as our CEO's perspective and recommendations on compensation matters. In addition, our management team recommends to the Compensation Committee the performance measures and related target levels for the MIC (which are typically based on our annual operating plan) and for our long-term incentive compensation awards (which are typically tied to our five-year strategic plan).

The Compensation Committee solicits our CEO's recommendations with respect to the compensation arrangements for our executive officers, including our Named Executive Officers (other than himself), including adjustments to base salary and target annual incentive compensation opportunities, long-term incentive compensation opportunities in the form of equity awards and other compensation-related matters (such as discretionary cash bonuses and supplemental equity awards). In addition, our CEO annually evaluates the performance of each executive officer and provides the results of these evaluations to the Compensation Committee.

The Compensation Committee reviews and discusses the CEO's recommendations and uses them as one factor in approving the compensation for our executive officers, including our Named Executive Officers. Our CEO is not present for any Compensation Committee discussions, and does not make any recommendations, regarding his own compensation.

### **Compensation Review Cycle**

The Compensation Committee conducts an annual review of our executive compensation program, as well as a review of the compensation arrangements for each of our executive officers, including each of our Named Executive Officers, during the fourth quarter of the previous year and the first quarter of each year. During this review, the Compensation Committee evaluates each executive officer's base salary level, target annual incentive compensation opportunity, target total cash compensation opportunity, long-term incentive compensation opportunity, target total direct compensation and any other compensation-related item. Generally, compensation adjustments are effective at the beginning of the year. Each fiscal quarter, the Compensation Committee tracks our financial and operational performance and the corresponding projected payments under the MIC and the then-current value of the equity awards previously granted to our CEO and our other executive officers.

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**Factors Considered in Compensation Deliberations**

The Compensation Committee does not use a single method or measure in setting or approving the target total direct compensation opportunities or each individual compensation element for our executive officers, nor is the weighting of any one factor on the determination of pay components and levels quantifiable in comparison to the other factors. The factors below, which the Compensation Committee considers when selecting and setting the amount of each compensation element for our executive officers, including our CEO and our Named Executive Officers, provide a framework for its compensation decision-making:

Our executive compensation program objectives

Our performance against the financial and operational goals and objectives established by the Compensation Committee and our Board

Each individual executive officer's qualifications, knowledge, skills, experience and tenure relative to other similarly-situated executives at the companies in our compensation peer group

The scope of each executive officer's role and responsibilities compared to other similarly situated executives at the companies in our compensation peer group

The prior performance of each individual executive officer, based on an assessment of his or her contributions to our overall performance, ability to lead his or her business unit or function, and work as part of a team

The potential of each executive officer to contribute to our long-term financial, operational and strategic objectives

The CEO's compensation relative to that of our executive officers, and compensation parity among our executive officers

Our financial performance relative to our peers

The compensation practices of our compensation peer group and the positioning of each executive officer's compensation in a ranking of peer company compensation levels based on an analysis of competitive market data

In the case of long-term incentive compensation, the value of any outstanding vested and unvested equity awards held by each of our executive officers, including the equity awards and other long-term compensation opportunities granted to each executive officer in prior years; and

The recommendations provided by our CEO with regard to the compensation of our executive officers, as described above

These factors provide the framework for decision-making by the Compensation Committee with respect to the compensation of each of our executive officers.

#### **Role of Compensation Consultants**

As permitted under its charter, the Compensation Committee engages an external compensation consultant to assist it by providing information, analysis and other advice relating to our executive compensation program and the decisions resulting from its annual executive compensation review. It directly engages the compensation consultant, which serves at the discretion of the Compensation Committee and which reviews the terms of the engagement annually.

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Until August 2017, the Compensation Committee retained Pearl Meyer & Partners, LLC ( Pearl Meyer ), a national compensation consulting firm, as its compensation consultant. In August 2017, the Compensation Committee ended its engagement with Pearl Meyer and retained Compensia, Inc. ( Compensia ), a national compensation consulting firm, to serve as its compensation consultant. The Compensation Committee conducted a thorough review of proposals submitted by nationally recognized compensation consultants and through this process selected Compensia to be the consultant. These compensation consultants reported directly, and were directly accountable, to the Compensation Committee, and the Compensation Committee retained the sole authority to retain, terminate, and obtain the advice of its compensation consultant at our expense.

The Compensation Committee selected Compensia and Pearl Meyer as its compensation consultant at various times because of each firm's expertise and reputation and the fact that each firm provided no services to us at the time of selection, had no ties to our management team that could jeopardize their independent status and had strong internal governance policies that help ensure that they would maintain their independence.

During 2017, each compensation consultant regularly attended the meetings of the Compensation Committee (both with and without management present) during the period of its engagement and provided the following services:

Consulting with the Compensation Committee chair and other members between Compensation Committee meetings;

Reviewing and updating the compensation peer group used to assess the positioning and competitiveness of our executive and non-employee director compensation programs (non-employee director compensation recommendations are made to the Corporate Governance Committee);

Providing competitive market data based on the compensation peer group for our executive officer positions and evaluating how the compensation we pay our executive officers compares both to our performance and to how the companies in our compensation peer group compensate their executives;

Reviewing and analyzing the base salary levels, target annual incentive compensation opportunities, target total cash compensation opportunities, long-term incentive compensation opportunities and target total direct compensation of our executive officers;

Developing compensation summaries, commonly known as tally sheets, which the Compensation Committee uses to ensure that it has a comprehensive view of our executive officers' total compensation arrangements, including cash compensation (both fixed and variable), long-term incentive compensation (including past equity awards and the current and projected values of these awards) and post-employment compensation obligations (including in the event of a change of control of the company);

Assessing executive compensation trends within our industry, and updating the Compensation Committee on corporate governance and regulatory issues and developments;

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Reviewing market equity compensation practices, including burn rate and overhang;

Providing competitive market data based on the compensation peer group regarding the compensation of the non-employee members of our Board, which the Compensation Committee and the Corporate Governance Committee reviews on a biennial basis, and evaluating how the compensation we pay to these individuals compares to how the companies in the compensation peer group compensate the members of their board of directors;

Reviewing the Compensation Discussion and Analysis; and

Assessing compensation-related risk to determine whether our compensation policies and practices are reasonably likely to have a material adverse impact on us. See above for a more complete discussion of the compensation risk assessment.

In 2017, neither Pearl Meyer nor Compensia provided any services to us except those listed above. The Compensation Committee regularly reviews the objectivity and independence of the advice provided by its compensation consultant on executive compensation matters. With respect to the period in 2017 for which each compensation consultant provided services, the Compensation Committee considered the six specific independence factors adopted by the SEC and The NASDAQ Stock Market and determined that both Pearl Meyer and Compensia were independent and that their work did not raise any conflicts of interest. The Compensation Committee will continue to monitor the independence of its compensation consultant on an annual basis.

## **Market Data**

Each year, the Compensation Committee identifies a group of peer companies for purposes of comparing and analyzing our executive compensation levels, policies and practices against the competitive market. The companies in this compensation peer group for 2017 were selected on June 15, 2016 based on their similarity to us, as determined using the following criteria:

Companies in the software or information technology services industries of an appropriately similar size, based on revenue and market capitalization;

Companies with a similar focus in terms of products or customers that would likely compete against us for financial capital and employees; and

Companies headquartered in the U.S. with status as an independent publicly traded entity.



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After consultation with its compensation consultant, the Compensation Committee approved the following compensation peer group for use during 2017:

Blackbaud, Inc.	Jack Henry & Associates, Inc.
Bottomline Technologies (de), Inc.	Pegasystems, Inc.
Cadence Design Systems, Inc.	PTC, Inc.
CommVault Systems, Inc.	RealPage, Inc.
CSG Systems International, Inc.	SS&C Technologies Holdings, Inc.
DH Corporation	Total System Services, Inc.
Euronet Worldwide, Inc.	VeriFone Systems, Inc.
Fair Isaac Corporation	Verint Systems, Inc.

To analyze the compensation practices of the companies in our compensation peer group, the compensation consultant gathered data from public filings (primarily proxy statements) and from the Radford High-Technology Executive Survey database. This market data was then used as a reference by the Compensation Committee to assess our current compensation levels in the course of its deliberations on compensation forms and amounts.

The Compensation Committee reviews our compensation peer group at least annually and makes adjustments to its composition, taking into account changes in both our business and the businesses of the companies in the peer group.

## **Compensation Elements**

Our executive compensation program is comprised of the elements set forth in the following table, each of which is described in more detail below. Although the focus of this Compensation Discussion and Analysis is on the compensation of our Named Executive Officers, our 2017 executive compensation program for all of our executive officers, including those who are not Named Executive Officers, was comprised of these same elements, and the compensation-setting process described above applies similarly with respect to the compensation of all of our executive officers. The Compensation Committee considers the factors described under Compensation-Setting Process

Factors Considered in Compensation Deliberations above to determine the form and amount of each element of compensation similarly for our CEO and our other executive officers, including our other Named Executive Officers.



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The following table sets forth each individual compensation element, including each element's principal purpose, its link to our compensation philosophy and, where the element is performance-based, the specific associated performance metrics.

<b>Compensation</b>		
<b>Element</b>	<b>Description</b>	<b>Element Objectives</b>
<b>Base Salary</b>	Ongoing cash compensation based on executive officer's role, responsibilities, competitive market positioning and individual performance	Attract and retain key managerial talent
<b>Annual Cash Incentive Awards ( MIC )</b>	Annual cash incentive with target award amounts for each executive officer; actual cash awards may be higher or lower than target, based on business and individual performance	<p>Drive top-tier performance through individual contributions</p> <p>Attract and retain key managerial talent</p> <p>Encourage and reward achievement of annual performance objectives</p> <p>Provided under our Executive Management Incentive Compensation Plan</p> <p>Drive top-tier performance through individual contributions</p>
<b>Long-Term Incentive Compensation</b>	Long-term equity incentives granted in the form of options to purchase shares of our common stock and performance-based full value share awards; actual full value awards earned may be higher or lower than target, based on business and individual performance	<p>Attract and retain key managerial talent</p> <p>Drive top-tier performance through long-term individual contributions and focus on sustained success</p> <p>Enhance stock ownership/align with stockholders' interests</p>
<b>Health, Welfare and Other Benefits</b>	Provides broad-based market competitive employee benefits consistent with the benefits available to our employees generally, including our employee stock purchase plan, Section 401(k) retirement plan, life, health and dental insurance and short-term and long-term	<p>Attract and retain key managerial talent</p> <p>Promote health and well-being of executive officers</p>

	disability plans	
		Provide death benefits to executive officer beneficiaries
		Provide opportunity for future financial security
<b>Non-Qualified Deferred Compensation</b>	Enables deferral of base salary and/or annual cash incentive awards on a tax-efficient basis to meet future financial goals	Attract and retain key managerial talent
		Provide opportunity for future financial security
<b>Change in Control Benefits</b>	Provides for payments and benefits in the event of a change in control of the company	Retain key managerial talent
		Focus on delivering top-tier stockholder value in periods of uncertainty
		Support effective transition

### **Base Salary**

Base salary represents the fixed portion of the target total direct compensation of our executive officers, including our Named Executive Officers, and is intended to attract and retain highly talented individuals.

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Each executive officer's base salary, except our CEO's, is based on the recommendation of our CEO to the Compensation Committee. These recommendations consider competitive market data assessments prepared by our independent compensation consultant, the company's operating budget, a desire to phase in compensation changes over more than one fiscal year, relative levels of cash incentive and long-term equity compensation, the performance of a particular executive officer's business unit in relation to established strategic plans, long-term potential of the executive officer to contribute to our financial position, retention concerns, if any, and the assessment of the executive's performance in the executive's annual performance appraisal. The Compensation Committee, in consultation with its compensation consultant, reviews the base salaries of our executive officers, including our Named Executive Officers (other than our CEO) annually based on the CEO's recommendation and taking into account these factors as well as those described under "Compensation-Setting Process Factors Considered in Compensation Deliberations" above. Following this review, the Compensation Committee makes adjustments to the base salaries of our executive officers as it determines to be necessary or appropriate.

Our CEO's compensation, including his base salary, and the other terms of his employment are set forth in his employment agreement (the specific terms and conditions of which are discussed in more detail in the section entitled "CEO Employment Agreement" below). The Compensation Committee reviews our CEO's compensation, including his base salary, and the terms and conditions of his employment agreement on an annual basis in connection with the review of the compensation of our other executive officers. As part of this review, the Compensation Committee considers our overall financial performance, our progress on our operational and strategic objectives and the factors described under "Compensation-Setting Process Factors Considered in Compensation Deliberations" above.

In November 2016, the Compensation Committee reviewed the base salaries of our executive officers, including our Named Executive Officers, taking into consideration the factors described above. Following this review, the Compensation Committee determined to maintain the base salary of our CEO at its 2016 level and to increase the base salaries of certain of our executive officers to maintain the competitiveness of this compensation element. Specifically, Mr. Saks was promoted into his current role and his 2017 compensation was adjusted accordingly. The base salaries of our Named Executive Officers for 2017 were as follows:

Named Executive Officer	2016 Base Salary	2017 Base Salary	Percentage Increase
Philip G. Heasley	\$720,000	\$720,000	
Scott W. Behrens	\$350,000	\$415,000	18.6%

Craig S. Saks	\$350,000	\$415,000	18.6%
Daniel J. Frate	\$410,000	\$415,000	1.2%
Anthony M. Scotto, Jr.	\$345,000	\$400,000	15.9%

### **Annual Cash Incentive Awards**

Our annual cash incentive plan for our executive officers, including our Named Executive Officers, which is established each year under our MIC Plan, offers them the opportunity to earn cash

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awards based on our corporate and their business unit and individual performance as measured over a 12-month performance period. This annual cash incentive plan is designed to encourage each individual participant's contribution to, and to reward them for, the achievement of specific pre-established financial and operational objectives that are controlled by, or can be directly impacted by, him or her.

In February 2017, the Compensation Committee approved the 2017 Executive MIC Plan for our executive officers, including our Named Executive Officers. The 2017 MIC provided for a funding pool (the Funded Incentive Pool) based on the achievement of three corporate financial objectives. Based on individual performance, an executive officer's payment under the 2017 Executive MIC could range from 0% to 200% of his or her target annual cash incentive award opportunity (as described below), but the aggregate of all 2017 MIC payments could not exceed the Funded Incentive Pool for all 667 participants.

***Annual Cash Incentive Award Opportunity Targets***

At the beginning of each year, our executive officers, including our Named Executive Officers, are assigned a target annual cash incentive award opportunity, the amount of which is calculated as a percentage of their annual base salary. Generally, the Compensation Committee, in consultation with its compensation consultant, reviews the target annual cash incentive award opportunities of each of our executive officers taking into account our CEO's recommendations (except with respect to his own target annual cash incentive award opportunity), as well as the factors described under Compensation-Setting Process Factors Considered in Compensation Deliberations above. Following this review, the Compensation Committee makes adjustments to the target annual cash incentive award opportunities of our executive officers as it determines to be necessary or appropriate. For our CEO, the Compensation Committee reviews his target bonus at the same time as all the other terms of his employment agreement, as described above.

In November 2016, the Compensation Committee reviewed the target annual cash bonus opportunities of our executive officers, including our Named Executive Officers. Following this review, the Compensation Committee determined to maintain the target annual cash incentive award opportunity as a percent of base salary of our executive officers at their 2016 level. The target annual cash incentive award opportunities of our Named Executive Officers for purposes of the 2017 Executive MIC were as follows:

Named Executive Officer	2016 Target		2017 Target		Percentage Increase over 2016
	Annual Cash Incentive Award Opportunity (% of base salary)	2016 Target Annual Cash Incentive Award Opportunity (\$)	Annual Cash Incentive Award Opportunity (% of base salary)	2017 Target Annual Cash Incentive Award Opportunity (\$)	
Philip G. Heasley	125%	\$900,000	125%	\$900,000	(calculated based on the dollar amount increase)

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Scott W. Behrens	100%	\$350,000	100%	\$415,000	18.6%
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Craig S. Saks	100%	\$350,000	100%	\$415,000	18.6%
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Daniel J. Frate	100%	\$410,000	100%	\$415,000	1.2%
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Anthony M. Scotto, Jr.	100%	\$345,000	100%	\$400,000	15.9%
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Payments under the 2017 MIC could be more or less than the target annual cash incentive award opportunity (up to a maximum of 200% of the target award opportunity) depending on the company's and an executive officer's actual performance for the year.

### ***Plan Terms - Eligibility***

To be eligible for any payment under the 2017 Executive MIC, an executive officer was required to:

Achieve a performance rating of three or higher on a five-point scale;

Be an employee on the date of payment, except to the extent otherwise provided by us; and

Be an employee as a new hire prior to October 1 of the year hired. Eligibility is prorated for less than full year employment.

If an executive officer's employment with us terminated for any reason prior to the payment date, he or she was not eligible to receive an award, and he or she forfeited all rights to such payment except to the extent otherwise provided by us. In addition, we reserve the right to require an executive officer to forfeit his or her right to payment or to reimburse us for any payments previously paid, along with any other action we deem necessary or appropriate, in the event it is determined that the individual participant engaged in misconduct in the course of his or her employment.

### ***Plan Terms - Performance Metrics***

For purposes of the 2017 MIC, our executive officers were eligible to earn annual cash incentive awards for the period beginning on January 1, 2017 and ending on December 31, 2017 based on our actual performance as measured in three categories:

Core Company Financial Metrics, consisting of 60-month backlog growth, revenue and adjusted EBITDA;

Business unit performance; and

Individual Management Business Objective (MBO) goals.

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As described above, the Funded Incentive Pool was the source of funding for payments under the 2017 MIC. The funding pool was designed to be set at 90% or more of the target plan amount if ACI met or exceeded the midpoint of its financial guidance of revenue and adjusted EBITDA. Otherwise, the funding pool was to be determined by the following core financial metrics.

Corporate Performance	Metric	Weighting	Target		Annual Cash Incentive Award Payment Percentage
			Performance Level (millions)	Performance Achievement Percentage	
60-Month Backlog Growth		33.33%	\$214	80%	40%
				100%	100%
				110%	200%
				80%	40%
Revenue		33.33%	\$1,034	100%	100%
				110%	200%
				80%	40%
				100%	100%
Adjusted EBITDA		33.33%	\$260	100%	100%
				110%	200%

For purposes of the 2017 MIC plan the Corporate Performance Metrics listed above shall have the following meanings:

- 60-month Backlog Growth shall mean the 60-month Backlog as reported in the company's annual report on Form 10-K for the 2017 fiscal year less the backlog reported as of the end of fiscal year 2016.
- Revenue shall mean the revenue as reported in the company's annual report on Form 10-K for the 2017 fiscal year.
- Adjusted EBITDA shall mean the adjusted EBITDA for fiscal year 2017 as determined by the company and detailed in the annual report on Form 10-K for the 2017 fiscal year.

If ACI exceeded the midpoint of its 2017 revenue and adjusted EBITDA guidance the Funded Incentive Pool would be set at a minimum 90% of its on-target plan amount.

The Compensation Committee approved this plan design because it incented the achievement of the financial performance which ACI communicated to its stockholders and it further incented over-achievement of the key financial drivers for our business. The performance metrics and their targets provide a balance between generating revenue, managing our expenses and growing our business, which are designed to enhance stockholder value. The target levels were set to reward strong management performance in light of our strategic objectives and the industry and economic conditions and trends at the time the targets were set.

***Plan Terms - Individual Performance***

Each Named Executive Officer and other executive officers have two types of performance goals under the 2017 MIC. These are generally described as Individual MBOs and Business Unit Performance goals. The CEO proposes up to five Individual MBOs for each Named Executive Officer and each executive officer. The Compensation Committee reviews each of these objectives. In addition, the Compensation Committee sets the Individual MBOs for the CEO. These Individual MBOs are tied to 25% of each individual's MIC goal except for the CEO where they carry 20% weighting. Each Named Executive Officer and other executive officers are assigned to a business unit for determining the MIC calculation. The business units for 2017 were Corporate, Global Sales, ACI on Demand, and ACI on Premise.

For the Individual MBOs, the level of performance attained determines the degree of payment that is made to the individual. The payments may range from 0% to 200%. For the Business Unit Performance, the attainment determines the payout on that portion of the objective.

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The individual's weighted target incentive is then multiplied by the Business Unit attainment to determine that portion of the MIC payment. The weighted attainments from both sets of objectives are then added together to determine the overall attainment.

***Annual Cash Incentive Award Decision***

In February 2018, the Compensation Committee determined the amounts to be paid under the 2017 MIC. The first step in making this determination was to calculate the amount of the Funded Incentive Pool based on our actual performance in 2017 with respect to each of the Core Company Financial Metrics and our performance against our adjusted EBITDA and Revenue street guidance:

We achieved 105% of our adjusted EBITDA goal, 97% of our revenue goal and 0% of our backlog growth goal. We also exceeded our guidance midpoints for 2017 adjusted EBITDA by 4%, and 1% for revenue. This resulted in a MIC Funded Incentive Pool of 90% of the on-target plan amount.

The final step was to calculate the actual annual cash incentive award payments to be made to our executive officers, including our Named Executive Officers, utilizing the process described above.

The actual annual cash incentive award payments earned by our Named Executive Officers under the 2017 MIC Plan were as follows:

<b>Named Executive Officer</b>	<b>2017 Target Annual Cash Incentive Award Opportunity (\$)</b>	<b>Payment Percentage (%)</b>	<b>2017 Annual Cash Incentive Award Payment (\$)</b>
Philip G. Heasley	\$900,000	90%	\$810,000
Scott W. Behrens	\$415,000	98%	\$404,625
Craig S. Saks	\$415,000	84%	\$347,563
Daniel J. Frate	\$415,000	86%	\$357,108

Anthony M. Scotto, Jr.	\$400,000	93%	\$370,000
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### **Long-Term Incentive Compensation**

Our long-term incentive program provides for the grant of equity awards to our executive officers, including our Named Executive Officers, and other key employees whose responsibilities and decisions directly impact our long-term business results. We use equity awards to both incent these individuals and to address special situations as they may arise from time to time, such as promotions and retention arrangements. Our equity award grant practices are designed to reflect a balance between our desire to motivate and retain executive talent, our belief in the benefits that accrue to us by aligning the interests of our management team with those of our stockholders, our need to remain competitive in recruiting and our need to effectively manage the dilution of stockholders' interests.

Generally, we use performance share awards which may be earned through the achievement of pre-established performance objectives over a multi-year period and options to purchase shares

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of our common stock as the primary equity vehicles to deliver long-term incentive compensation opportunities to our executive officers.

Our performance share awards enable our executive officers to earn shares of our common stock based on our performance over a three-year performance period. These awards provide an equity opportunity that motivates and rewards our executives for successful long-term performance. We believe our rTSR performance share awards can provide strong upside potential in the event of outperformance relative to the competitive market, with the ability to earn a target award even in a down market. In addition, our rTSR performance share awards provide a direct link between compensation and stockholder return, thereby motivating our executive officers to focus on and strive to achieve both our annual and long-term business objectives. Our Financial Performance Share Awards motivate and reward our executives for achievement of multi-year performance in what we believe are the key financial metrics to drive our business.

We believe that options to purchase shares of our common stock, when granted with exercise prices equal to the fair market value of our common stock on the date of grant, provide an appropriate long-term incentive for our executive officers, because they are rewarded only to the extent that, following the date of grant, our stock price grows, which aligns with our stockholders' interest in seeing the value of their investment grow.

Typically, the size and form of the equity awards for our executive officers are determined in the discretion of the Compensation Committee at a level that it believes is competitive with current market conditions and after taking into consideration an analysis of competitive market data, the recommendation of our CEO (except with respect to his own equity award), the proportion of our total shares outstanding used for annual employee long-term incentive compensation awards (our "burn rate") in relation to that of the companies in our compensation peer group, the potential ownership dilution to our stockholders (our "overhang") in relation to the median practice of the companies in our compensation peer group and the other factors described under "Compensation-Setting Process" Factors Considered in Compensation Deliberations" above.

In February 2017, the Compensation Committee granted long-term incentive compensation opportunities to our executive officers, including our Named Executive Officers, using a combination of options to purchase shares of our common stock, performance share awards that may be earned, if at all, based upon our achievement as measured against three pre-established financial performance objectives over a three-year performance period (the "Financial Performance Share Awards") and performance share awards that may be earned, if at all, based on the performance of the trading price per share of our common stock relative to the iShares North American Tech ETF Index, over a three-year performance period (the "rTSR Performance Share Awards"). The performance share awards comprised two-thirds of the aggregate grant value delivered pursuant to these equity awards, while the options to purchase shares of our common stock comprised one-third of the aggregate grant value delivered. Fifty percent of the performance share awards were granted in the form of Financial Performance Share Awards and the remaining 50% was granted in the form of rTSR Performance Share Awards.

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The equity awards and underlying number of shares of our common stock granted to our Named Executive Officers in 2017 were as follows:

<b>Named Executive Officer</b>	<b>Option to Purchase Shares of Common Stock (# of shares)</b>	<b>Financial Performance Share Awards (# of shares)</b>	<b>Relative TSR Performance Share Awards (# of shares)</b>	<b>Aggregate Grant Date Fair Value</b>
Philip G. Heasley	256,000	79,523	68,995	\$4,800,000
Scott W. Behrens	64,000	19,881	17,249	\$1,200,000
Craig S. Saks	64,000	19,881	17,249	\$1,200,000
Daniel J. Frate	64,000	19,881	17,249	\$1,200,000
Anthony M. Scotto, Jr.	64,000	19,881	17,249	\$1,200,000

***Financial Performance Share Awards***

The Financial Performance Share Awards are to be earned, if at all, over a three-year performance period ending December 31, 2019 based upon our actual achievements as measured against the Core Company Financial Metrics: 60-month backlog growth, revenue and adjusted EBITDA, with each performance metric equally weighted. As in the case of the 2017 MIC, the Compensation Committee selected these metrics as the corporate performance measures for the Financial Performance Share awards based on its belief that these metrics were appropriate for measuring the long-term progress of our business because they provided a balance between managing our expenses and growing our business. Note that based on stockholder feedback after the 2017 grants were made, the Compensation Committee eliminated the grant of the Financial Performance Share Awards to stop having the same types of financial metrics to measure the MIC and the performance-vesting equity awards.

For purposes of the Financial Performance Share Awards:

Revenue and adjusted EBITDA will be calculated the same way as for the 2017 MIC.

The shares of our common stock subject to the awards are to be earned based upon a pre-established matrix that provides threshold, target and maximum performance levels for each metric over the performance period, as follows:

<b>Metric Attainment for Financial</b>	<b>Vesting Percentage of Financial</b>
<b>Performance Shares</b>	<b>Performance Shares</b>
Less than 80% of Target	No Vesting
80% of Target	40% Vesting
Target	100% Vesting
110% of Target	200% Vesting



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If our achievement for any metric falls between the specified percentage amounts set forth in the matrix, the Compensation Committee will determine the award percentage earned by mathematical interpolation and rounded to the nearest whole share.

***Relative TSR Performance Share Awards***

The rTSR Performance Share Awards are to be earned, if at all, over a three-year performance period ending December 31, 2019 based upon the relative performance of the trading price per share of our common stock relative to the iShares North American Tech ETF Index, a fund that tracks the investment results of the iShares North American Tech-Software ETF (IGV ETF), of which we are a constituent of the index. The rTSR Performance Share Awards are subject to the following earn-out schedule:

If the relative performance of the trading price of our common stock does not achieve the threshold performance level, then our executive officers will not earn any shares of our common stock.

If the relative performance of the trading price of our common stock achieves the threshold performance level, then our executive officers will earn the shares of our common stock based on a performance matrix that provides as follows:

<b>Performance (Percentile Ranking)</b>	<b>Percent Vesting of rTSR Performance Shares</b>
Less than 25 <sup>th</sup> Percentile	0% Vesting
25 <sup>th</sup> Percentile	50% Vesting
50 <sup>th</sup> Percentile	100% Vesting
75 <sup>th</sup> Percentile	150% Vesting

90<sup>th</sup> Percentile

200% Vesting

If the relative performance of the trading price of our common stock falls between the specified percentage ranges in the performance matrix, the Compensation Committee will determine the award percentage earned by mathematical interpolation and rounded to the nearest whole share.

***Options to Purchase Shares of Common Stock***

The options to purchase shares of our common stock granted to our executive officers have an exercise price of \$20.12 the fair market value of our common stock on the date of grant. In addition, these options vest in three equal annual installments commencing on the first anniversary of the date of grant, subject to the executive officer's continued employment as of each vesting date.

**2018 Compensation Decisions**

After considering stockholder feedback, for 2018 our Compensation Committee revised our executive compensation programs to provide for a more robust program that was better aligned with market and best practice.

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***2018 MIC Annual Cash Incentive***

For our 2018 MIC, in a change from the 2017 MIC, we will use a single performance measure, adjusted EBITDA, as the funding gateway. Assuming the threshold percentage of the gateway is met, other important financial measures including bookings, revenue growth, operating free cash flow, and business measures such as customer satisfaction are measured through MBOs. In addition, individual performance is evaluated and considered in determining MIC payouts.

***2018 Equity Grants***

For the 2018 annual refresh equity grants, our Compensation Committee granted our CEO, 75% rTSR performance shares and 25% stock options and to the rest of the executive officers a combination of 50% rTSR performance shares and 50% service vesting restricted stock awards. The Compensation Committee determined that the rTSR performance shares are a preferred approach to the performance shares based on three-year financial goals. By using the rTSR performance shares, we align the incentives and rewards of our executives more closely with our stockholders. We also eliminate the overlap of our performance goals between our long-term compensation and our annual incentive (bonus) compensation. Finally, as our business goes through a dynamic transformation to the cloud, our ability to accurately forecast financial goals three years ahead of time has diminished. The Compensation Committee noted that the business could perform satisfactorily while not meeting long-term performance goals due to the dynamic environment, but the satisfactory performance should still be reflected in the stock price. Our Compensation Committee determined to continue to have our CEO's long-term compensation to be solely performance-based, with the remaining 25% granted in stock options. Our Compensation Committee believes that stock options are performance-based for our company because company performance is the biggest factor in driving our stock price and without successful execution of our business strategy, even in a good economy, our stock price is unlikely to increase. For the remaining executives, our Compensation Committee determined that it would be desirable to provide a portion of the long-term incentive in the form of service-vesting restricted stock awards to provide a retention component. We noted that it is common in the market to grant about half of long-term equity compensation in the form of service-vesting restricted stock and we want our program to be competitive with our competitors to ensure that we can retain and attract key executive talent.

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The 2018 rTSR Performance Share Awards are to be earned, if at all, over a three-year performance period ending December 31, 2020 based upon the relative performance of the trading price per share of our common stock relative to the S&P 400 Mid-Cap Index. We are included in the S&P 400 Mid-Cap Index. The rTSR Performance Share Awards are subject to the following earn-out schedule:

**PERCENT OF AWARD EARNED BASED UPON THE REALATIVE TOTAL  
STOCKHOLDER RETURN**

<b>Performance (Percentile Ranking)</b>	<b>Percent Vesting of rTSR Performance Shares</b>
Less than 25 <sup>th</sup> Percentile	0% Vesting
25 <sup>th</sup> Percentile	50% Vesting
50 <sup>th</sup> Percentile	95% Vesting
55 <sup>th</sup> Percentile	100% Vesting (Target)
75 <sup>th</sup> Percentile	200% Vesting

If the relative performance of the total stockholder return is between the specified percentage ranges in the performance matrix, the Compensation Committee will determine the award percentage earned by mathematical interpolation and rounded to the nearest whole share.

If our total stockholder return is negative, the shares that may be earned is capped at 100% (Target) regardless of whether we have out-performed the Index by a greater amount.

#### **Performance Results for Prior Year Awards**

Under our 2015 LTIP performance shares, granted in January 2015, we achieved 87% of the cumulative operating income target and 81% of the SNET CAGR (Sales, Net of Term Extensions, now called New Bookings) target. This was below the threshold performance for SNET CAGR and resulted in no payout for the award. While our Compensation Committee considered a management proposal to de-couple the cumulative operating income and SNET metrics, which would have yielded a partial payout based on the cumulative operating income metric performance alone, the Compensation Committee determined not to effect such change in the plan. Accordingly, no payout of performance shares was achieved under this plan.

#### **Health and Welfare Benefit Plans**

We seek to provide our executive officers, including our Named Executive Officers, with health, retirement and other benefits at a reasonable cost consistent with the health, retirement and other benefits provided at the companies with which we compete for executive talent. We maintain a tax-qualified Section 401(k) retirement plan that provides for broad-based employee participation. For 2017, we matched contributions made to the plan by our employees, including our Named Executive Officers, beginning on the first anniversary of a participant's date of hire, up to 4% of the participant's base salary with an annual match limit of \$4,000 per participant. All employer and employee contributions are 100% vested immediately. We intend for the plan to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

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so that contributions by participants to the plan, and income earned on plan contributions, are not taxable to participants until withdrawn from the plan.

We also offer substantially all our employees, including our Named Executive Officers, the opportunity to purchase shares of our common stock at a discount under our employee stock purchase plan. Under this plan, participants may contribute up to 10% of their base salary (subject to certain Internal Revenue Service limits) to purchase shares of our common stock at the end of each participation period. Participation periods are the three months ending on April 30, July 31, October 31 and January 31 of each year. Shares are purchased at a price equal to 85% of the fair market value of our common stock on the last day of a participation period.

In addition, we provide other benefits to our Named Executive Officers on the same basis as all of our full-time employees. These benefits include: medical, dental and vision insurance; medical and dependent care flexible spending accounts; health savings account; short-term and long-term disability insurance; accidental death and dismemberment insurance; and basic life insurance coverage.

**Non-Qualified Deferred Compensation Plan**

We seek to provide our executive officers, including our Named Executive Officers, with market-competitive benefit programs consistent with the programs provided at the companies with which we compete for executive talent. We maintain a non-qualified deferred compensation plan (the "Deferred Compensation Plan") in which a select group of executive officers and other highly compensated employees, including our Named Executive Officers, may elect to participate. Eligible participants may elect to defer base salary and/or annual cash incentive awards received under the MIC plan. Deferral amounts are credited to a bookkeeping account which we maintain with hypothetical gains or losses attributable to the earnings indices selected by the participant. The following four earnings indices are available under the Deferred Compensation Plan:

the Standard & Poor's 500

the Russell 2000 Index

the Barclays Bond Index

a fixed rate of return equivalent to the prime rate

These earnings indices are to be used for measurement purposes only and amounts deferred under the Deferred Compensation Plan do not represent any actual investment made on the participant's behalf by us. It is intended that the Deferred Compensation Plan will conform with the requirements of Section 409A of the Internal Revenue Code and its related regulations.

**Perquisites and Other Personal Benefits**

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not provide perquisites to our executive officers, including our Named Executive Officers, except in situations where we believe it is appropriate to assist an individual in the performance of

his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes.

During 2017, none of our Named Executive Officers received perquisites or other personal benefits that were, in the aggregate, \$10,000 or more. We do not expect that any future perquisites

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or other personal benefits will be a significant aspect of our executive compensation program. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

**Employment Agreements**

Except for the Amended and Restated Employment Agreement which we entered into with our CEO effective January 7, 2016 (the "CEO Employment Agreement"), we do not have employment agreements or severance arrangements with any of our executive officers, including any of our Named Executive Officers, except as described in the next section. No changes or amendments were made to the CEO Employment Agreement in 2017 or year to date in 2018.

For information on the specific terms and conditions of the CEO Employment Agreement, see "CEO Employment Agreement" below.

**Post-Employment Compensation Arrangements**

We seek to provide our executive officers, including our Named Executive Officers, with market competitive post-employment compensation arrangements consistent with the post-employment payments and benefits provided at the companies with which we compete for executive talent.

We have entered into written Change-in-Control Employment Agreements (the "CIC Agreements") with each of our Named Executive Officers, which were last amended in June 2016. Each of these agreements was approved by the Compensation Committee or, in certain instances, by our Board. These agreements set forth the rights and responsibilities of each party and protect both parties' interests in the event of a termination of employment by providing the Named Executive Officer with the opportunity to receive certain post-employment payments and benefits in the event of a termination of employment under certain circumstances, including a change in control of the company.

We believe that having reasonable and competitive post-employment compensation arrangements is essential to attracting and retaining highly-qualified executive officers. Our post-employment compensation arrangements are intended to keep executive officers working to achieve our goals despite a possible change in control of the company and are designed to provide reasonable compensation to executive officers who leave us under certain circumstances to facilitate their transition to new employment. Further, we seek to mitigate any potential employer liability and avoid future disputes or litigation by requiring a departing executive officer to sign a separation and release agreement acceptable to us as a condition to receiving post-employment compensation payments or benefits.

In determining payment and benefit levels under the various circumstances triggering the post-employment compensation provisions of the CIC Agreements, the Compensation Committee has drawn a distinction between (i) terminations of employment by us for cause and voluntary terminations of employment without good reason and (ii) terminations of employment by us without cause or by a Named Executive Officer with good reason as a result of a change in control of the company. Payment in the event of a termination by us without cause or by a Named Executive



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Officer with good reason as a result of a change in control of the company has been deemed appropriate in light of the benefits to us described above, as well as the likelihood that the Named Executive Officer's departure is due, at least in part, to circumstances not within his or her control. In contrast, we believe that payments are not appropriate in the event of a termination of employment for cause or a voluntary resignation without good reason because such events often reflect either inadequate performance or a decision by a Named Executive Officer to end his relationship with us.

As noted above, the CIC Agreements contain post-employment compensation arrangements in the event of a change in control of the company. The primary purpose of these arrangements is to keep our most senior executive officers focused on pursuing corporate transactions that are in the best interests of our stockholders regardless of whether those transactions may result in their own job loss. As such, we believe that these arrangements appropriately align the interests of management and stockholders when considering our long-term future.

All payments and benefits in the event of a change in control of the company are payable only if there is a subsequent qualifying loss of employment by a Named Executive Officer (commonly referred to as a double-trigger arrangement). In the case of the acceleration of vesting of outstanding equity awards, we use this double-trigger arrangement to protect against the loss of retention value following a change in control of the company and to avoid windfalls, both of which could occur if vesting of either equity or cash-based awards accelerated automatically as a result of the transaction. Note that there are some legacy equity awards granted in 2016 that still contain a single trigger vesting acceleration provision (i.e., they vest upon the close of a change in control). When we amended our agreements in June 2016, we were not able to change these agreements without incurring adverse accounting expenses, so the decision was made to let these agreements remain in place until these awards are vested.

In addition to the foregoing, our CEO is eligible to receive certain post-employment payments and benefits in the event of a termination of employment under certain circumstances, including a change of control of the company, pursuant to the CEO Employment Agreement. If he is entitled to payments and benefits under his CIC Agreement, then he will receive no payment or benefits pursuant to the CEO Employment Agreement.

For information on the specific terms and conditions of the CIC Agreements and the post-employment compensation arrangements under the CEO Employment Agreement, see [Change-in-Control Employment Agreements](#) below. In addition, for an estimate of the potential payments and benefits payable under these arrangements as of the end of 2017, see [Potential Post-Termination Benefits Table](#) below.

## **Compensation-Related Policies**

### **Stock Ownership Guidelines**

We maintain stock ownership guidelines for our executive officers, including our Named Executive Officers, and our directors which link their financial interests with the interests of our stockholders. In the case of our executive officers, these guidelines provide that they hold specific

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beneficial ownership positions in our common stock that are expressed as a dollar value calculated based on a specific multiple of base salary. Pursuant to these guidelines:

Our CEO is expected to own shares of our common stock with a value equal to at least six times his base salary; and

Our other executive officers, including our Named Executive Officers, are expected to own shares of our common stock with a value equal to at least three times their base salary.

Under these guidelines, an executive officer must retain 50% of the after-tax shares he or she receives from the exercise of options to purchase shares of our common stock, the vesting of stock appreciation rights for shares of our common stock, and the vesting of any other equity awards granted under our equity compensation plans until his or her ownership guidelines has been satisfied.

Shares of our common stock used to calculate compliance with the guidelines include direct share purchases on the open market, shares acquired through any employee benefit plan, as well as vested shares of restricted stock and the vested in-the-money portion of any option to purchase shares of our common stock.

Each executive officer has five years from the date of his or her appointment to an executive officer position to achieve the prescribed ownership level. An executive officer who fails to meet the ownership guidelines within the five-year period will not be eligible for further equity awards until he or she achieves his or her prescribed ownership level. At this time all of our Named Executive Officers either meet the ownership requirements of our guidelines or are still within the five-year period to meet the guidelines.

## **Compensation Recovery ( Clawback ) Policy**

Our recoupment policy, which applies to all award recipients, including Named Executive Officers, provides that (a) if the company is required to restate its consolidated financial statements because of material noncompliance due to irregularities with the federal securities laws, which restatement is due, in whole or in part, to the misconduct of the employee, or (b) it is determined that the employee has otherwise engaged in misconduct (whether or not such misconduct is discovered prior to the termination of the employee's employment), the company has the right to (a) cause the forfeiture or cancellation of any unvested and/or vested portion of the option, any unvested restricted shares, or any unearned performance shares; (b) cause the transfer of ownership back to the company of any vested shares not subject to transfer restrictions, common shares issued as payment for earned performance shares, or cash received as payment for earned performance shares; (c) recoup any proceeds from (i) the exercise or vesting of the option, (ii) the vesting of the restricted shares, (iii) the sale of shares of our common stock issued pursuant to the exercise of the option or as payment for earned performance shares and (iv) the sale of any unrestricted shares, along with any other action the company determines is necessary or appropriate and in the best interest of the company and its stockholders; and (d) the right to recoup any annual incentive cash-based payouts.

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### **Prohibition on Hedging and Pledging**

We have a policy that prohibits short sales and the use of derivatives by employees. In addition, we prohibit any equity awards from being sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the recipient until they become vested.

### **Equity Grant Policy**

Our Compensation Committee grants all equity awards to management, including our CEO and other executive officers. Our Board grants equity awards to independent directors based upon the recommendation of our Corporate Governance Committee. Equity awards are made at regularly scheduled Board or committee meetings. Annual awards to executives are granted based on a specified dollar amount, with the number of restricted stock award shares and performance shares based upon the closing market price of our stock on the grant date and the number of rTSR shares based upon a Monte-Carlo simulation of the value of that award. The exercise price of stock option awards is the closing market price of our stock on the grant date.

### **Tax and Accounting Matters**

#### **Deductibility of Executive Compensation**

Generally, Section 162(m) of the Internal Revenue Code disallows a federal income tax deduction for public corporations of remuneration in excess of \$1 million paid in any fiscal year to certain specified executive officers. For taxable years beginning before January 1, 2018, (i) these executive officers consisted of a public corporation's chief executive officer and up to three other executive officers (other than the chief financial officer) whose compensation is required to be disclosed to stockholders under the Securities Exchange Act of 1934 because they are our most highly compensated executive officers and (ii) qualifying performance-based compensation was not subject to this deduction limit if specified requirements are met. In this latter regard, the compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan in taxable years beginning before January 1, 2018 generally would be deductible so long as the options are granted by a committee whose members are non-employee directors and certain other conditions are satisfied.

Pursuant to the Tax Cuts and Jobs Act of 2017, which was signed into law on December 22, 2017 (the "Tax Act"), for taxable years beginning after December 31, 2017, the remuneration of a public corporation's chief financial officer is also subject to the deduction limit. In addition, subject to certain transition rules (which apply to remuneration provided pursuant to written binding contracts which were in effect on November 2, 2017 and which are not subsequently modified in any material respect), for taxable years beginning after December 31, 2017, the exemption from the deduction limit for performance-based compensation is no longer available. Consequently, for fiscal years beginning after December 31, 2017, all remuneration in excess of \$1 million paid to a specified executive will not be deductible.

In establishing the cash and equity incentive compensation plans and arrangements for our executive officers, including our Named Executive Officers, our Compensation Committee considers a variety of relevant factors, including the potential impact of the Section 162(m)

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deduction limit. However, our Compensation Committee will not necessarily limit executive compensation to that which is or may be deductible under Section 162(m). The deductibility of some types of compensation depends upon the timing of an executive officer's vesting or exercise of previously granted rights. Further, interpretations of and changes in the tax laws, and other factors beyond our Compensation Committee's control also affect the deductibility of compensation. Our Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent consistent with its compensation objectives.

To maintain flexibility to compensate our executive officers in a manner designed to promote our short-term and long-term corporate goals and objectives, our Compensation Committee has not adopted a policy that all compensation must be deductible. Our Compensation Committee believes it is important to maintain cash and equity incentive compensation at the requisite level to attract and retain the individuals essential to our financial success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limit. From time to time, our Compensation Committee may approve compensation for our Named Executive Officers that does not comply with an exemption from the deduction limit when it believes that such compensation is consistent with the goals of our executive compensation program and is in the best interests of the company and our stockholders.

## **Accounting for Stock-Based Compensation**

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, *Compensation - Stock Compensation*, for our stock-based compensation awards. FASB ASC Topic 718 requires us to measure the compensation expense for all share-based payments made to our employees and the members of our Board, including options to purchase shares of our common stock and other stock-based awards, based on the grant date fair value of these awards. This calculation is performed for financial accounting purposes and reported in the compensation tables below, even though recipients may never realize any value from their awards. FASB ASC Topic 718 also requires us to recognize the compensation cost of our share-based compensation awards in our income statements over the period that a recipient is required to render services in exchange for the option or other award.

## **COMPENSATION COMMITTEE REPORT**

The Compensation and Leadership Development Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on our review and discussions, we have recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

## **MEMBERS OF THE COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE**

Jan H. Suwinski, Chair

Charles E. Peters, Jr.

Adalio T. Sanchez

Thomas W. Warsop III



**Table of Contents****Pay Ratio Disclosure**

Our CEO to median employee pay ratio is approximately 74:1 and was calculated in accordance with Item 402(u) of Regulation S-K. We believe this ratio to be a reasonable estimate, based upon the assumptions and adjustments described below.

We identified the employee with compensation at the median of the annual total compensation of all of our employees (the Median Employee ) by examining the calendar year total cash compensation between January 1, 2017 and December 31, 2017 (using December 31, 2017 as the median employee determination date ), including salary or wages plus overtime paid, and any earned cash incentive compensation for 2017, for all individuals, excluding our CEO, who were employed by us (including our consolidated subsidiaries) on the median employee determination date, whether employed on a full-time, part-time, seasonal or temporary basis, subject to the application of the de minimis exemption as described below.

For employees paid other than in U.S. dollars, we converted their compensation to U.S. dollars using FX rates in effect on the median employee determination date.

For employees on a leave of absence we calculated compensation on an annualized basis. However, we did not include employees absent on an unpaid leave of absence for the entire measurement period, i.e., all of 2017.

For employees hired between January 2, 2017 and the median employee determination date, we calculated their salary or wages as if they had been employed for the entire measurement period.

The de minimis exemption allows us to exclude up to 5% of our total employees who are non-U.S. employees. Our total number of employees, including U.S. and non-U.S. employees, as of the median employee determination date was 4041, and we used this number to calculate the maximum number of employees excludable under the de minimis exemption. Accordingly, in identifying the median employee, we used the de minimis exemption to exclude the following approximate numbers of employees who are employed in the following countries:

Excluded Country	Employee	Excluded Country	Employee	Excluded Country	Employee
Argentina	8	Hong Kong	2	Poland	2
Austria	14	Italy	22	Spain	16

Belgium	8	Japan	8	Sweden	3
Chile	4	Mexico	19	Taiwan	3
China	5	Netherlands	20	Thailand	5
Ecuador	2	New Zealand	6	United Arab Emirates	18
Finland	1	Philippines	5	Uruguay	12
Greece	2				

After identifying the median employee based on the methodology described above, we calculated annual total compensation for such median employee using the same methodology we used to calculate the amount reported for our named executive officers in the "Total" column of the 2017 Summary Compensation Table, set forth later in this proxy statement.

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As disclosed in the 2017 Summary Compensation Table, the annual total compensation for fiscal year 2017 for our CEO was \$6,120,624. The annual total compensation for the median employee for fiscal year 2017 was \$82,367. The resulting ratio of our CEO's annual total compensation to the annual total compensation of our Median Employee for fiscal year 2017 is approximately 74:1.

**EXECUTIVE COMPENSATION**

The following table sets forth the compensation paid to, or earned by, our Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers (based on total compensation as reflected in the table below) during the fiscal year ended December 31, 2017 and preceding fiscal years. The executive officers included in the Summary Compensation Table in the Executive Compensation section below are collectively referred to as our Named Executive Officers.

**Summary Compensation Table<sup>(1)</sup>**

Name and Principal Position	Period	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
						(\$) <sup>(4)</sup>	(\$) <sup>(5)</sup>	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)
Philip G. Heasley President and CEO	2017	720,000	0	2,988,182	1,597,926	810,000	4,516	6,120,624
	2016	720,000	0	3,538,982	2,000,002	1,252,000	4,516	7,515,500
	2015	700,000	0	5,575,591	1,494,176	0	4,664	7,774,431
Scott W. Behrens	2017	415,000	0	747,056	399,482		4,516	1,970,679
Senior Vice President and Chief Financial Officer	2016	350,000	0	862,495	400,001	404,625	4,516	2,091,142
	2015	350,000	0	2,609,567	653,699	474,130	4,516	3,617,782



Craig S. Saks	2017	415,000	0	747,056	399,482	347,563	4,516	1,913,617
Chief Operating Officer <sup>(6)</sup>	2016	350,000	0	862,495	400,001	236,000	4,516	1,853,012
Daniel J. Frate	2017	415,000	0	747,056	399,482	357,108	4,516	1,923,162
Group President, ACI On Demand P&L	2016	410,000	0	886,986	400,001	308,770	4,516	2,010,273
	2015	400,000	0	2,461,560	560,314	0	24,164	3,470,202
Anthony M. Scotto, Jr.	2017	400,000	0	747,056	399,482	370,000	4,516	1,921,054
Senior Executive Vice President and Chief of Technology	2016	345,000	0	858,738	400,001	259,820	4,516	1,868,075
	2015	315,000	0	2,194,053	560,314	0	4,636	3,074,003

<sup>(1)</sup> Column (h) to this table entitled "Change in Pension Value and Nonqualified Deferred Compensation Earnings" has been omitted because no compensation is reportable thereunder.

<sup>(2)</sup> The amounts in column (e) reflect the aggregate grant date fair value of the restricted-stock awards and the performance-share awards granted during the respective fiscal year as computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. The amounts shown do not correspond to the actual value that will be recognized by the Named Executive Officer. The assumptions used in the calculation of these amounts are included in footnotes to the company's audited consolidated financial statements for the fiscal year ended December 31, 2017 included in our Annual Report. See "Compensation Elements - Long-Term Incentive Compensation" above for information on performance shares granted in 2017. The grant date fair values included in column (e) for the performance shares are based upon the probable outcome of the performance conditions.

<sup>(3)</sup> The amounts in column (f) reflect the aggregate grant date fair value of the stock option awards granted during the respective fiscal year as computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. The amounts shown do not correspond to the actual value that will be recognized by the Named Executive Officer. The assumptions used in the calculation of these amounts are included in footnotes to the company's audited consolidated financial statements for the fiscal year ended December 31, 2017 included in our Annual Report.

<sup>(4)</sup> The amounts in column (g) reflect compensation paid under the Executive MIC plan for the respective year.



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(5) All Other Compensation includes the following payments or accruals for each Named Executive Officer:

<b>Name of Executive</b>	<b>Employer Contributions to the 401(k) Plan</b>	<b>Premiums for Long-Term Disability Insurance</b>	<b>Perquisites</b>	<b>Tax Gross Ups</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Philip G. Heasley	4,000	516	0	0
Scott W. Behrens	4,000	516	0	0
Craig S. Saks	4,000	516	0	0
Daniel J. Frate	4,000	516	0	0
Anthony M. Scotto, Jr.	4,000	516	0	0

(6) Craig Saks became an executive officer in 2016.

**2017 Grants of Plan-Based Awards**

The following table sets forth information concerning annual incentive cash awards, and grants of stock options, performance shares, supplemental performance shares, and performance-based restricted shares to our Named Executive Officers during 2017.

**2017 Grants of Plan-Based Awards<sup>(1)</sup>**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(2)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Option Awards <sup>(4)</sup>		Grant Date  Fair Value <sup>(5)</sup>
		Threshold	Target	Maximum	Threshold	Target	Maximum	Options	Exercise Price Underlying of Securities	
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(\$/Sh)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(j)	(k)	(l)
Philip G. Heasley										
-Cash Incentive	-	360,000	900,000	1,800,000	-	-	-	-	-	-
-Financial Performance Share Units	2/21/2017	-	-	-	39,762	79,523	159,046	-	-	1,600,003
-rTSR Performance Share Units	2/21/2017	-	-	-	34,498	68,995	137,990	-	-	1,388,179
-Stock Options	2/21/2017	-	-	-	-	-	-	256,000	20.12	1,597,926
Scott W. Behrens										
-Cash Incentive	-	166,000	415,000		-	-	-	-	-	-
-Financial Performance Share Units	2/21/2017	-	-	830,000	9,941	19,881	39,762	-	-	400,006
-rTSR Performance Share Units	2/21/2017	-	-	-	8,625	17,249	34,498	-	-	347,050
-Stock Options	2/21/2017	-	-	-	-	-	-	64,000	20.12	399,482
Craig S. Saks										
-Cash Incentive	-	166,000	415,000	830,000	-	-	-	-	-	-
-Financial Performance Share Units	2/21/2017	-	-	-	9,941	19,881	39,762	-	-	400,006
-rTSR Performance Share Units	2/21/2017	-	-	-	8,625	17,249	34,498	-	-	347,050
-Stock Options	2/21/2017	-	-	-	-	-	-	64,000	20.12	399,482
Daniel J. Frate										
-Cash Incentive	2/21/2017	-	-	-	9,941	19,881	39,762	-	-	400,006

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-Financial Performance Share Units	2/21/2017	-	-	-	8,625	17,249	34,498	-	-	347,050
-rTSR Performance Share Units	2/21/2017	-	-	-	-	-	-	64,000	20.12	399,482
-Stock Options										
Anthony M. Scotto, Jr.										
-Cash Incentive	-	166,000	145,000	830,000	-	-	-	-	-	-
-Financial Performance Share Units	2/21/2017	-	-	-	9,941	19,881	39,762	-	-	400,006
-rTSR Performance Share Units	2/21/2017	-	-	-	8,625	17,249	34,498	-	-	347,050
-Stock Options	2/21/2017	-	-	-	-	-	-	64,000	20.12	399,482

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- (1) Column (i) to this table titled "All Other Stock Awards: Number of Shares or Stock Units" has been omitted because no stock awards are reportable thereunder.
- (2) The amounts shown are possible payouts under the 2017 Executive Management Incentive Compensation ( "MIC" ) plan. The amount shown in column (c) is the payout for threshold performance; the amount in column (d) is the payout for on-target performance; and the amount in column (e) is the payout for maximum performance. The MIC plan provides for 90% payout for achievement of financial guidance results and a minimum payout of 25%.
- (3) The awards shown in columns (f) through (h) reflect shares of our common stock issuable in connection with performance share awards granted to our Named Executive Officers in 2017. These awards were granted pursuant to the terms of the 2016 Incentive Plan. These awards will be earned, if at all, based upon the achievement, over a defined performance period, of applicable performance objectives. The amount in column (f) is the number of shares issuable for threshold performance; the amount in column (g) is the number of shares issuable for on-target performance; and the amount in column (h) is the number of shares issuable for maximum performance.
- (4) All stock options granted to our Named Executive Officers in 2017 were granted pursuant to the terms of the 2016 Incentive Plan. All stock options granted to our Named Executive Officers in 2017 are non-qualified and vest one-third per year beginning with the first anniversary of the date of grant.
- (5) The grant date fair value of each equity award granted during 2017 was computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For equity awards that are subject to performance conditions, the amounts reflected in column (l) reflect the value at the grant date based upon the probable outcome of such conditions and this amount is consistent with the estimate of the aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The probable outcome used for the calculation of the performance shares granted during 2017 is based on the achievement of target performance for each metric.

**Table of Contents****Outstanding Equity Awards**

The following table sets forth the outstanding equity awards for each of our Named Executive Officers for the year ended December 31, 2017.

**Outstanding Equity Awards at 2017 Fiscal Year End**

Option Awards <sup>(1)</sup>					Stock Awards				
		Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(3)</sup>	Equity Incentive Plan Awards: Market or Fair Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Option Grant Date	(#) Exercisable (b)	(#) Unexercisable <sup>(2)</sup> (c)	(\$) (e)	(f)	(#) (g)	(\$) (h)	(#) (i)	(\$) (j)
G.	2/21/2017	-	256,000	20.12	2/21/2027	-	-	79,523 <sup>(5)</sup>	1,802,78
/	2/21/2017	-	-	-	-	-	-	68,995 <sup>(6)</sup>	1,564,11
	2/23/2016	96,443	192,888	17.89	2/23/2026	-	-	134,153	3,041,24
	2/23/2016	-	72,333 <sup>(7)</sup>	17.89	2/23/2026	-	-	33,538 <sup>(8)</sup>	760,30
	6/9/2015	-	-	-	-	-	-	42,484 <sup>(9)</sup>	963,11
	1/26/2015	167,979	83,990	19.08	1/26/2025	-	-	125,786	2,851,50
	12/12/2013	138,387	-	20.51	12/12/2023	-	-	-	-
	12/3/2012	166,572	-	14.27	12/3/2022	-	-	-	-
	12/8/2011	100,000	-	9.65	12/8/2021	-	-	-	-

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V. S	2/21/2017	-	64,000	20.12	2/21/2027	-	-	19,881 <sup>(5)</sup>	450,70
	2/21/2017	-	-	-	-	-	-	17,249 <sup>(6)</sup>	391,03
	2/23/2016	24,111	48,222	17.89	2/23/2026	-	-	33,538	760,30
	6/9/2015	-	-	-	-	-	-	14,161 <sup>(9)</sup>	321,03
	1/26/2015	41,994	20,998	19.08	1/26/2025	-	-	31,447	712,90
	1/26/2015	-	47,244 <sup>(10)</sup>	19.08	1/26/2025	-	-	23,585 <sup>(11)</sup>	534,67
	12/12/2013	39,540	-	20.51	12/12/2023	-	-	-	-
	12/3/2012	55,524	-	14.27	12/3/2022	-	-	-	-
	12/8/2011	60,150	-	9.65	12/8/2021	-	-	-	-
	12/1/2010	48,285	-	8.88	12/1/2020	-	-	-	-
.	12/10/2009	45,375	-	5.51	12/10/2019	-	-	-	-
	2/21/2017	-	64,000	20.12	2/21/2027	-	-	19,881 <sup>(5)</sup>	450,70
	2/21/2017	-	-	-	-	-	-	17,249 <sup>(6)</sup>	391,03
	2/23/2016	24,111	48,222	17.89	2/23/2026	-	-	33,538	760,30
	6/9/2015	-	-	-	-	-	-	2,690 <sup>(9)</sup>	60,98
	1/26/2015	25,196	12,599	19.08	1/26/2025	-	-	18,868	427,73
	1/26/2015	-	15,748 <sup>(10)</sup>	19.08	1/26/2025	-	-	7,862 <sup>(11)</sup>	178,23
	12/12/2013	18,978	-	20.51	12/12/2023	-	-	-	-
J.	12/3/2012	10,548	-	14.27	12/3/2022	-	-	-	-
	2/21/2017	-	64,000	20.12	2/21/2027	-	-	19,881 <sup>(5)</sup>	450,70
	2/21/2017	-	-	-	-	-	-	17,249 <sup>(6)</sup>	391,03
	2/23/2016	24,111	48,222	17.89	2/23/2026	-	-	33,538	760,30
	6/9/2015	-	-	-	-	-	-	14,161 <sup>(9)</sup>	321,03
	1/26/2015	41,994	20,998	19.08	1/26/2025	-	-	31,447	712,90
	1/26/2015	-	31,496 <sup>(10)</sup>	19.08	1/26/2025	-	-	15,723 <sup>(11)</sup>	356,44
	12/12/2013	39,540	-	20.51	12/12/2023	-	-	-	-
	12/3/2012	18,509	-	14.27	12/3/2022	-	-	-	-



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y	9/13/2012	33,366	-	15.07	9/13/2022				
	2/21/2017	-	64,000	20.12	2/21/2027	-	-	19,881 <sup>(5)</sup>	450,70
Jr.	2/21/2017	-	-	-	-	-	-	17,249 <sup>(6)</sup>	391,03
	2/23/2016	24,111	48,222	17.89	2/23/2026	-	-	33,538	760,30
	6/9/2015	-	-	-	-	-	-	10,621 <sup>(9)</sup>	240,77
	1/26/2015	41,994	20,998	19.08	1/26/2025	-	-	31,447	712,90
	1/26/2015	-	31,496 <sup>(10)</sup>	19.08	1/26/2025	-	-	15,723 <sup>(11)</sup>	356,44
	12/12/2013	39,540	-	20.51	12/12/2023	-	-	-	-
	12/3/2012	41,643	-	14.27	12/3/2022	-	-	-	-
	12/8/2011	60,150	-	9.65	12/8/2021	-	-	-	-
	12/1/2010	48,285	-	8.88	12/1/2020	-	-	-	-
	3/17/2010	29,175	-	6.92	3/17/2020		-	-	-

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- (1) Column (d) to this table titled Option Awards entitled Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options has been omitted because no shares are reportable thereunder.
- (2) Unless otherwise noted, all stock options reported in this column vest in equal installments over a three-year period beginning with the first anniversary of the date of grant.
- (3) Unless otherwise noted, this column reflects the payout of the underlying shares of our common stock related to LTIP Performance Shares granted in 2015, 2016 and 2017 assuming on-target performance against the applicable metrics. LTIP Performance Shares granted on January 26, 2015 have a performance period from January 1, 2015 through December 31, 2017; LTIP Performance Shares granted on February 23, 2016 have a performance period from January 1, 2016 through December 31, 2018; and LTIP Performance Shares granted on February 21, 2017 have a performance period from January 1, 2017 through December 31, 2019.
- (4) The market value of the share awards that have not vested is calculated by multiplying the number of shares set forth in column (i) by the closing price of our common stock at December 29, 2017, \$22.67 per share.
- (5) 2017 LTIP Performance Shares that have a three-year performance period (2017 – 2019) and vest, if it all, following December 31, 2019 based on financial performance metrics. The number of shares denoted is the number issuable for on-target performance for each applicable metric.
- (6) 2017 LTIP Performance Shares that have a three-year performance period (2017 – 2019) and vest, if it all, following December 31, 2019 based on relative total shareholder return versus the applicable peer group. The number of shares denoted is the number issuable for on-target performance.
- (7) These options become exercisable, if at all, on the fifth anniversary of the date of grant. However, if the optionee retires after January 7, 2019, the options shall not be forfeited but will continue to vest.
- (8) Supplemental 2016 LTIP Performance Shares that have a five-year performance period (2016 – 2020) and vest, if it all, following December 31, 2020 when the Compensation Committee determines the vesting percentage. The number of shares denoted is the number payable for on-target performance of each applicable metric.
- (9) 2013 LTIP Retention Shares that vest in equal installments over a three-year period beginning with the first anniversary of the date of grant, subject to achievement of the financial performance criterion. The number of shares denoted is the number issuable for on-target performance of each applicable metric.
- (10) Supplemental 2015 LTIP Options that become exercisable, if at all, in three installments on the third, fourth and fifth anniversary of the date of grant, if the closing price per share of ACI's common stock meets or exceeds 133%, 167% and 200%, respectively, on the grant date for at least 20 consecutive trading days prior to the fifth anniversary of the grant date.

(11) Supplemental 2015 LTIP Performance Shares that have a five-year performance period (2015 – 2019) and vest, if it all, following December 31, 2019 based on financial performance metrics. The number of shares denoted is the number issuable for on-target performance of each applicable metric.

### Option Exercises and Stock Vested

The following table sets forth option exercises and stock vested for each of our Named Executive Officers for the year ended December 31, 2017.

### Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares		Value Realized on	
	Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting <sup>(1)</sup>
(a)	(b)	(c)	(d)	(e)
Philip G. Heasley	295,137	6,498,546	57,547	1,306,869
Scott W. Behrens	0	0	44,034	940,849
Craig S. Saks	0	0	16,945	355,959
Daniel J. Frate	0	0	44,718	956,150
Anthony M. Scotto, Jr.	30,000	689,100	40,389	857,682

<sup>(1)</sup> The amounts in column (e) were calculated by multiplying the number of vested shares by the closing price per share of ACI common stock on the vesting date.

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**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Except for the CEO Employment agreement with Mr. Heasley, and the change-in-control agreements described below, none of our Named Executive Officers have employment or severance agreements with ACI and their employment may be terminated at any time.

**Change-in-Control Employment Agreements**

We have entered into a Change-in-Control Employment Agreement (the "CIC Agreement") with our Named Executive Officers (each an "Executive" for purposes of this section). A copy of the form of CIC Agreement for all Executives was attached as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on June 20, 2016.

The CIC Agreement provides that ACI will employ the Executive for a two-year period following a change in control (as defined in the CIC Agreement) (the "Employment Period"). During the Employment Period, ACI will (i) pay the Executive a base salary equal to the highest annual rate of base salary paid or payable to the executive for the 12-month period prior to the change in control, (ii) award the Executive for each fiscal period during the Employment Period total annual and quarterly bonus opportunities equal to at least the executive's target annual and quarterly bonus opportunities for the year in which the change in control occurs, and (iii) allow the Executive opportunities to participate in ACI's incentive, savings and retirement plans to an extent no less favorable than opportunities provided for by ACI in the 120-day period prior to the effective date of any change in control.

The CIC Agreement also sets forth our obligations in the event the Executive's employment terminates during the Employment Period. The following is a summary of such obligations.

**Termination of Employment Other Than for Cause or by Executive for Good Reason**

The CIC Agreement provides that if the Executive's employment is terminated during the Employment Period other than for cause or the Executive's death or disability, or the Executive terminates employment for good reason, the Executive will be entitled to receive from ACI certain payments and benefits, contingent upon the receipt of a release of claims as set forth in the CIC Agreement. These payments and benefits include (i) the lump sum of (a) the Executive's unpaid current-year annual base salary through the date of termination, a portion of current-year bonus based on the current-year target annual bonus, prorated through the date of termination, and any accrued and unpaid vacation pay (together, the "Accrued Obligations"), plus (b) two or, in the case of Mr. Heasley only, three times, the sum of the annual base salary and target annual bonus; (ii) continued participation at ACI's cost in welfare benefits plans in which the Executive would have been participating for two or, in the case of Mr. Heasley only, three years, from the date of termination or until the Executive receives equivalent benefits from a subsequent employer, in which case, welfare benefits plans provided pursuant to the CIC Agreement shall be secondary to those provided under such other plans during the applicable period of eligibility; (iii) outplacement services at ACI's sole expense, not to exceed \$50,000; (iv) any unpaid amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice, program, or any other contract or agreement with ACI or the affiliated companies at or subsequent

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to the date of termination (the Other Benefits ); and (v) the Executive shall become fully vested in, and entitled to immediately exercise, all stock-based awards, other than certain excluded awards, granted to the Executive under any plans or agreement of ACI.

## **Death**

If the Executive's employment is terminated by reason of the Executive's death, we must provide the Executive's estate or beneficiaries with the Accrued Obligations and the timely payment or delivery of the Other Benefits, and will have no other severance obligations under the CIC Agreement.

## **Disability**

If the Executive's employment is terminated by reason of the Executive's disability, we must provide the Executive with the Accrued Obligations and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under the CIC Agreement.

## **Termination of Employment for Cause or by Executive other than for Good Reason**

The CIC Agreement provides that if the Executive's employment is terminated for cause ACI shall provide the Executive with the executive's annual base salary through the date of termination, and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under the CIC Agreement. If the Executive voluntarily terminates employment, excluding a termination for good reason, ACI shall provide to the Executive the Accrued Obligations and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under the CIC Agreement.

## **No Tax Gross-Up**

The CIC Agreement does not require ACI to pay the Executive any gross-up payments for excise taxes that may be imposed upon the Executive as a result of any payments made pursuant to the CIC Agreement.

## **Acceleration of Equity Awards**

No awards accelerate upon a Change in Control except certain legacy supplemental stock option awards that have a market price condition.

## **Non-solicitation and Non-Competition Provisions**

During the Employment Period and for a period of one year following termination of employment, each Executive agrees not to (a) enter into or engage in any business that competes with ACI's business within a specified restricted territory; (b) solicit customers with whom the Executive had any contact or for which the Executive had any responsibility (either direct or supervisory) at the date of termination or at any time during the one (1) year prior to such date of termination, whether within or outside of the restricted territory, or solicit business, patronage or orders for, or sell, any products and services in competition with, or for any business that competes with ACI's business within the restricted territory; (c) divert, entice, or otherwise take away any customers, business, patronage, or orders of ACI within the restricted territory, or attempt to do so;



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(d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation, or other entity engaged in any business that competes with ACI's business within the restricted territory; or (e) solicit, induce, or attempt to solicit or induce any employee(s), sales representative(s), agent(s), or consultant(s) of ACI and/or its affiliated companies to terminate their employment, representation, or other association with ACI and/or its affiliated companies, provided that the foregoing shall not apply to general advertising not specifically targeted at employees, sales representatives, agents, or consultants of ACI and/or its affiliated companies.

**Release**

As a condition to receiving any of the severance benefits under the CIC Agreements, the Named Executive Officers are required to release ACI and its employees from all claims that the Named Executive Officer may have against them.

**Post-Termination Benefits Under Incentive Plans**

**Executive MIC Plan**

Under the Executive MIC Plan, to be entitled to a payment under the plan, the executive, including our Named Executive Officers, must be employed by ACI on the date of payment. If employment with ACI is terminated for any reason prior to the payment date, the executive will not be eligible for a bonus under the Executive MIC Plan and the executive forfeits all rights to such payment except to the extent otherwise provided by ACI.

The individual award agreements with each executive officer, including our Named Executive Officers, related to the Executive MIC Plan, grant ACI the right to require an executive officer to forfeit his or her right to payment or to reimburse ACI for any payments previously paid, along with any other action ACI deems necessary or appropriate, in the event it is determined that the executive officer engaged in misconduct in the course of his or her employment.

**2005 Incentive Plan and 2016 Incentive Plan**

*Stock Options.* The award agreements for stock options granted under the 2005 Incentive Plan or the 2016 Incentive Plan generally provide that if an optionee, including a Named Executive Officer, voluntarily terminates employment with ACI, all unvested stock options will terminate and the optionee will have 90 days from the date of termination to exercise any vested stock options granted under the 2005 Incentive Plan or the 2016 Incentive Plan. However, the award agreements also generally provide that if the optionee's employment terminates due to death or disability, all stock options will immediately vest upon the optionee's death or disability and the optionee (or his or her estate or personal representative) will have one year from the date of death or disability to exercise the stock options. A copy of the form of Nonqualified Stock Option Agreement used to grant stock options to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on January 30, 2015, or under the 2016 Incentive Plan was filed as Exhibit 10.05 to our Form 10-Q for the quarter ended June 30, 2016.

*Performance Shares.* The award agreements for performance shares granted under the 2005 Incentive Plan or the 2016 Incentive Plan generally provide that if an employee, including a Named

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Executive Officer, voluntarily terminates employment with ACI prior to payment of the performance shares, all performance shares are forfeited. In the event of death, disability, or termination of employment without cause, the award agreements generally provide that ACI may pay the employee a pro-rata portion of the performance shares to which the employee would have been entitled based on the performance of ACI during the full fiscal quarters completed during the applicable performance period until the date of termination. Such amounts will be paid as soon as practicable after the receipt of audited consolidated financial statements of ACI relating to the last fiscal year of the performance period. A copy of the form of LTIP Performance Shares Agreement used to grant performance shares to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on January 30, 2015, or under the 2016 Incentive Plan was filed as Exhibit 10.2 to our Current Report on Form 8-K filed February 27, 2017.

*Restricted Shares.* The award agreements for restricted shares granted under the 2005 Incentive Plan or the 2016 Incentive Plan generally provide that if any employee, including a Named Executive Officer, voluntarily terminates employment with ACI, the employee forfeits all unvested restricted shares. However, the award agreements also generally provide that if the employee's employment terminates due to death or disability, all shares of restricted stock will immediately vest upon the employee's death or disability. A copy of the form of Restricted Share Award Agreement used to grant restricted shares to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.29 to our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on February 26, 2010, or under the 2016 Incentive Plan was filed as Exhibit 10.06 to our Form 10-Q for the quarter ended June 30, 2016.

*Performance-Based Restricted Shares.* The award agreements for performance-based restricted shares granted under the 2005 Incentive Plan generally provide that if an employee, including a Named Executive Officer, voluntarily terminates employment with ACI, the employee forfeits all unvested performance-based restricted shares. In the event of death, disability or termination of employment without cause, the award agreements generally provide that ACI may pay the employee a pro-rata portion of the performance-based restricted shares to which the employee would have been entitled based on the performance of ACI during the full fiscal quarters completed during the applicable performance period until the date of termination. Such amounts will be paid as soon as practicable after the receipt of audited consolidated financial statements of ACI relating to the last fiscal year of the performance period. A copy of the form of LTIP Performance-Based Restricted Share Award Agreement used to grant performance-based restricted shares to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 12, 2015.

*Supplemental Stock Options.* The award agreements for supplemental stock options granted under the 2005 Incentive Plan generally provide that if an optionee, including a Named Executive Officer, voluntarily terminates employment with ACI, all unvested stock options will terminate and the optionee will have 90 days from the date of termination to exercise any vested stock options granted under the 2005 Incentive Plan. A copy of the form of Supplemental Nonqualified Stock Option Agreement used to grant stock options to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 30, 2015.



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*Supplemental Performance Shares.* The award agreements for supplemental performance shares granted under the 2005 Incentive Plan generally provide that if an employee, including a Named Executive Officer, voluntarily terminates employment with ACI prior to payment of the supplemental performance shares, all supplemental performance shares are forfeited. In the event of death, disability or termination of employment without cause, the award agreements generally provide that ACI may pay the employee a pro-rata portion of the supplemental performance shares to which the employee would have been entitled based on the performance of ACI during the full fiscal quarters completed during the applicable performance period until the date of termination. Such amounts will be paid as soon as practicable after the receipt of audited consolidated financial statements of ACI relating to the last fiscal year of the performance period. A copy of the form of LTIP Supplemental Performance Shares Agreement used to grant performance shares to employees, including our Named Executive Officers, under the 2005 Incentive Plan was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 30, 2015.

## **Forfeiture and Right of Recoupment**

Our recoupment policy, which applies to all award recipients, including Named Executive Officers, provides that (a) if ACI is required to restate its consolidated financial statements because of material noncompliance due to irregularities with the federal securities laws, which restatement is due, in whole or in part, to the misconduct of the employee, or (b) it is determined that the employee has otherwise engaged in misconduct (whether or not such misconduct is discovered prior to the termination of the employee's employment), ACI has the right to (a) cause the forfeiture or cancellation of any unvested and/or vested portion of the option, any unvested restricted shares, or any unearned performance shares; (b) cause the transfer of ownership back to ACI of any vested shares not subject to transfer restrictions, common shares issued as payment for earned performance shares, or cash received as payment for earned performance shares; (c) recoup any proceeds from (i) the exercise or vesting of the option, (ii) the vesting of the restricted shares, (iii) the sale of shares of our common stock issued pursuant to the exercise of the option or as payment for earned performance shares and (iv) the sale of any unrestricted shares, along with any other action ACI determines is necessary or appropriate and in the best interest of ACI and its stockholders; and (d) the right to recoup any annual incentive cash-based payouts.

## **Potential Post-Termination Benefits Table**

The table below quantifies certain compensation that would have become payable to our Named Executive Officers in the event such executive officer's employment had terminated on December 31, 2017 under various circumstances. The estimates set forth in the table below are based on our Named Executive Officers' compensation and service levels as of such date and, if applicable, the closing stock price of our common stock on December 29, 2017, the last trading day of 2017, which was \$22.67. These benefits are in addition to benefits generally available to salaried employees such as distributions under our 401(k) Plan, disability benefits and accrued vacation pay.

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Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed to our Named Executive Officers may be different. Factors that could affect these amounts include the timing of any such event, our stock price and the executive's age.

	Voluntary			Involuntary				Involuntary
	For	Other		Without	Death	Disability	Retirement	or For
	Good	Than		Cause				Good
	Reason	Good	Reason For					Reason
		Reason	Cause					After
								Change in
Compensation Program	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Control
								(\$)
<b><u>Cash Severance:</u></b>								
Philip G. Heasley <sup>(1)</sup>	3,502,000	0	0	3,502,000	0	0	0	4,860,000
Scott W. Behrens	0	0	0	0	0	0	0	1,660,000
Craig S. Saks	0	0	0	0	0	0	0	1,660,000
Daniel J. Frate	0	0	0	0	0	0	0	1,660,000
Anthony M. Scotto, Jr.	0	0	0	0	0	0	0	1,660,000

**Bonus Payment:**

Philip G. Heasley	0	0	0	0	0	0	0	810,000
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Scott W. Behrens	0	0	0	0	0	0	0	404,625
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Craig S. Saks	0	0	0	0	0	0	0	347,563
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Daniel J. Frate	0	0	0	0	0	0	0	357,108
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Anthony M. Scotto, Jr.	0	0	0	0	0	0	0	370,000
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**Stock Options<sup>(2)</sup>:**

Philip G. Heasley	0	0	0	0	1,876,329	1,876,329	0	1,876,329
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Scott W. Behrens	0	0	0	0	469,084	469,084	0	469,084
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Craig S. Saks	0	0	0	0	438,932	438,932	0	438,932
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Daniel J. Frate	0	0	0	0	469,084	469,084	0	469,084
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Anthony M. Scotto, Jr.	0	0	0	0	469,084	469,084	0	469,084
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### **Restricted Shares:**

Philip G. Heasley	0	0	0	0	0	0	0	0
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Scott W. Behrens	0	0	0	0	0	0	0	0
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Craig S. Saks	0	0	0	0	0	0	0	0
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Daniel J. Frate	0	0	0	0	0	0	0	0
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Anthony M. Scotto, Jr.	0	0	0	0	0	0	0	0
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### **Performance Shares<sup>(3)</sup>:**

Philip G. Heasley	0	0	0	4,417,035	4,417,035	4,417,035	0	4,873,219
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Scott W. Behrens	0	0	0	1,429,283	1,429,283	1,429,283	0	1,643,152
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Craig S. Saks	0	0	0	955,371	955,371	955,371	0	1,026,664
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Daniel J. Frate	0	0	0	1,322,344	1,322,344	1,322,344	0	1,464,920
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Anthony M. Scotto, Jr.	0	0	0	1,242,092	1,242,092	1,242,092	0	1,384,668
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Benefits Continuation:**

Philip G. Heasley	25,425	0	0	25,425	0	0	0	38,137
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Scott W. Behrens	0	0	0	0	0	0	0	39,728
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Craig S. Saks	0	0	0	0	0	0	0	39,728
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Daniel J. Frate	0	0	0	0	0	0	0	39,728
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Anthony M. Scotto, Jr.	0	0	0	0	0	0	0	25,189
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**Outplacement Services:**

Philip G. Heasley	0	0	0	0	0	0	0	50,000
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Scott W. Behrens	0	0	0	0	0	0	0	50,000
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Craig S. Saks	0	0	0	0	0	0	50,000
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Daniel J. Frate	0	0	0	0	0	0	50,000
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Anthony M. Scotto, Jr.	0	0	0	0	0	0	50,000
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**TOTALS:**

Philip G. Heasley	3,527,425	0	0	7,944,460	6,293,364	6,293,364	0	12,507,684
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Scott W. Behrens	0	0	0	1,429,283	1,898,367	1,898,367	0	4,266,589
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Craig S. Saks	0	0	0	955,371	1,394,303	1,394,303	0	3,562,887
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Daniel J. Frate	0	0	0	1,322,344	1,791,428	1,791,428	0	4,040,841
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Anthony M. Scotto, Jr.	0	0	0	1,242,092	1,711,176	1,711,176	0	3,898,942
------------------------	---	---	---	-----------	-----------	-----------	---	-----------

(1) For Mr. Heasley's cash severance, the payment of the bonus for the quarter in which he is terminated was not included, since the termination is assumed to occur at the end of the fiscal year and his annual bonus is earned at that time.

(2) Unvested stock options are accelerated upon termination due to death or disability, or termination without cause or for good reason after a change in control. All the accelerated values are calculated based on the closing price of our common stock on December 29, 2017, which was \$22.67 per share. In-the-money values of vested stock

options as of December 31, 2017, are not included in the termination table.

- (3) The estimated pro-rata portion of performance shares set forth in this table includes the supplemental performance shares granted on January 26, 2015 ( 2015 Supplemental LTIP ) and the performance shares granted on February 23, 2016 ( 2016 LTIP ) and February 21, 2017 ( 2017 LTIP ). For the performance shares granted on January 26, 2015 ( 2015 LTIP ), the fiscal year was complete, the performance period ended on 12/31/17, so there is no vesting acceleration.

#### **CEO Employment Agreement**

Effective January 7, 2016, we entered into an Amended and Restated Employment Agreement with Philip G. Heasley (the CEO Employment Agreement ), pursuant to which Mr. Heasley agreed to continue to serve as our President and CEO. The CEO Employment Agreement has a five-year term. A copy of the CEO Employment Agreement was attached as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on December 10, 2015.

Under the CEO Employment Agreement, so long as Mr. Heasley continues to serve as our President and CEO, the Board will nominate Mr. Heasley to serve as a member of our Board. The CEO Employment Agreement provides that Mr. Heasley's base salary, an annual on-target MIC award, as well as other compensation as set forth in the CEO Employment Agreement, will be reviewed annually and be consistent with ACI's current compensation philosophy of positioning the CEO's total targeted cash compensation at the 50th percentile of ACI's current peer group.

Pursuant to the CEO Employment Agreement, if Mr. Heasley's employment is terminated by ACI without cause or by Mr. Heasley for good reason, Mr. Heasley will be entitled to (1) a lump-sum payment equal to his bonus for the quarter in which his employment is terminated; (2) a lump-sum



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payment equal to two times the sum of (A) his base salary at the time of termination and (B) his average annual bonus amount received during the two most recent fiscal years of ACI ending prior to the date of termination; provided, however, that if such termination occurs during the 12-month period immediately following the effective date, such lump-sum payment shall be increased by an amount equal to his base salary and bonus amount multiplied by a fraction, the numerator of which is the number of full calendar months remaining between the date of such termination and the 12-month anniversary of the effective date, and the denominator of which is 12; and (3) continued participation in ACI's medical and dental plans until the earlier of (a) two years or (b) until he is eligible to be covered under any other medical or dental plans. Mr. Heasley will also be subject to certain non-competition obligations for a period of one year following termination of his employment. The CEO Employment Agreement also provides that if payments by ACI to Mr. Heasley would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then the payments shall be reduced to the least extent necessary so that no portion of the payments is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, but only if such reduction causes the net after-tax benefit received by Mr. Heasley to exceed the net after-tax benefit he would have received if no such reduction was made. The CEO Employment Agreement does not entitle Mr. Heasley to any tax gross-up payments. If Mr. Heasley is entitled to payments under the Change-in-Control Employment Agreement (as described above), no payments will be made to Mr. Heasley under the CEO Employment Agreement.

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**PROPOSAL 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Stockholders are asked to cast an advisory vote on the compensation of our Named Executive Officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the accompanying compensation tables and other related tables and narrative disclosures contained in this Proxy Statement. This advisory vote is commonly known as a “say-on-pay” vote.

As described in the Compensation Discussion and Analysis, our executive compensation programs are performance-based programs with a significant portion of each executive officer’s overall compensation opportunity linked to our annual and long-term financial performance and our long-term relative total stockholder return. The Compensation Committee sets challenging threshold and target performance levels for each of the metrics in our incentive compensation plans to ensure that the amounts earned are based upon outstanding performance as measured against pre-established financial, operational and strategic objectives.

We value the feedback from our stockholders regarding our executive compensation programs. In addition to our discussions with stockholders throughout the year, in 2017 we proactively reached out to stockholders representing 85% of our outstanding shares in order to seek feedback on our executive compensation programs. We engaged in discussions with stockholders representing 78% of outstanding shares. The feedback from our stockholders, and our resulting actions, are described in the Compensation Discussion and Analysis.

We urge our stockholders to read the Compensation Discussion and Analysis, the accompanying compensation tables and other related tables and narrative disclosures, which describe in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives.

Stockholders are being asked to approve the following resolution at the Annual Meeting:

RESOLVED, that our stockholders approve, on an advisory basis, the compensation of our Named Executive Officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the accompanying compensation tables and the other related tables and narrative disclosures.

**Advisory Vote**

As this is an advisory vote, the outcome of the vote is not binding on ACI or the Board. However, we value the opinions expressed by our stockholders and the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

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**Vote Required**

The affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on this proposal is required for the approval of this proposal.

**OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ADVISORY VOTE ON EXECUTIVE COMPENSATION AS DISCLOSED IN THIS PROXY STATEMENT.**

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**INFORMATION ABOUT THE MEETING, VOTING, AND PROXIES**

**Date, Time and Place of Meeting**

<b>When:</b>	<b>June 12, 2018</b>
	<b>8:30 a.m. Eastern Time</b>
<b>Where:</b>	<b>ACI Worldwide, Inc.</b>
	<b>3250 Kraft Road</b>
	<b>Suite 300</b>
	<b>Naples, Florida 34105</b>
<b>Record Date:</b>	<b>April 18, 2018</b>

This Proxy Statement is being furnished in connection with the solicitation by and on behalf of the Board of proxies to be used at our 2018 Annual Meeting of Stockholders, and any postponement or adjournment thereof. A copy of our annual report on Form 10-K for the fiscal year ended December 31, 2017(the Annual Report ), accompanies this Proxy Statement.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY  
MATERIALS FOR THE STOCKHOLDER MEETING**

**TO BE HELD ON JUNE 12, 2018**

**Our Proxy Statement and Annual Report are also available online at**

**[www.proxydocs.com/aciw](http://www.proxydocs.com/aciw)**

**Internet Availability of Proxy Materials**

Under the U.S. Securities and Exchange Commission's notice and access rules, we have elected to use the Internet as our primary means of furnishing proxy materials to our stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We instead sent these stockholders a Notice of Internet Availability of Proxy Materials ( Internet Availability Notice ) containing instructions on how to access this Proxy Statement and our Annual Report and vote via the Internet. The Internet Availability Notice also included instructions on how to receive a paper copy of your proxy materials, if you so choose. If you received your annual meeting materials by mail, your proxy materials, including your proxy card, were enclosed. We believe that this process expedites stockholders' receipt

of proxy materials, lowers the costs of our Annual Meeting and helps to conserve natural resources.

**Voting Instructions**

If your shares are registered directly in your name with our transfer agent, EQ Shareowner Services, the Internet Availability Notice was sent directly to you by ACI. The Internet Availability

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Notice provides instructions on how to request printed proxy materials and how to access your proxy card, which contains instructions on how to vote via the Internet or by telephone. For stockholders who receive a paper proxy card, instructions for voting via the Internet or by telephone are set forth on the proxy card. The Internet and telephone voting facilities for stockholders of record will close at 5:00 p.m. EDT on June 11, 2018. If your shares are held in an account at a brokerage firm, bank, trust, or other similar organization, like the vast majority of our stockholders, you are considered the *beneficial owner* of shares held in *street name* and the Internet Availability Notice was forwarded to you by that organization. You will receive instructions from your broker, bank, trustee, or other nominee that must be followed in order for your broker, bank, trustee, or other nominee to vote your shares per your instructions. See the section below entitled *Abstentions and Broker Non-Votes* for additional information regarding the impact of abstentions and broker non-votes on the votes required for each proposal.

## **Revocability of Proxies**

A holder of our common stock who has given a proxy may revoke it prior to its exercise either by giving written notice of revocation to ACI's Secretary or by giving a duly executed proxy bearing a later date. Attendance in person at the Annual Meeting does not itself revoke a proxy; however, any stockholder who attends the Annual Meeting may revoke a previously submitted proxy by voting in person. If you are a beneficial owner of our shares, you will need to contact your bank, brokerage firm, trustee, or other nominee to revoke any prior voting instructions.

## **Proxy Voting**

Subject to any revocation as described above, all common stock represented by properly executed proxies will be voted in accordance with the specifications on the proxy. If no such specifications are made, proxies will be voted in accordance with the Board's recommendations as follows:

1. **FOR** the election of all eight director nominees listed in Proposal 1;
2. **FOR** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
3. **FOR** the approval, on an advisory basis, of our executive compensation.

As to any other matter that may be brought before the Annual Meeting, proxies will be voted in accordance with the judgment of the person or persons voting the same.

## **Record Date, Outstanding Shares and Quorum**

Only holders of our common stock of record at the close of business on the Record Date of April 18, 2018 are entitled to notice of, and to vote at, the Annual Meeting. At the close of business on the Record Date, there were 116,391,729 shares of our common stock issued and outstanding, which number excludes 24,133,326 shares of common stock held as treasury stock by ACI. Shares of common stock held as treasury stock are not entitled to be voted at the Annual Meeting. Each

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stockholder is entitled to one vote per share of common stock held on all matters to be voted on by our stockholders. Stockholders may not cumulate their votes in the election of directors. Unless the context requires otherwise, any reference to shares in this Proxy Statement refers to all shares of common stock entitled to vote at the Annual Meeting. The presence in person or by proxy at the Annual Meeting of the holders of a majority of the issued and outstanding shares entitled to vote at the Annual Meeting shall constitute a quorum.

## **Proxy Solicitation**

ACI will bear the expense of this solicitation of proxies, including the preparation, assembly, printing, and mailing of the Internet Availability Notice, this Proxy Statement, the proxy and any additional solicitation material that ACI may provide to stockholders. Copies of the proxy materials and any other solicitation materials will be provided to brokerage firms, banks, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation material to such beneficial owners. We will reimburse such brokerage firms, banks, fiduciaries and other custodians for the reasonable out-of-pocket expenses incurred by them in connection with forwarding the proxy materials and any other solicitation materials. We have retained Mediant Communications LLC to assist us with the distribution of proxies. The original solicitation of proxies may be supplemented by solicitation by telephone and other means by directors, officers and employees of ACI. No additional compensation will be paid to these individuals for any such services.

## **Abstentions and Broker Non-Votes**

Abstentions will be counted for purposes of determining the presence or absence of a quorum. The effect of an abstention on the outcome of the voting on a particular proposal depends on the vote required to approve that proposal, as described in the **Vote Required** section below.

Broker non-votes are shares present by proxy at the Annual Meeting and held by brokers or nominees as to which (i) instructions to vote have not been received from the beneficial owners and (ii) the broker or nominee does not have discretionary voting power on a particular matter. If you are a beneficial owner of shares held in *street name* and you do not provide voting instructions to your broker, your shares may be voted on any matter on which your broker has discretionary authority to vote. Under the rules that govern brokers who are voting with respect to shares held in *street name*, brokers generally have discretionary authority to vote on routine matters, but not on non-routine matters. The ratification of the appointment of an independent registered public accounting firm (Proposal 2) is considered a routine matter. Non-routine matters include the election of directors (Proposal 1) and the advisory vote on executive compensation (Proposal 3). We encourage you to provide instructions to your broker or other nominee regarding voting your shares. On any matter for which your broker or other nominee does not vote on your behalf, the shares will be treated as broker non-votes.

Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, but broker non-votes will not be counted for purposes of determining the number of shares present in person or by proxy at the Annual Meeting with respect to a particular proposal on which the broker has expressly not voted.

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### **Vote Required; Excess Withheld Votes in Director Election**

Election of a director requires the affirmative vote of the holders of a plurality of the shares present in person or represented by proxy at a meeting at which a quorum is present. The eight persons receiving the greatest number of votes at the Annual Meeting shall be elected as directors. Since only affirmative votes count for this purpose, abstentions and broker non-votes will not affect the outcome of the voting on this proposal.

Our Corporate Governance Guidelines provide that if, in an uncontested election, the votes withheld for a director's election exceed the votes cast in favor of his or her election, the director will tender a conditional resignation. The Corporate Governance Committee will make a recommendation as to whether the Board should accept or reject the resignation, and the Board will thereafter make its determination within ninety days. A director who tenders his or her conditional resignation will not be permitted to participate in the committee recommendation or Board decision with respect to his or her resignation.

With respect to Proposal 2, the ratification of the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2018; and Proposal 3, the advisory vote on executive compensation, a stockholder may mark the accompanying form of proxy card to (i) vote for the matter, (ii) vote against the matter, or (iii) abstain from voting on the matter. Because only a majority of shares actually voting is required to approve the proposals, broker non-votes will have no effect on the outcome of the voting on these proposals. Abstentions will have the effect of a vote against the proposals.

The inspector of election appointed for the Annual Meeting will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

### **Voting Results**

We will announce the preliminary voting results at the Annual Meeting. The final voting results will be tallied by the inspector of election and published in a Current Report on Form 8-K.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Review and Approval of Related Person Transactions**

Pursuant to the Audit Committee charter, any proposed related person transaction is to be submitted to the Audit Committee for review and approval, and no such transaction may be entered into without the Audit Committee's prior approval. The Audit Committee reviews and considers each transaction in light of the specific facts and circumstances presented. Related persons include our directors, executive officers, their respective immediate family members and 5% beneficial owners of our common stock.

In addition, under our Code of Business Conduct and Ethics our directors and employees, including our executive officers, must promptly report any transaction, relationship, or circumstance that creates or may create a conflict of interest. Any conflict of interest for our non-director and non-executive officer employees is prohibited unless a waiver is obtained from our General



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Counsel. Conflicts of interest involving our directors and executive officers are prohibited unless waived by our Board. Any waiver of a conflict of interest involving one of our directors or executive officers will be promptly disclosed in accordance with applicable law and NASDAQ listing requirements.

We also have a Code of Ethics for the CEO and Senior Financial Officers that requires that our CEO, CFO, Chief Accounting Officer, Controller and persons performing similar functions avoid actual and apparent conflicts of interest in personal and professional relationships and that they disclose to the Audit Committee any material transaction or relationship that reasonably could be expected to give rise to a conflict.

We did not enter into any related person transactions during 2017 and there are not presently any proposed related person transactions.

## **COMPENSATION COMMITTEE**

### **INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Compensation Committee was at any time during 2017, or at any other time, an officer or employee of ACI. No executive officer of ACI serves as a member of the Board or compensation committee of any entity that has one or more executive officers serving as a member of our Board or our Compensation Committee.

## **ANNUAL REPORT**

**Stockholders may obtain a copy of our Annual Report and a list of the exhibits thereto without charge by written request delivered to ACI, Attn: Investor Relations, 3520 Kraft Rd, Suite 300, Naples, Florida 34105.** Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at [aciworldwide.com](http://aciworldwide.com) as soon as reasonably practicable after we file such information electronically with the SEC.

## **STOCKHOLDER PROPOSALS**

### **Stockholder Proposals to be Considered for Inclusion in ACI's 2019 Proxy Statement**

Under SEC rules, proposals of stockholders intended to be included in the proxy statement and form of proxy relating to our 2019 Annual Meeting of Stockholders must be received by ACI's Secretary at ACI's principal executive offices located at 3520 Kraft Rd, Suite 300, Naples, Florida 34105, no later than December 28, 2018. In addition, all proposals will need to comply with Rule 14a-8 of the Securities Exchange Act of 1934, which lists the requirements for inclusion of stockholder proposals in company-sponsored proxy materials. The Corporate Governance Committee will review proposals submitted by stockholders for inclusion at our next annual meeting of stockholders and will make recommendations to our Board on an appropriate response to such proposals.

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### **Director Nominations for Inclusion in ACI's 2019 Proxy Statement (Proxy Access)**

Under our new proxy access bylaw, if a stockholder (or a group of up to 20 stockholders) who has owned at least 3% of our shares for at least three years and has complied with the other requirements set forth in our Bylaws wants us to include director nominees (up to the greater of two nominees or 20% of the Board) in our 2019 proxy statement and form of proxy for election at our 2019 Annual Meeting of Stockholders, the nominations must be received by ACI's Secretary at ACI's principal executive offices located at 3520 Kraft Rd, Suite 300, Naples, Florida 34105, not earlier than November 28, 2018 and not later than December 28, 2018.

Any stockholder considering a proxy access nomination should carefully review our Bylaws, which are available on our website at [aciworldwide.com](http://aciworldwide.com).

### **Requirements for Other Stockholder Proposals to be Brought Before the 2019 Annual Meeting of Stockholders**

Pursuant to Rule 14a-4(c) under the Exchange Act, if ACI does not receive advance notice of a stockholder proposal to be brought before its next annual meeting of stockholders in accordance with the requirements of its Bylaws, the proxies solicited by ACI may confer discretionary voting authority to vote proxies on the stockholder proposal without any discussion of the matter in the proxy statement. Under our Bylaws, a stockholder must follow certain procedures to nominate a person for election as a Director or to introduce an item of business at an Annual Meeting of Stockholders (other than a stockholder proposal submitted for inclusion in our proxy materials under SEC rules or a Director nominee for inclusion in our proxy materials under our new proxy access bylaw). These procedures provide that written notice of a nomination or item of business that a stockholder intends to present at the next annual meeting, but does not intend to have included in our proxy statement and form of proxy related to such meeting, must be delivered to, or mailed and received by, ACI's Secretary at the principal executive offices of ACI not less than 90 calendar days nor greater than 120 calendar days prior to the first anniversary of the date of the immediately preceding year's annual meeting of stockholders.

Any stockholder considering introducing a director nomination or other item of business should carefully review our Bylaws, which are available on our website at [aciworldwide.com](http://aciworldwide.com).

### **Stockholder Communications with our Board**

Communications from stockholders to our Board, including stockholder director recommendations as well as stockholder proposals submitted in accordance with the procedures described above, may be delivered to ACI's Secretary at ACI's principal executive office located at 3520 Kraft Rd, Suite 300, Naples, Florida 34105; via e-mail to [grp-ACI-directors@aciworldwide.com](mailto:grp-ACI-directors@aciworldwide.com); or via telephone to (402) 778-2183. These communications will be received by ACI's Secretary, who will forward them to the appropriate members of our Board.

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**OTHER MATTERS**

Our Board does not know of any matters that are to be presented at the Annual Meeting other than those stated in the Notice of Annual Meeting and referred to in this Proxy Statement. If any other matters should properly come before the Annual Meeting, it is intended that the proxies in the accompanying form will be voted as the persons named therein may determine in their discretion.

By Order of the Board of Directors

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**ANNUAL MEETING OF STOCKHOLDERS OF ACI WORLDWIDE, INC.**

**Date:** Tuesday, June 12, 2018  
**Time:** 8:30 A.M. (Eastern Time)  
**Place:** 3520 Kraft Rd., Suite 300, Naples, Florida 34105  
 See Voting Instruction on Reverse Side.

**Please make your marks like this: Use dark black pencil or pen only**

The Board of Directors Recommends a Vote **FOR** all Nominees for Director and **FOR** Proposals 2 and 3.

**1: Election of Directors**

**Directors**

**Recommend**

i

**To vote For all Directors**

**To Withhold from all Directors**

**FOR**

**To vote individually for each Director:**

**Directors**

**Recommend**

**For**

**Withhold**

i

01 Janet O. Estep

**For**

02 James C. Hale

**For**

03 Philip G. Heasley

**For**

04 Pamela H. Patsley

**For**

05 Charles E. Peters, Jr.

**For**

06 David A. Poe

**For**

07 Adalio T. Sanchez

**For**

08 Thomas W. Warsop III

**For**

**For Against**

**Abstain**

**2:** Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and

**For**

**3:** Advisory approval of the Company's executive compensation.

**For**

**Please mark this box if you plan to attend the meeting in person.**

**Authorized Signatures - This section must be completed for your Instructions to be executed.**

**Please sign exactly as your name(s) appears on your stock certificate. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.**

**Annual Meeting of Stockholders of ACI Worldwide, Inc.**

**to be held Tuesday, June 12, 2018**

**For Stockholders of Record as of April 18, 2018**

**This proxy is being solicited on behalf of the Board of Directors**

**VOTE BY:**

**INTERNET**

Go To  
**[www.proxypush.com/aciw](http://www.proxypush.com/aciw)**

Cast your vote online.

View Meeting Documents.

**TELEPHONE**

**866-390-5392**

**OR**

Use any touch-tone telephone.  
**Have your Voting Instruction Form/Proxy Card ready.**  
Follow the simple recorded instructions.

**MAIL**

**OR** Mark, sign and date your Voting Instruction Form.  
Detach your Voting Instruction Form/Proxy Card.  
Return your Voting Instruction Form/Proxy Card in the postage-paid envelope provided.

**All votes for registered holders must be received by 5:00 P.M., Eastern Time, June 11, 2018.**

**PROXY TABULATOR FOR**

**ACI WORLDWIDE, INC.**

**P.O. BOX 8016**

**CARY, NC 27512-9903**



**EVENT #**

**CLIENT #**

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**Proxy ACI Worldwide, Inc.**

**Annual Meeting of Stockholders**

**June 12, 2018, 8:30 a.m. (Eastern Time)**

**This Proxy is Solicited on Behalf of the Board of Directors**

The undersigned appoints Craig Maki and John Kraft (the "Named Proxies") and each of them as proxies for the undersigned, with full power of substitution, to vote the shares of common stock of ACI Worldwide, Inc., a Delaware corporation (the "Company"), the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the Company's offices located at 3520 Kraft Rd., Suite 300, Naples, Florida 34105, on June 12, 2018 at 8:30 a.m. (Eastern Time) and all adjournments or postponements thereof.

The purpose of the Annual Meeting is to take action on the following:

1. Elect eight directors to our Board of Directors to hold office until the 2019 Annual Meeting of Stockholders;
2. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;
3. Advisory approval of the Company's executive compensation; and
4. Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The eight directors nominated for election are: Janet O. Estep, James C. Hale, Philip G. Heasley, Pamela H. Patsley, Charles E. Peters, Jr., David A. Poe, Adalio T. Sanchez, and Thomas W. Warsop III.

The Board of Directors of the Company recommends a vote FOR all nominees for director and FOR proposals 2 and 3.

**This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR all nominees for director and FOR proposals 2 and 3. In their discretion, the Named Proxies are authorized to vote upon such other matters that may properly come before the Annual Meeting or any adjournment or postponement thereof.**

**You are encouraged to specify your choice by marking the appropriate box (SEE REVERSE SIDE) but you need not mark any box if you wish to vote in accordance with the Board of Directors recommendation. The Named Proxies cannot vote your shares unless you sign and return this card.**