

ACI WORLDWIDE, INC.

Form DEF 14A

April 27, 2011

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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:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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April 27, 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of ACI Worldwide, Inc. to be held on Wednesday, June 15, 2011, at 8:30 a.m. EDT at the company's principal executive offices located at 120 Broadway, Suite 3350, New York, New York 10271.

Details of the business to be conducted at our 2011 Annual Meeting of Stockholders are provided in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

We are pleased to again be using the Internet as our primary means of furnishing proxy materials to our stockholders under the U.S. Securities and Exchange Commission's notice and access rules. 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 containing instructions on how to access our 2011 Proxy Statement and our Annual Report and vote via the Internet. The notice also included instructions on how you may receive a paper copy of your proxy materials. If you received your annual meeting materials by mail, your proxy materials, including your proxy card, were enclosed. We believe that use of the notice and access process expedites stockholders' receipt of proxy materials, lowers the costs of our annual meeting and helps to conserve natural resources.

Your vote is very important. Please use this opportunity to take part in the affairs of your company. Whether or not you plan to attend the annual meeting, please vote as soon as possible. You may vote over the Internet, as well as by telephone or, if you requested to receive printed proxy materials, by mailing a completed proxy card. Voting by any of these methods will ensure your representation at the annual meeting.

On behalf of the Board of Directors, we appreciate your continued interest in your company.

Sincerely,

Harlan F. Seymour  
*Chairman of the Board of Directors*

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**ACI WORLDWIDE, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to be held on June 15, 2011**

The 2011 Annual Meeting of Stockholders (the Annual Meeting ) of ACI Worldwide, Inc. will be held on Wednesday, June 15, 2011, at 8:30 a.m. EDT at the company s principal executive offices located at 120 Broadway, Suite 3350, New York, New York 10271. We are holding the meeting to:

1. Elect eight directors to our Board of Directors to hold office until the 2012 Annual Meeting of Stockholders;
2. Ratify the appointment of Deloitte & Touche LLP as our independent auditor for the fiscal year ending December 31, 2011;
3. Conduct an advisory vote on executive compensation;
4. Conduct an advisory vote on the frequency of holding future advisory votes on executive compensation; and
5. Transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

Our Board of Directors has fixed the close of business on April 18, 2011 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. Each share of our common stock is entitled to one vote on all matters presented at the Annual Meeting.

By Order of the Board of Directors,

Dennis P. Byrnes  
*Secretary*

April 27, 2011

**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, as well as by telephone or, if you requested to receive 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 1 of the Proxy Statement, or if you requested to receive printed proxy materials, your enclosed proxy card.**



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*This Proxy Statement contains a report issued by the Audit Committee relating to certain of its activities during 2010 and a report issued by the Compensation and Leadership Development Committee relating to executive compensation during 2010. 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 the Company under the Securities Exchange Act of 1934 or the Securities Act of 1933, unless specifically referenced.*

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**ACI WORLDWIDE, INC.**

**PROXY STATEMENT  
for the  
ANNUAL MEETING OF STOCKHOLDERS  
to be held on June 15, 2011**

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

**Date, Time and Place of Meeting**

This Proxy Statement is being furnished in connection with the solicitation by and on behalf of the Board of Directors (the Board) of ACI Worldwide, Inc. (the Company, we, us or our) of proxies to be used at our 2011 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, June 15, 2011, at 8:30 a.m. EDT at the Company's principal executive offices located at 120 Broadway, Suite 3350, New York, New York, 10271, and any postponement or adjournment thereof. A copy of our annual report to stockholders, including our annual report on Form 10-K for the fiscal year ended December 31, 2010, which includes our financial statements for 2010 (the Annual Report), accompanies this Proxy Statement. Beginning on or about April 27, 2011, we made this Proxy Statement available to our stockholders.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDER MEETING TO BE HELD ON JUNE 15, 2011**

**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, Wells Fargo Bank Minnesota, National Association (Wells Fargo), the Internet Availability Notice was sent directly to you by the Company. The Internet Availability 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 13, 2011. 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

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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 the Secretary of the Company 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 as follows:

1. **FOR** the election of all eight director nominees listed below in Proposal 1;
2. **FOR** the ratification of Deloitte & Touche LLP as our independent auditor for the fiscal year ending December 31, 2011;
3. **FOR** the approval, on an advisory basis, of our executive compensation; and
4. **ANNUAL** with respect to the proposal regarding an advisory vote on the frequency of future advisory votes on 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 April 18, 2011 (the **Record Date** ) are entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were 33,422,129 shares of our common stock issued and outstanding, excluding 7,399,387 shares of common stock held as treasury stock by the Company. Shares of common stock held as treasury stock are not entitled to be voted at the Annual Meeting. Each 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**

The Company 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 the Company 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 by mail may be supplemented by solicitation by telephone and other means by directors, officers and employees of the Company. No additional compensation will be paid to these individuals for any such services.

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

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, we believe that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of shares present in person or by proxy at the Annual Meeting with respect to a proposal (other than the election of directors). In the absence of a controlling precedent to the contrary, we intend to treat abstentions in this manner. 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 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 (the independent auditor) (Proposal 2) is considered a routine matter. Non-routine matters include the election of directors (Proposal 1), the advisory vote on executive compensation (Proposal 3) and the advisory vote on the frequency of future advisory votes on executive compensation (Proposal 4). 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.

### **Board Voting Recommendations**

Our Board recommends that you vote your shares **FOR** the election of each of the eight director nominees listed in Proposal 1 below, **FOR** the ratification of Deloitte & Touche LLP as our independent auditor for the fiscal year ending December 31, 2011 (Proposal 2); **FOR** the proposal regarding an advisory vote on executive compensation (Proposal 3) and with respect to Proposal 4, the frequency of future advisory votes on executive compensation, our Board recommends an **ANNUAL** advisory vote.

### **Vote Required**

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.

With respect to Proposal 2, the ratification of the appointment of our independent registered public accounting firm (the independent auditor) for the fiscal year ending December 31, 2011 and Proposal 2, 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. With respect to Proposal 4, the advisory vote on the frequency of future advisory votes on executive compensation, a stockholder may mark the accompanying form of proxy card to vote for future votes (i) every three years, (ii) every two years, (iii) every year, or (iv) abstain from

voting on the matter. The affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on Proposal 2, Proposal 3 and Proposal 4 is required for the approval of the respective proposal. Because only a majority of shares actually voting is required to approve Proposal 2, Proposal 3 and Proposal 4, abstentions and broker non-votes will have no effect on the outcome of the voting on any of these proposals.

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

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### **Voting Results**

We will announce the preliminary voting results at the conclusion of 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 to be filed with the Securities and Exchange Commission (the SEC) within four business days following the Annual Meeting.

## **CORPORATE GOVERNANCE**

We are committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently, serving stockholders well and maintaining our integrity in the marketplace. Our Board has a standing Nominating and Corporate Governance Committee (the Corporate Governance Committee) which operates pursuant to a charter. The full text of the Nominating and Corporate Governance Committee charter is published on our website at [www.aciworldwide.com](http://www.aciworldwide.com) in the Who We Are Investor Relations Corporate Governance section. During 2010, the members of the Corporate Governance Committee consisted of Messrs. Curtis, Seymour and Stokely, each of whom is independent as defined in Rule 5605(a)(2) of The NASDAQ Stock Market (NASDAQ) listing standards.

The Corporate Governance Committee regularly monitors corporate governance developments and reviews our policies, processes and procedures in light of these developments to ensure that the Company and our Board adhere to best practices in this arena. The Corporate Governance Committee also provides advice to our Board with respect to:

- Board organization, membership and function;
- compensation of our directors, including their compensation for service on committees of our Board;
- director stock ownership guidelines;
- Board committee structure, membership and purpose;
- our Corporate Governance Guidelines;
- oversight of our policies and positions regarding significant stockholder relations issues;
- evaluation of, and successor planning for, our Chief Executive Officer (CEO); and
- other matters relating to corporate governance and the rights and interests of our stockholders.

### **Corporate Governance Guidelines**

Our Corporate Governance Guidelines are designed to ensure that our Board follows practices and procedures that serve our best interests and the best interests of our stockholders. The full text of our Corporate Governance Guidelines is published on our website at [www.aciworldwide.com](http://www.aciworldwide.com) in the Who We Are Investor Relations Corporate Governance section. The Corporate Governance Committee is responsible for overseeing these guidelines and making recommendations to our Board regarding any changes. These guidelines address, among other things, the following topics:

- performance assessments of our Board and its committees;
- composition and independence of our Board and its committees;

director orientation and continuing education;  
policy on directors that change corporate affiliations; and  
management responsibilities and Board access to management.

**Code of Business Conduct and Code of Ethics**

We have adopted a Code of Business Conduct and Ethics for our directors, officers (including our principal executive officer, principal financial officer, principal accounting officer and controller) and employees. We have

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also adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the Code of Ethics ), which applies to our Chief Executive Officer, our Chief Financial Officer, our Chief Accounting Officer, Controller, and persons performing similar functions. The full text of both the Code of Business Conduct and Ethics and the Code of Ethics is published on our website at [www.aciworldwide.com](http://www.aciworldwide.com) in the Who We Are Investor Relations Corporate Governance section. We will disclose amendments to, or waivers of, certain provisions of the Code of Business Conduct and Ethics and the Code of Ethics relating to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller or persons performing similar functions on our website promptly following the adoption of any such amendment or waiver.

## **Director Independence and Meeting Attendance**

The Company is governed by our Board of Directors. In accordance with our Corporate Governance Guidelines, at least a majority of our Board must consist of independent directors. For a director to be considered independent, our Board must determine that the director does not have any direct or indirect material relationship with the Company. Our Board has established guidelines to assist it in determining director independence, which conform to the independence requirements in the NASDAQ listing standards. In addition to applying these guidelines, our Board considers all relevant facts and circumstances in making an independence determination. With the exception of Mr. Heasley, our President and Chief Executive Officer, each of our directors is independent.

All members of the Board's standing Audit Committee, Compensation and Leadership Development Committee and Nominating and Corporate Governance Committee must be independent directors as defined by our Corporate Governance Guidelines. Members of the Audit Committee must also satisfy a separate SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors' compensation.

Our Board held nine meetings during 2010 with four of the Board meetings conducted as telephonic meetings. All of our directors attended 100% of the meetings of the Board and the Board committees on which they served. Our Board has adopted a policy that requires all directors to attend our annual meetings of stockholders unless it is not reasonably practicable for a director to do so. All of the directors serving as of June 9, 2010 attended our 2010 Annual Meeting of Stockholders.

## **Board Committees and Committee Meetings**

Our Board has standing Audit, Compensation and Leadership Development, Nominating and Corporate Governance and Strategy, Technology and Process Committees. The Audit Committee assists our Board in its general oversight of our financial reporting, internal controls and audit functions, and is directly responsible for the appointment, retention, compensation and oversight of the work of our independent auditor. Additional information regarding the Audit Committee of our Board (the Audit Committee ) is included in 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; generally administers our equity award and stock option plans, including reviewing and granting stock options and other equity awards to our executive officers, but excluding the grant of stock option and other equity awards, if any, to independent directors; reviews and evaluates the performance of, and succession planning for, executive officers other than our CEO; and provides general oversight over leadership development processes and strategies for executive and senior officers. The Compensation Committee also reviews and determines various other Company compensation policies and matters. Additional information regarding the Compensation Committee of our Board is included in the Compensation Discussion and Analysis section below.



The Nominating and Corporate Governance Committee (the Corporate Governance Committee ) reviews and reports to our Board on a periodic basis with regard to matters of corporate governance and assists our Board in fulfilling its responsibilities to assure that we are governed in a manner consistent with the interests of our stockholders. Additional information regarding the Corporate Governance Committee is included in the Corporate Governance section above.

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The Strategy, Technology and Process Committee (the Technology Committee ) reviews and provides oversight of, and counsel on, matters relating to technology and innovation and assists our Board in its guidance of our technology strategies and our operations strategies and key initiatives required to achieve our five-year strategic plan. The Technology Committee consists of Board members and may also consist of management personnel. Members of the Technology Committee are recommended by the Corporate Governance Committee and appointed by our Board.

The table below provides meeting information for our Board and each of its committees during 2010:

Type of Meeting	Full		Compensation and Leadership	Nominating and Corporate	Strategy, Technology and Process
	Board	Audit	Development	Governance	
In Person	5	4	4	4	4
Telephonic	4	4	5	0	1
<b>Total Meetings in 2010</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>4</b>	<b>5</b>

The table below provides membership information for each of the Board committees during 2010:

Name	Audit	Compensation and Leadership Development	Nominating and Corporate Governance	Strategy, Technology and Process(2)
Alfred R. Berkeley, III	X			X
John D. Curtis			Chair	
James C. McGroddy				Chair
Harlan F. Seymour		X	X	
John M. Shay, Jr.	X	Chair		
John E. Stokely	Chair		X	
Jan H. Suwinski		X		X(1)

(1) Mr. Suwinski was appointed to the Technology Committee on March 17, 2010.

(2) Effective as of March 7, 2011, Mr. Heasley also serves as a member of the Strategy, Technology and Process Committee.

**Board Leadership Structure**

Our Board has determined that having an independent director serve as the Chairman of the Board is in the best interests of our stockholders. Our Chairman of the Board is Harlan F. Seymour. Our President and CEO, Mr. Heasley, is the only member of our Board who is not an independent director. We believe that this leadership structure enhances the accountability of our President and CEO to the Board and strengthens the Board's independence from management. While both leaders are actively engaged on significant matters affecting the Company, such as long-term strategy, we believe splitting these leadership positions enables Mr. Heasley to focus his efforts on running

our business and managing the Company while permitting Mr. Seymour to focus more on the governance of the Company, including oversight of our Board.

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

Although management is responsible for the day-to-day management of risks to the Company, our Board provides broad oversight of the Company's risk management programs. In this oversight role, our Board is responsible for satisfying itself that the risk management processes designed and implemented by the Company's management are functioning and that the systems and processes in place will bring to its attention the material risks facing the Company in order to permit the Board to effectively oversee the management of these risks. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of our full Board in the risk oversight process allows our Board to assess management's appetite for risk and also determine what constitutes an appropriate level of risk for the Company. Our Board

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regularly includes agenda items at its meetings relating to its risk oversight role and meets with various members of management on a range of topics, including corporate governance and regulatory obligations, operations and significant transactions, business continuity planning, succession planning, risk management, insurance, pending and threatened litigation and significant commercial disputes.

While our Board provides broad oversight of the Company's risk management processes, various committees of the Board oversee risk management in their respective areas and regularly report on their activities to our entire Board. In particular, the Audit Committee focuses on assessing and mitigating financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. The Compensation Committee also strives to create incentives that encourage a level of risk-taking behavior consistent with the Company's business strategy. The Technology Committee concentrates on the Company's technology strategies and reviews the scope, direction, quality, investment levels and execution of such strategies as well as strategic transactions primarily relating to technology, and considers the level of risk associated with the technology strategies formulated by management.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing the Company and that our Board leadership structure provides appropriate checks and balances against undue risk taking.

## **Compensation Risk Analysis**

We have reviewed our material compensation policies and practices for all employees and have concluded that these policies and practices are not reasonably likely to have a material adverse effect on the Company. While risk-taking is a necessary part of growing a business, our compensation philosophy, as discussed below in the section entitled

Compensation Discussion and Analysis, is focused on aligning compensation with the long-term interests of our stockholders as opposed to rewarding short-term management decisions that could pose long-term risks. Specifically, our compensation programs contain many design features that mitigate the likelihood of inducing excessive risk-taking behavior. These features and characteristics include, without limitation:

- a balance of fixed and variable compensation, with variable compensation tied both to short-term objectives and the long-term value of our stock price;

- the use of performance shares with specific performance goals combined with stock options for equity awards which we believe balances risk incentives;

- reasonable goals and objectives in our incentive programs and the use of company-wide metrics which encourages decision-making that is in the best long-term interests of our stockholders;

- the Compensation Committee's ability to exercise downward discretion in determining incentive program payouts;

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

- share ownership guidelines applicable to our executive officers;

- all executives and senior management employees worldwide participate in the same annual incentive program that pertains to our Named Executive Officers (as defined in the Compensation Discussion and Analysis section below) and that has been approved by the Compensation Committee;

the use of time-based vesting over three or four years for our stock options ensures that our executives' interests align with those of our stockholders over the long term;

the use of a three-year performance period for our performance shares ensures that our executives focus on the long-term performance of the Company; and

annual equity grants so executives have unvested awards that could decrease significantly in value if our business is not managed for the long term.

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### **Director Nomination Process**

The role of the Corporate Governance Committee includes identifying, evaluating and recommending director candidates to our Board. The Corporate Governance Committee continues to consider director candidates and generally seeks independent directors with broad diversity of experience, skills, particular areas of expertise, geographic representations, specific backgrounds and other characteristics that may enhance the effectiveness of our Board and its committees and the quality of the Board's deliberations and decisions. The Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Prospective nominees are not discriminated against on the basis of age, gender, race, religion, national origin, sexual orientation, disability or any other.

In addition, the Corporate Governance Committee takes into consideration the following criteria in selecting and evaluating director candidates:

*Independent Directors.* Our Board should include at least enough independent directors (as determined by NASDAQ rules and applicable laws and regulations) to satisfy the independent director requirements of such rules, laws and regulations.

*Other Directors.* Subject to the right of the Corporate Governance Committee and our Board to decide otherwise when appropriate, our CEO generally should be a director. Additionally, depending on the circumstances, certain other members of management, as well as individuals having relationships with the Company that prevent them from being independent directors, may be deemed to be appropriate members of our Board.

*General Criteria for Each Director.* Candidates for positions on our Board should possess certain qualities. In particular, a director should:

be an individual of the highest character and integrity;

be free of any conflict of interest that would violate any applicable laws, rules, or regulations or interfere with the proper performance of the responsibilities of a director;

be willing and able to devote sufficient time to the affairs of the Company;

have the capacity and desire to represent the balanced, best interests of our stockholders as a whole; and

bring diverse perspectives to our Board as well as sound business acumen.

All of the current nominees for director are incumbent directors serving on our existing Board. The Corporate Governance Committee based its decision to re-nominate these incumbent directors on its consideration of each individual's contributions, including the value of his experience as a director, the current composition of our Board and its committees and the Company's needs.

### ***Stockholder Recommendations for Director Nominees***

The Corporate Governance Committee considers stockholder recommendations for candidates for our Board furnished to the Company as set forth below in the section entitled "Stockholder Communications with our Board."

The Corporate Governance Committee did not receive, by a date not later than the 120th calendar day before the date we released our proxy statement to our stockholders in connection with our 2010 Annual Meeting of Stockholders, a recommended nominee for election at this Annual Meeting, from a stockholder that beneficially owned more than 5% of our outstanding common stock for at least one year as of the date the recommendation was made, or from a group of security holders that beneficially owned, in the aggregate, more than 5% of our outstanding common stock, with each of the securities used to calculate that ownership held for at least one year as of the date the recommendation was made.

***Stockholder Nomination Process***

Pursuant to our Bylaws, as amended, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's

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intent to make such nomination or nominations has been received by the Secretary of the Company 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.

Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the stockholder is a holder of record of our common stock entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares owned beneficially and of record by the stockholder giving notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among the stockholder, the beneficial owner on whose behalf the notice is given and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by our Board; (vi) the consent of each nominee to serve as a director of the Company if so elected; and (vii) whether the stockholder, or the beneficial owner on whose behalf the nomination is made, intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of our common stock entitled to vote required to elect the nominee(s).

In addition to the name and address of the stockholder making the nomination, as they appear on the Company's books, the notice must also include the name and principal business address of all (A) persons controlling, directly or indirectly, or acting in concert with, such stockholder, (B) beneficial owners of shares of stock of the Company owned of record or beneficially by such stockholder (with the term *beneficial ownership* as used herein to have the meaning given to that term in Rule 13d-3 under the Securities Exchange Act (the Exchange Act)) and (C) persons controlling, controlled by, or under common control with, any person specified in the foregoing clause (A) or (B) (with the term *control* as used herein to have the meaning given to that term in Rule 405 under the Securities Act of 1933, as amended) (any such person or beneficial owners set forth in the foregoing clauses (A), (B) and (C) shall be a *Stockholder Associated Person* for purposes of our Bylaw 14(c)).

The stockholder notice must also disclose (i) any derivative positions related to any class or series of securities of the Company held or beneficially held by the stockholder and each Stockholder Associated Person (as defined above); and (ii) whether and the extent to which any hedging, swap or other transactions or series of transactions have been entered into by or on behalf of, or any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock) has been made, the effect or intent of which is to mitigate loss to, or manage risk of stock price changes for, or to increase the voting power of, the stockholder or any Stockholder Associated Person with respect to any shares of stock of the Company.

If the Board so requires, to be eligible to be a nominee for election or re-election as a director of the Company, a person must deliver (in accordance with the time periods prescribed for delivery of notice) to the Secretary at the principal executive offices of the Company, a written questionnaire with respect to the identity, background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question (a *Voting Commitment*) that has not been disclosed to the Company or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Company, with such person's fiduciary duties under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect



compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed in the questionnaire, and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Company, and will comply, with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company.

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The Secretary of the Company did not receive written notice from any stockholder regarding an intention to make a nomination.

**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 procedure described below in the section entitled "Stockholder Proposals," may be delivered to the Secretary of the Company at the Company's principal executive office located at 120 Broadway, Suite 3350, New York, New York 10271, sent 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 the Secretary of the Company, who will forward them to the appropriate members of our Board.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Our Board currently consists of eight members who are well-qualified to serve on the Board and represent our stockholders' best interests. Our Board, as recommended by the Nominating and Corporate Governance Committee, has nominated for re-election as directors Alfred R. Berkeley, III, John D. Curtis, Philip G. Heasley, James C. McGroddy, Harlan F. Seymour, John M. Shay, Jr., John E. Stokely and Jan H. Suwinski, each to serve until the 2012 Annual Meeting of Stockholders and thereafter, until his 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.

As described above in the section entitled "Corporate Governance - Director Nomination Process," our Board selects nominees with a view to establishing a Board of Directors that is comprised of members who:

- demonstrate the highest character and integrity;
- are independent and free of any conflicts of interest;
- are willing and able to devote sufficient time to the affairs of the Company;
- have the capacity and desire to represent the balanced, best interests of our stockholders; and
- bring diverse perspectives to our Board as well as sound business acumen.

We believe that each of the director nominees bring these qualifications to our Board. Moreover, they provide our Board with a diverse complement of specific business skills, experience and perspectives, including: extensive financial and accounting expertise, public company board experience, understanding of and experience in technology and software industries, experience with companies with a global presence and those that have high-growth strategies, and extensive operational and strategic planning experience in complex, global companies. The priorities and emphasis of the Corporate Governance Committee and of our Board with regard to these factors change from time to time to take into account changes in the Company's business and other trends, as well as the portfolio of skills and experience of current and prospective Board members. The Corporate Governance Committee and our Board review and assess the continued relevance of and emphasis on these factors as part of the Board's annual self-assessment process and in connection with candidate selection to determine if they are effective in helping to satisfy the Board's goal of creating and sustaining a Board that can appropriately support and oversee the Company's activities.

We do not expect or intend that each director will have the same background, skills, and experience; we expect that Board members will have a diverse portfolio of backgrounds, skills, and experiences. One goal of this diversity is to assist the Board as a whole in its oversight and advice concerning our business and operations. Listed below are key skills and experience that we consider important for our directors to have in light of our current business and structure.

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*Senior Leadership Experience.* Directors who have served in senior leadership positions are important to us, as they bring experience and perspective in analyzing, shaping, and overseeing the execution of important strategic, operational and policy issues at a senior level. These directors' insights and guidance, and their ability to assess and respond to situations encountered in serving on our Board, may be enhanced if their leadership experience has been developed at businesses or organizations that operated on a global scale, faced significant competition, and/or involved technology or other rapidly evolving business models.

*Public Company Board Experience.* Directors who have served on other public company boards can offer advice and insights with regard to the dynamics and operation of a board of directors; the relations of a board to the CEO and other management personnel; the importance of particular agenda and oversight matters; and oversight of a changing mix of strategic, operational, and compliance-related matters.

*Business Development, Mergers and Acquisitions (M&A) and Strategic Alliances Experience.* Directors who have a background in business development, in M&A transactions and with strategic alliances can provide insight into developing and implementing strategies for growing our business through combination or partnership with other organizations. Useful experience in this area includes consideration of go direct versus acquire and develop organically versus acquire strategies, analysis of the synergies of a proposed acquisition or partnership with a company's strategy, the valuation of transactions, and management's plans for integration with existing operations.

*Financial Expertise.* Knowledge of financial markets, financing and funding operations, and accounting and financial reporting processes is important because it assists our directors in understanding, advising, and overseeing our capital structure, financing and investing activities, financial reporting, and internal control of such activities.

*Industry and Technical Expertise.* Because we are a technology and software provider, education or experience in relevant technology is useful in understanding our research and development efforts, competing technologies, the various products and processes that we develop, and the market segments in which we compete. In addition, our software products and services are primarily focused on facilitating electronic payments both in domestic and international markets. Knowledge of, and experience in, the global electronic payments industry and the banking and financial services industries provides useful insight into the needs, practices and operations of the Company's principal customer base.

*Global Expertise.* Because we are a global organization with research and development, channel facilities, sales and other offices in many countries and customers located in over 80 different countries, directors with global expertise can provide a useful business and cultural perspective regarding many significant aspects of our business.

*Legal Expertise.* Directors who have legal education and experience can assist our Board in fulfilling its responsibilities related to the oversight of the Company's legal and regulatory compliance, and engagement with regulatory authorities.

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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 of our director nominees brings to our Board of Directors in addition to the general criteria described above satisfied by each of our director nominees. Unless otherwise indicated, each person has been engaged in the principal occupation shown for the past five years.

**Alfred R. Berkeley, III**

Director Since: 2007  
Age: 66

**Skills, Experience and Expertise:**

- Senior Leadership Experience
- Public Company Board Experience
- Financial Expertise
- Business Development, M&A and Strategic Alliances Experience
- Industry and Technical Expertise
- Global Expertise

**Biographical Information:**

Chairman of Pipeline Financial Group, Inc., the parent of Pipeline Trading Systems, L.L.C., an equity trading brokerage services firm and also served as CEO until March 2010

Vice Chairman of NASDAQ from July 2000 through July 2003 and President of NASDAQ from 1996 until 2000

Serves as Vice Chairman of the National Infrastructure Advisory Council for the President

Serves as a board member of XBRL US, the non-profit organization established to set data standards for the modernization of the SEC's EDGAR reporting system, and of XBRL International, the international standards organization which develops and maintains the XBRL specification

Served as the Chairman of XBRL US until 2010

Served in a number of capacities at Alex. Brown & Sons Inc. from 1972 to 1996, including serving as Managing Director in the corporate finance department where he financed computer software and electronic commerce companies

Served as Vice Chairman of the Nomination Evaluation Committee for the National Medal of Technology and Innovation which makes candidate recommendations to the Secretary of Commerce from 2003 to 2009

Director of RealPage, Inc. (NASDAQ: GS), a provider of on demand software solutions for the rental housing industry; Fortegra Financial Corp. (NYSE: FRF), an insurance services company that provides distribution and administration services and insurance-related products to insurance companies, insurance brokers and agents and other financial services companies; and EDGAR Online, Inc. (NASDAQ: EDGR), Global provider of XBRL (eXtensible Business Reporting

Language) solutions

Previously a director of Kintera, Inc. (NASDAQ: KNTA), a provider of software for non-profit organizations, from September 2003 until it was acquired by Blackbaud, Inc. (NASDAQ: BLKB); Webex Communications Inc. (NASDAQ: WEBX), a provider of meeting and web event software, until it was acquired by Cisco Systems, Inc. (NASDAQ: CSCO) and National Research Exchange Inc., a registered broker dealer, until it ceased operations

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**John D. Curtis**

Director Since: 2003  
Age: 70

**Skills, Experience and Expertise:**

Senior Leadership Experience  
Business Development, M&A and Strategic Alliances Experience  
Global Expertise  
Legal Expertise

**Biographical Information:**

Senior Vice President, General Counsel and Corporate Secretary of The Warranty Group, Inc., a single-source provider for the underwriting, administration and marketing of service contracts and related benefits, since February 2011

Previously worked as an attorney providing legal and business consulting services from August 2002 to February 2011

Served as General Counsel of Combined Specialty Corporation and a director of Combined Specialty Insurance Company, wholly-owned subsidiaries of Aon Corporation (NYSE: AOC) from July 2001 to July 2002

President of First Extended, Inc., a holding company with two principal operating subsidiaries: First Extended Service Corporation, an administrator of vehicle extended service contracts and FFG Insurance Company, a property and casualty insurance company from November 1995 to July 2002

Serves as a director of The Warranty Group, Inc. board of directors

**Philip G. Heasley**

Director Since: 2005  
Age: 61

**Skills, Experience and Expertise:**

Senior Leadership Experience  
Public Company Board Experience  
Industry and Technical Expertise  
Business Development, M&A and Strategic Alliances Experience

**Biographical Information:**

Our President and Chief Executive Officer since March 2005

Chairman and Chief Executive Officer of PayPower LLC, an acquisition and consulting firm specializing in financial services and payment services from October 2003 to March 2005

Chairman and Chief Executive Officer of First USA Bank from October 2000 to November 2003

Served in various capacities for U.S. Bancorp from 1987 until 2000, including Executive Vice President, and President and Chief Operating Officer

Serves on the National Infrastructure Advisory Council for the President

Director of Tier Technologies, Inc. (NASDAQ: TIER), a provider of electronic payment biller-direct solutions, and Lender Processing Services, Inc. (NYSE: LPS), a provider of mortgage processing services,

settlement services, mortgage performance analytics and  
default solutions



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Previously a director of Fidelity National Title Group, now known as Fidelity National Financial, Inc. (NYSE: FNF), a provider of title insurance, specialty insurance and claims management services, Kintera, Inc. (NASDAQ: KNTA), a provider of software for non-profit organizations, until it was acquired by Blackbaud, Inc. (NASDAQ: BLKB), Ohio Casualty Corporation (NASDAQ: OCAS), the holding company of The Ohio Casualty Insurance Company, which is one of six property-casualty insurance companies that make up Ohio Casualty Group, collectively referred to as Consolidated Corporation, and Fair Isaac Corporation (NYSE: FICO), a provider of analytics and decision management technology

**James C. McGroddy**

Director Since: 2008  
Age: 74

**Skills, Experience and Expertise:**

Senior Leadership Experience  
Public Company Board Experience  
Industry and Technical Expertise  
Global Expertise  
Business Development, M&A and Strategic Alliances Experience

**Biographical Information:**

Self-employed consultant  
Employed by International Business Machines Corporation from 1965 through 1996 in various capacities, including seven years as Senior Vice President of Research  
Chairman of the Board of MIQS, a Colorado-based healthcare information technology company, Chairman of the Board of Advanced Networks and Service, Inc.  
Member of the U.S. National Academy of Engineering  
Previously served as a director of Paxar Corporation (NYSE: PXR), a provider of merchandising systems for the retail and apparel industry

**Harlan F. Seymour**

Director Since: 2002  
Age: 61

**Skills, Experience and Expertise:**

Senior Leadership Experience  
Public Company Board Experience  
Business Development, M&A and Strategic Alliances Experience  
Financial Expertise  
Global Expertise

**Biographical Information:**

Our Chairman of the Board since September 2002  
Sole owner of HFS, LLC, a privately-held investment and business advisory firm advising public and private companies particularly in the area of strategic planning services  
Served as a director and as Executive Vice President of ENVOY Corporation, which provides electronic processing services, primarily to the health care industry  
Director of Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and

related equipment, and serves on its audit, governance and strategic planning committees

Serves as a member of various private, profit and non-profit boards of directors, including Payformance Corp., an electronic health care claims and settlement solution company and the advisory board of Calvert Street Capital Partners, a private equity firm

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**John M. Shay, Jr.**

Director Since: 2006  
Age: 63

**Skills, Experience and Expertise:**

Financial Expertise  
Business Development, M&A and Strategic Alliances Experience  
Global Experience

**Biographical Information:**

President and owner of Fairway Consulting LLC, a business consulting firm  
Employed by Ernst & Young LLP, a Big Four accounting firm offering audit, business advisory and tax services from 1972 through March 2006 serving as an audit partner from October 1984 to March 2006 and managing partner of the firm's New Orleans office from October 1998 through June 2005  
Served as an adjunct auditing professor in the graduate business program of the A.B. Freeman School of Business at Tulane University for approximately 10 years  
Certified Public Accountant

**John E. Stokely**

Director Since: 2003  
Age: 58

**Skills, Experience and Expertise:**

Senior Leadership Experience  
Public Company Board Experience  
Business Development, M&A and Strategic Alliances Experience  
Financial Expertise  
Global Expertise

**Biographical Information:**

President of JES, Inc., an investment and consulting firm providing strategic and financial advice to companies in various industries from August 1999 through 2007  
Served as President, Chief Executive Officer and Chairman of the Board of Richfood Holdings, Inc., a publicly-traded FORTUNE 500 food retailer and wholesale grocery distributor, from 1996 until August 1999 when it merged with Supervalu Inc. (NYSE: SVU)  
Director of (i) Imperial Sugar Company (NASDAQ: IPSU), a manufacturer that refines, packages and distributes sugar and (ii) Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and related equipment  
Serves as Lead Independent Director of Pool Corporation (NASDAQ: POOL)  
Serves as a member of various private, profit and non-profit boards of directors, including AMF Bowling  
Previously served as a director of O Charley's Inc. (NASDAQ: CHUX), a casual dining restaurant company, Performance Food Group (NASDAQ: PFCG), a foodservice distributor, until it was acquired by affiliates of The Blackstone Group (NYSE: BX) and Wellspring Capital Management, and Nash-Finch

Company (NASDAQ: NAFC), a leading food  
distribution company

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**Jan H. Suwinski**

Director Since: 2007  
Age: 69

**Skills, Experience and Expertise:**

Senior Leadership Experience

Public Company Board Experience

Industry and Technical Expertise

Business Development, M&A and Strategic Alliances Experience

Global Expertise

**Biographical Information:**

Professor of Business Operations at the Samuel Curtis Johnson Graduate School of Management at Cornell University in Ithaca, New York

Served in various management positions in technology based businesses at Corning Incorporated from 1965 to 1996

Served as Executive Vice President of the Opto Electronics Group and a member of the operating committee at Corning Incorporated from 1990 to 1996

Served as Chairman of Siecor Corporation, a Corning joint venture with Siemens AG from 1992 to 1996

Director of Tellabs, Inc. (NASDAQ: TLAB), a provider of telecommunications networking products, and Thor Industries, Inc. (NYSE: THO), a manufacturer of recreational vehicles and buses

Previously served as a director of Ohio Casualty Corporation (NASDAQ: OCAS), the holding company of The Ohio Casualty Insurance Company, which is one of six property-casualty insurance companies that make up Ohio Casualty Group, collectively referred to as Consolidated Corporation

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

**DIRECTOR COMPENSATION**

It is our Board's general policy that compensation for independent directors should be a mix of cash and equity-based compensation. As part of a director's total compensation, and to create a direct linkage with corporate performance and stockholder interests, our Board believes that a meaningful portion of a director's compensation should be provided in, or otherwise based on, the value of appreciation in our common stock. We do not pay our employee directors for service on our Board in addition to their regular employee compensation.

The compensation program for independent directors has not materially changed since 2005. In 2009, our Board engaged Hewitt Associates LLC (Hewitt) to evaluate the competitiveness of our independent director compensation program. The Corporate Governance Committee reviewed Hewitt's analysis of both the level and mix of compensation paid to independent directors of the peer group companies for executive compensation purposes identified in the Compensation Discussion and Analysis section below. After considering the competitive information, trends in compensation for independent directors in general, the workload carried by our Board, and the difficulty of recruiting and retaining highly qualified independent directors, the Corporate Governance Committee determined that the existing program meets the Company's needs. The Corporate Governance Committee reviews our independent director

compensation program annually. Our Board has engaged Pearl Meyer & Partners, LLC to review our current compensation program for independent directors.

**Cash Compensation**

Our independent director compensation program provides that each independent director receives a \$10,000 quarterly retainer fee. The Chairman of the Board receives an additional \$5,000 quarterly retainer fee. The chairman of the Audit Committee receives an additional \$2,500 quarterly retainer fee and other independent directors who serve on the Audit Committee receive an additional \$1,000 quarterly retainer fee. Each Board committee chairman,

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other than the chairman of the Audit Committee, receives an additional \$1,250 quarterly retainer fee and independent directors who serve on Board committees, other than the Audit Committee, receive an additional \$750 quarterly retainer fee for service on each committee. Effective as of June 9, 2010, each independent director receives \$2,000 for each Board or Board committee meeting attended, whether in person or telephonically; however, with respect to any physical Board or Board committee meeting attended by an independent director telephonically, such director receives only \$1,000 for such meeting. Prior to June 9, 2010, each independent director received \$2,000 for each Board or Board committee meeting attended in person and \$1,000 for each Board or Board committee meeting attended by telephone. All directors are reimbursed for expenses incurred in connection with attendance at Board and Board committee meetings and our annual meetings of stockholders.

**Equity-Based Compensation**

Our independent directors are granted an award of stock options upon commencing service as a director of the Company and an annual equity award grant thereafter. Such grants are made at the discretion of our Board based on the recommendations of its Corporate Governance Committee. Director equity awards are provided pursuant to the terms of our 2005 Equity and Performance Incentive Plan, as amended (the 2005 Incentive Plan ). Director equity awards vest on the earlier to occur of (1) the date which is one year following the date of grant, and (2) 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 the Company. The equity awards are non-qualified stock options with an exercise price equal to the closing price (price for last trade) of our common stock as reported by The NASDAQ Global Select Stock Market on the date of grant.

On June 9, 2010 (the grant date), our independent directors were each granted a non-qualified option to purchase 10,000 shares of our common stock with an exercise price equal to \$18.31.

**Deferred Compensation Plan**

Each independent director may elect to defer receipt of all or a part of his cash compensation on a calendar year basis under the Company s Amended and Restated Deferred Compensation Plan (the Deferred Compensation Plan ). The Deferred Compensation Plan is an unfunded, nonqualified deferred compensation plan designed to allow independent directors and a select group of management or highly compensated employees of the Company designated by our Compensation Committee to save for retirement on a tax-deferred basis. Additional information on the Deferred Compensation Plan can be found under the heading Deferred Compensation Plan in the Executive Compensation section below.

None of our independent directors made any contributions to the Deferred Compensation Plan during 2010.

**Director Summary Compensation Table**

The table below summarizes the compensation we paid to our independent directors during the fiscal year ended December 31, 2010.

**Director Summary Compensation Table(1)**

Name(2)	Fees Earned or Paid in Cash (\$)	Option Awards(3) (\$)	Total (\$)
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(a)	(b)	(d)	(h)
Alfred R. Berkeley, III	83,000	88,988	171,988
John D. Curtis	66,000	88,988	154,988
James C. McGroddy	68,000	88,988	156,988
Harlan F. Seymour	102,000	88,988	190,988
John M. Shay, Jr.	91,000	88,988	179,988
John E. Stokely	88,000	88,988	176,988
Jan H. Suwinski	81,000	88,988	169,988



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- (1) Columns (c), (e), (f) and (g) to this table entitled **Stock 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.
- (2) Philip G. Heasley, our President and CEO, is not included in this table as he is an employee of the Company and thus, receives no compensation for his service as a director. The compensation received by Mr. Heasley as an employee of the Company is shown in the **Summary Compensation Table** in the **Executive Compensation** section below.
- (3) The amounts in column (d) reflect the grant date fair value of each option award granted during 2010, as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, **Compensation - Stock Compensation ( FASB ASC Topic 718 )**. The amounts shown do not correspond to the actual value that will be realized by the independent director. The assumptions used in the calculation of these amounts are included in footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2010, included in our Annual Report. The grant date fair value of the options granted to our independent directors on June 9, 2010 was \$8.8988 per option. The aggregate grant date fair value for all options granted to our independent directors on June 9, 2010 was \$622,916. The following table sets forth each independent director's aggregate number of option awards outstanding as of December 31, 2010:

<b>Name</b>	<b>Vested Stock Option Awards</b>	<b>Unvested Stock Option Awards</b>	<b>Aggregate Stock Option Awards</b>
Alfred R. Berkeley, III	30,000	10,000	40,000
John D. Curtis	72,000	10,000	82,000
James C. McGroddy	20,000	10,000	30,000
Harlan F. Seymour	76,000	10,000	86,000
John M. Shay, Jr.	40,000	10,000	50,000
John E. Stokely	72,000	10,000	82,000
Jan H. Suwinski	30,000	10,000	40,000

**Independent 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 the Company with a value equal to four times his 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 from (i) the adoption of the stock ownership guidelines, which occurred in September 2007, or (ii) election to our Board, whichever is later, 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 he achieves his prescribed ownership level.

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**REPORT OF THE AUDIT COMMITTEE**

During 2010, the members of the Audit Committee consisted of Messrs. Berkeley, Shay and Stokely. At all times during 2010, each of the directors that served on 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 Mr. Stokely and Mr. Shay are audit committee financial experts as defined under SEC rules.

The Audit Committee operates pursuant to a charter (the Audit Committee Charter) approved and adopted by our Board. A copy of the Audit Committee Charter is available on our website at [www.aciworldwide.com](http://www.aciworldwide.com) in the Who We Are Investor Relations Corporate Governance section.

The Audit Committee, on behalf of our Board, oversees the Company's financial reporting process as more fully described in the Audit Committee Charter. Management is responsible for the preparation, presentation and integrity of the Company'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 the Company'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 auditor.

The Company's independent auditor, Deloitte & Touche LLP (Deloitte), is responsible for performing independent audits of the Company's consolidated financial statements and the effectiveness of the Company'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 the Company's annual report on Form 10-K for 2010 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 the Company's internal auditors and Deloitte, with and without management present, their evaluations of the Company's internal accounting controls and reviewed with management the basis for management's assessment of the effectiveness of the Company's internal controls over financial reporting.

The Company's independent auditor is responsible for expressing opinions on (i) the conformity of the Company's audited consolidated financial statements, in all material respects, to accounting principles generally accepted in the U.S., and (ii) the effectiveness of the Company's internal controls over financial reporting. The independent auditor has full and free access to the Audit Committee. The Company's independent auditor has expressed the opinion that the Company'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 the independent auditor its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed by the Audit Committee with the Company's independent auditor under Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance* (formerly Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T).

The Audit Committee discussed with the Company's independent auditor its independence from management and the Company, and received from Deloitte the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditor and management the

independent auditor's independence.

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 the Company's annual report on Form 10-K for 2010 for filing with the SEC.

MEMBERS OF THE AUDIT COMMITTEE

John E. Stokely, Chairman  
Alfred R. Berkeley, III  
John M. Shay, Jr.

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**PROPOSAL 2**

**RATIFICATION OF APPOINTMENT OF THE COMPANY'S INDEPENDENT AUDITOR**

The Audit Committee has selected and appointed, and our Board has approved the Audit Committee's selection and appointment, of Deloitte as our independent auditor for the fiscal year ending December 31, 2011. If the stockholders do not ratify the selection, the Audit Committee will consider whether it is appropriate to select another independent auditor 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 the 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.

**Change in Independent Registered Public Accounting Firm**

We initially engaged Deloitte to serve as our independent auditor on May 21, 2009. During the Company's two most recent fiscal years, and through May 21, 2009, neither the Company nor anyone on its behalf consulted Deloitte regarding either: (i) the application of accounting principles to a specified transaction regarding the Company, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) any matter regarding the Company that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions to Item 304 of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

In connection with the selection of Deloitte, on May 21, 2009 the Audit Committee determined to dismiss KPMG LLP ( KPMG ) as the Company's independent registered public accounting firm.

The audit reports of KPMG on the consolidated financial statements of the Company as of December 31, 2007 and 2008 and September 30, 2007 and for the year ended December 31, 2008, the three-month period ended December 31, 2007 and the year ended September 30, 2007 did not contain an adverse opinion or disclaimer of opinion and were not otherwise qualified or modified as to uncertainty, audit scope or accounting principles, except as follows:

KPMG's report on the consolidated financial statements of the Company as of December 31, 2007 and 2008 and September 30, 2007 and for the year ended December 31, 2008, the three-month period ended December 31, 2007 and the year ended September 30, 2007, contained a separate paragraph stating that "As discussed in note 15 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109, as of October 1, 2007.

The audit reports of KPMG on the effectiveness of internal control over financial reporting as of December 31, 2008 and September 30, 2007 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except that KPMG's reports as of December 31, 2008 and September 30, 2007 indicate that the Company did not maintain effective internal control over financial reporting because of the effect of a material weakness in each of the respective periods on the achievement of the objectives of the control criteria and contain an explanatory paragraph in each report that states that management has identified material weaknesses related to its accounting for software implementation service and license arrangements in the Asia Pacific region; and controls over revenue recognition and the accounting for income taxes, respectively.

During the fiscal year ended September 30, 2007, the three-month period ended December 31, 2007 and the fiscal year ended December 31, 2008, and the subsequent interim period through May 21, 2009, there were no disagreements (as defined in Item 304 of Regulation S-K) with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

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During the fiscal year ended September 30, 2007, the three-month period ended December 31, 2007 and the fiscal year ended December 31, 2008, and the subsequent interim period through May 21, 2009, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that the Company did not maintain effective internal control over financial reporting because of the effect of material weaknesses on the achievement of the objectives of the control criteria as described above.

We provided KPMG with a copy of the above disclosures and requested KPMG furnish a letter addressed to the SEC stating whether or not it agreed with the statements made above. A copy of KPMG's affirmative letter dated May 28, 2009 was attached as Exhibit 16.1 to our Current Report on Form 8-K filed with the SEC May 28, 2009.

**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 2010 and 2009 in its capacity as our independent auditor during such years. KPMG provided services during 2009 but they did not serve as our independent auditor for the year ended December 31, 2009.

Fee Category	2010 Deloitte	2009 Deloitte (\$)	2009 KPMG
Audit Fees	1,858,211	1,893,000	329,651
Audit Related Fees	18,820	28,000	82,335
Tax Fees	182,927	435,869	127,984
Other Fees	10,000	0	0
<b>Total Fees</b>	<b>2,069,958</b>	<b>2,356,869</b>	<b>539,970</b>

*Audit Fees.* This category represents the aggregate fees paid or payable to Deloitte for professional services rendered for the audit and quarterly reviews of the Company's annual consolidated financial statements for 2010 and 2009 and the audit of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2010 and December 31, 2009 in accordance with the standards of the Public Company Accounting Oversight Board and to KPMG for professional services rendered for the interim review of the Company's consolidated financial statements for the three months ended March 31, 2009.

*Audit-Related Fees.* This category represents the aggregate fees billed by Deloitte or KPMG for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements that are not reported under *Audit Fees* for 2010 or 2009. The professional services performed by Deloitte in 2010 and 2009 consisted of (i) assistance with the review of SEC registration statements and (ii) assistance with the review of SEC comment letters. The professional services performed by KPMG in 2009 consisted of (i) assistance with the review of SEC comment letters, (ii) services associated with the Company's filing of a SEC Form S-3 registration statement, (iii) review of the Company's 2009 Annual Report and provision of related consent, (iv) review of the proxy statement for the 2010 Annual Meeting and (v) other technical accounting consultations.

*Tax Fees.* This category represents the aggregate fees billed by Deloitte or KPMG for tax-related services rendered to the Company for 2010 and 2009. Tax fees billed by Deloitte in 2010 and 2009 consisted of fees for professional services related primarily to tax compliance projects, including (i) assistance in the preparation of tax credit calculations and (ii) preparation of, and assistance with, expatriate tax returns and payroll calculations. Tax fees billed by KPMG in 2009 consisted of fees for professional services related primarily to tax compliance projects, including (i) assistance in the preparation of tax credit calculations and (ii) assistance with tax audit matters.

*All Other Fees.* In 2010, the aggregate other fees billed by Deloitte totaled \$10,000 and represents a subscription fee for access by the Company to the Deloitte technical library website. There were no other fees billed by Deloitte or KPMG for services rendered to the Company during 2009, other than the services described above under Audit Fees, Audit-Related Fees and Tax Fees.

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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 auditor'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 auditor and its member firms. Under these policies, all audit and non-audit services to be performed by our independent auditor 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 auditor 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 our independent auditor in 2010 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 the proposal. Because only a majority of shares actually voting is required to approve Proposal 2, abstentions and broker non-votes will have no effect on the outcome of the voting on this proposal.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT AUDITOR FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011.**

## **PROPOSAL 3**

### **ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Our Board is providing our stockholders with the opportunity to vote, on an advisory basis, on the executive compensation of our Named Executive Officers (as defined in the Compensation Discussion and Analysis section below). This advisory vote, commonly known as a "say-on-pay" vote, is a non-binding 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 discussion contained in this Proxy Statement.

As described in detail in the Compensation Discussion and Analysis, our executive compensation programs are performance-based programs designed to (i) attract, retain, motivate and reward highly qualified and talented executives, including our Named Executive Officers, who provide leadership to the Company necessary to drive superior results; (ii) reward senior executives, including our Named Executive Officers, for achieving measurable goals designed to drive superior Company results; and (iii) strengthen the commonality of interest between our



stockholders and senior executives, including our Named Executive Officers.

This advisory vote is not intended to address any specific item of compensation, but rather, the overall compensation of our Named Executive Officers and the principles, policies and procedures related to executive compensation described in this Proxy Statement. We therefore urge our stockholders to read the Compensation Discussion and Analysis, the accompanying compensation tables and other related tables and narrative discussion which describe in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. We believe that our executive compensation programs incent overall Company performance, appropriately link pay to performance, are well aligned with the long-term interests of our stockholders, and ensure consistent leadership, decision making and actions without taking inappropriate or

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unnecessary risks. These practices are highlighted throughout the Compensation Discussion and Analysis section and include, the following:

Between 62% and 74% of the total on-target compensation of our Named Executive Officers is performance-based compensation directly tied to Company financial, operational or strategic performance goals.

We introduced the use of performance shares which are earned, if at all, after a three-year performance period based on the achievement of performance goals relating to the Company's compound annual growth rate in sales and cumulative operating income over the three-year performance period.

The 2010 long-term incentive program is comprised of a combination of stock options and performance shares in order to reinforce the Compensation Committee's objective of making long-term incentive awards at risk so that the level of compensation actually earned depends on the Company's performance against specified financial, operational and strategic goals, and is directly tied to stockholder value.

With one exception, the base salaries for each of our executive officers remained unchanged in 2010 based on the fact that the base salaries fell within a range consistent with industry benchmark data and our executive compensation philosophy. In the case of our Chief Financial Officer, he received an 8% increase in base pay to reflect his functional progression into the Chief Financial Officer role.

We have stock ownership guidelines for our directors and executive officers.

Our equity award and our annual variable cash incentive award agreements incorporate forfeiture and recoupment provisions.

Our equity plans expressly prohibit re-pricing awards without stockholder approval.

We believe that our executive compensation philosophy, our core compensation objectives and our compensation programs, practices and policies have resulted in executive compensation decisions that have appropriately incentivized the achievement of financial goals that, despite recent challenging economic conditions, have benefited our Company and our stockholders and are expected to drive long-term stockholder value over time. For example, in 2010:

Our full year diluted earnings per share increased 40% over 2009.

Sales rose by \$100.6 million in 2010 as compared to 2009, reflecting the most significant sales year in the Company's 35-year history.

Operating income improved 29% over 2009 operating income.

Operating EBITDA improved 20% over operating EBITDA in 2009.

As illustrated above and in the Compensation Discussion and Analysis section, the Compensation Committee has and will continue to take action to structure our executive compensation programs, practices and policies in a manner that is performance-based with a view toward maximizing long-term stockholder value. The Compensation Committee believes that its compensation programs, practices and policies are effective in implementing our compensation philosophy. Accordingly, the following resolution is submitted for an advisory stockholder vote:

RESOLVED, that our stockholders approve, on an advisory basis, the compensation of our Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders 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 discussion.

**Advisory Vote**

Stockholders are not ultimately voting to approve or disapprove our Board's recommendation. As this is an advisory vote, the outcome of the vote is not binding on us with respect to future executive compensation decisions, including those relating to our Named Executive Officers, or otherwise. The Compensation Committee and our Board expect to take into account the outcome of the stockholder advisory vote when considering 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 the proposal. Because only a majority of shares actually voting is required to approve Proposal 3, abstentions and broker non-votes will have no effect on the outcome of the voting on this proposal.

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

**PROPOSAL 4**

**ADVISORY VOTE ON THE FREQUENCY OF  
FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION**

Our Board is asking our stockholders to indicate the frequency with which they believe an advisory vote on executive compensation, or a say-on-pay vote, such as that provided in Proposal 3 above should occur. Stockholders may indicate whether they prefer that we hold a say-on-pay vote every three years, two years or every year, or they may abstain from this vote.

After careful consideration of the various arguments supporting each frequency alternative, our Board has determined that holding an advisory vote on executive compensation every year is the most appropriate policy for the Company and its stockholders at this time, and recommends that stockholders vote for future advisory votes on executive compensation to occur every year.

While the Company's executive compensation programs are designed to promote a long-term connection between pay and performance, our Board recognizes that executive compensation disclosures are made annually. Given that the say-on-pay advisory vote provisions are new, holding an annual advisory vote on executive compensation provides the Company with more direct and immediate feedback from its stockholders on our compensation disclosures. However, stockholders should note that because the advisory vote on executive compensation occurs well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of stockholders.

**Advisory Vote**

Stockholders are not ultimately voting to approve or disapprove our Board's recommendation. As this is an advisory vote, the outcome of the vote is not binding on us. The Compensation Committee and our Board will carefully consider the outcome of the vote when making decisions regarding the frequency of future advisory votes on executive compensation. However, because this is an advisory vote, the Compensation Committee and our Board may in the future decide to conduct advisory votes on a more or less frequent basis than the alternative selected by our stockholders based on factors such as discussions with stockholders and the adoption of material changes to our compensation programs.

**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 the proposal. Because only a majority of shares actually voting is required to approve Proposal 4, abstentions and broker non-votes will have no effect on the outcome of the voting on this proposal.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF AN ANNUAL ADVISORY VOTE ON EXECUTIVE COMPENSATION.**

**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, 2011 by (i) each of our directors, (ii) each of our Named Executive Officers (as defined in the Summary Compensation Table below), (iii) all of our executive officers and directors as a group, and (iv) each person known by us to beneficially own more than 5% of the outstanding shares of our common stock. The percentages in these tables are based on 33,422,129 outstanding shares of common stock as of March 31, 2011, exclusive of 7,399,387 shares of common stock held as treasury stock by the Company. 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, 2011 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, 2011 by (i) each of our directors, (ii) each of our Named Executive Officers, and (iii) all of our executive officers and directors as a group. No family relationships exist among our directors and executive officers.

Beneficial Owner(1)	Number of Shares Directly Owned(2)	Number of Shares Subject to Currently Exercisable Options or Which May be Acquired Within 60 Days(3)		Total Shares Beneficially Owned Percent	
				Owned	
Philip G. Heasley	261,260	760,236	1,021,496	3.06%	
Craig A. Maki	1,875	178,155	180,030	*	
Dennis P. Byrnes	47,223	111,555	158,778	*	
David N. Morem	44,491	87,255	131,746	*	
Harlan F. Seymour	4,000	76,000	80,000	*	
John E. Stokely	2,000	72,000	74,000	*	
John D. Curtis	2,000	72,000	74,000	*	
Jan H. Suwinski	30,000	30,000	60,000	*	
Alfred R. Berkeley, III	13,930	30,000	43,930	*	
John M. Shay, Jr.	3,000	40,000	43,000	*	
Scott W. Behrens	14,813	16,291	31,104	*	
James C. McGroddy	4,000	20,000	24,000	*	
All Directors and Executive Officers as a group (13 persons)(4)	453,420	1,517,092	1,970,512	5.90%	

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

- (1) The address for all of our directors and executive officers is the address of the Company's principal executive offices located at 120 Broadway, Suite 3350, New York, New York 10271.
- (2) Includes shares of restricted stock subject to certain restrictions on transfer and subject to forfeiture prior to vesting. For Mr. Byrnes, this amount includes 16,799 shares of restricted stock, for Mr. Morem, this amount includes 16,799 shares of restricted stock, and for Mr. Behrens, this amount includes 7,625 shares of restricted stock. The total for all directors and executive officers as a group includes 47,723 shares of restricted stock.
- (3) Includes shares issuable upon exercise of vested stock options as of 60 days following March 31, 2011 (May 30, 2011).
- (4) Includes 600 shares held in trust by the spouse of an executive officer for which the executive officer disclaims beneficial ownership.

**Table of Contents****Security Ownership of Certain Beneficial Owners**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2011 by each person known by us to beneficially own more than 5% of the outstanding shares of our common stock.

<b>Beneficial Owner</b>	<b>Number of Shares(1)</b>	<b>Percent</b>
Waddell and Reed Investment Management Co. 6300 Lamar Avenue, Overland Park, KS 66202	7,219,194	21.60%
RS Investment Management Co. LLC 388 Market Street, Suite 1700, San Francisco, CA 94111	5,060,168	15.14%
BlackRock Fund Advisors 400 Howard Street, San Francisco, CA 94105	2,231,888	6.68%
Brown Capital Management, LLC 1201 N. Calvert Street, Baltimore, MD 21202	1,733,125	5.19%

- (1) The number of shares in this table is based on reporting from NASDAQ Online as of April 26, 2011 based on the Schedule 13G and 13F filings filed with the SEC as of such date. The Company is not aware of any additional filings by any person or company known to beneficially own more than 5% of the outstanding shares of Common Stock.

**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. Company employees generally prepare these reports on behalf of our executive officers on the basis of information obtained from them and review the forms submitted to us by our non-employee directors and beneficial owners of more than 10% of the 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 2010 were filed on time.

**INFORMATION REGARDING EQUITY COMPENSATION PLANS**

The following table sets forth, as of December 31, 2010, certain information related to our compensation plans under which shares of our common stock are authorized for issuance:

<b>Number of Securities to be Issued upon Exercise</b>	<b>Weighted-Average Exercise Price of</b>	<b>Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities</b>
--	---	--



<b>Plan Category</b>	<b>of Outstanding Options, Warrants and Rights (a)</b>	<b>Outstanding Options, Warrants and Rights (b)</b>	<b>Reflected in Column (a) (c)</b>
Equity compensation plans approved by security holders	3,908,248	\$ 21.54	1,682,203(1)
Equity compensation plans not approved by security holders		\$	
<b>Total</b>	<b>3,908,248</b>	<b>\$ 21.54</b>	<b>1,682,203</b>

(1) This number reflects shares reserved for issuance in connection with performance share awards under the 2005 Incentive Plan outstanding as of December 31, 2010 based on the targeted award amounts.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Introduction**

This Compensation Discussion and Analysis is designed to provide stockholders with an understanding of our compensation philosophy, core principles and decision making process. It discusses the determinations of the Compensation and Leadership Development Committee of our Board of Directors (the Committee for purposes of this discussion and analysis) of how and why, in addition to what, compensation actions were taken for the following Named Executive Officers during 2010.

Philip G. Heasley	President and Chief Executive Officer
Scott W. Behrens	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Dennis P. Byrnes	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary
David N. Morem	Senior Vice President, Global Business Operations
Craig A. Maki	Senior Vice President, Chief Corporate Development Officer and Treasurer

**Executive Summary****Pay-for-Performance Philosophy Leads to Strong 2010 Results**

The cornerstone of our compensation philosophy is to pay our executives for performance and this pay-for-performance approach forms the foundation for all of the Committee's decisions regarding executive compensation. We generally set base pay slightly below the median of the Company's peer group to reflect a desire to have more of an executive's cash compensation tied to organizational performance. We then set annual variable cash compensation at a level so that the executive's total on-target cash compensation is at the market median (the 50<sup>th</sup> percentile of our peer group). In order to incent long-term value creation, we also grant our executives long-term incentive awards tied to specific objectives of the Company which focus on long-term results. Our compensation philosophy provides that on-target long-term incentive awards shall have a value equal to the value of long-term incentives for the 65<sup>th</sup> percentile of relevant market data using a financial value as the basis for setting the value of the award. The use of the 65<sup>th</sup> percentile of relevant market data for on-target long-term incentive awards demonstrates our belief that executive compensation should emphasize performance-based metrics linked to long-term value creation and stockholder alignment. By setting the target long-term incentive award above the competitive market median, we believe we provide executives greater incentive to drive company results that increase long-term stockholder value.

Our executive compensation philosophy and associated programs demonstrate a pay-for-performance approach that is expected to create long-term stockholder value. We believe that our compensation programs contributed to the below 2010 financial performance.

	<b>Fiscal Year 2010</b> <b>(\$ in Millions Except</b> <b>per Share Amounts)</b>	<b>Fiscal Year 2009</b> <b>(\$ in Millions Except</b> <b>per</b> <b>Share Amounts)</b>	<b>Percentage</b> <b>Increase</b>
Sales	\$ 525.2	\$ 424.6	24%

Revenue	\$ 418.4	\$ 405.8	3%
Operating Income	\$ 53.6	\$ 41.6	29%
Operating EBITDA	\$ 87.8	\$ 72.9	20%
Diluted EPS	\$ 0.80	\$ 0.57	40%
60-Month Backlog	\$ 1,566	\$ 1,512	4%
Stock Price at year end	\$ 26.87	\$ 17.15	57%

### **2010 Pay-For-Performance Highlights**

Between 62% and 74% of the total on-target compensation of our Named Executive Officers is performance-based compensation tied directly to Company financial, operational or strategic performance goals.

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With one exception, the base salaries for each of our executive officers remained unchanged in 2010 based on the fact that the base salaries fell within a range consistent with industry benchmark data and our executive compensation philosophy. In the case of our Chief Financial Officer, he received an 8% increase in base pay to reflect his functional progression into the Chief Financial Officer role.

As a result of our strong financial performance in 2010, our annual variable cash incentive compensation program paid our Named Executive Officers incentive compensation amounts up to 150.4% of the targeted opportunity yet, despite our strong performance, our Named Executive Officers did not receive the maximum payout of 200% which required even stronger performance results.

We introduced the concept of a funded incentive pool into our 2010 variable cash incentive program which based the total amount of funds available to pay out all variable cash incentive awards on the Company's performance against the following core Company financial metrics: operating income, sales and 60-month backlog.

We introduced the use of performance shares which are earned, if at all, after a three-year performance period based on the achievement of performance goals relating to the Company's compound annual growth rate in sales and cumulative operating income over the three-year performance period.

The 2010 long-term incentive program is comprised of a combination of stock options and performance shares in order to reinforce the Committee's objective of making long-term incentive awards at risk so that the level of compensation actually earned depends on the Company's performance against specified financial, operational and strategic goals, and is directly tied to stockholder value.

## **Stockholder Friendly Pay Practices**

Our equity award and annual variable cash incentive award agreements incorporate forfeiture and recoupment provisions.

We have stock ownership guidelines for our directors and executive officers.

We grant annual equity awards so our executive officers have unvested awards that could decrease in value if they do not manage the business with a view to the Company's long-term growth and success.

We have a balance of time horizons for our incentive awards, including an annual cash incentive program, three-year performance periods for our performance shares and stock options that vest over a three-year period commencing on the first anniversary of the grant date.

With the exception of our Chief Executive Officer, none of our executive officers, including our Named Executive Officers, has an employment agreement with the Company.

Our equity plans expressly prohibit re-pricing awards without stockholder approval.

## **Overview**

The remainder of the Compensation Discussion and Analysis discussion below is organized as follows:

*Our Executive Officer Compensation Philosophy.* This section contains our compensation philosophy and objectives with respect to our executive officers.

*How We Determine Executive Compensation.* This section contains a discussion of the roles of the parties included in the process of determining executive officer compensation.

*Elements of Executive Officer Compensation.* This section details each element of the compensation we provide to our executive officers, describes the key features and how each element furthers our compensation philosophy and the relevant decisions made for 2010.

*Analysis of Named Executive Officer Compensation.* This section focuses on the compensation provided to each Named Executive Officer during 2010.

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*Analysis of 2010 Incentive Compensation Programs.* This section contains details of the cash-based and equity-based incentive compensation programs pursuant to which we granted Named Executive Officers awards during 2010.

*Equity Policies.* This section describes our equity policies, including our stock ownership guidelines and our equity award granting policy.

*Tax and Accounting Implications.* This section explains our practices with respect to Section 162(m) of the Internal Revenue Code, as amended (the Code), and the deductibility of compensation paid to executive officers as well as our accounting practices for share-based compensation awards under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation.

*Agreements with Named Executive Officers.* This section contains a description of the material terms of our agreements with our Named Executive Officers.

*2011 Compensation Update.* This section contains a brief description of actions taken during 2010 regarding executive compensation for 2011.

**Our Executive Compensation Philosophy**

The purpose of our executive compensation philosophy is to:

1. attract and retain highly qualified executives who provide leadership to the organization necessary to drive superior results;
2. reward senior executives for achieving measurable goals designed to drive superior company results; and
3. strengthen the commonality of interest between our stockholders and senior executives.

Underlying the three purposes of executive compensation is our strong belief in a pay-for-performance philosophy. As a result, we place a significant portion of our executive officer compensation at-risk so that the level of compensation actually earned by the executive depends on the Company's performance against specified financial, operational and strategic goals and objectives. As the following chart demonstrates, between 62% and 74% of the total on-target compensation provided to our Named Executive Officers is at risk compensation linked directly to the performance of the Company.

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We design our executive compensation programs to create incentives that promote a balance of short-term profitability, growth and success and long-term value growth for our stockholders. However, to be successful, we must attract talent globally from the information technology, software development and services and financial payments markets. Accordingly, we strive to design executive compensation programs that are competitive in these industries as well as across a broader spectrum of companies of comparable size and complexity in local and global markets.

We compensate our executive officers with a mix of base salary, variable cash incentives and long-term equity incentives. Base salary is designed to provide a market competitive level of pay for each executive based on the executive's level within the organization. Variable cash and long-term equity incentives are designed to reward executives for their contributions to the Company's performance. Executive officer contributions are measured based on achievement of performance targets that correlate to increasing the market success of the business and stockholder value. These performance targets align our executives' incentives with the long-term and short-term interests of our stockholders. In aggregate, our programs support executive recruitment and retention and reward our executives for short-term operational performance while creating an incentive for future performance.

To implement our pay-for-performance philosophy, we target total cash compensation for executives at the median of relevant market levels for the respective position. For purposes of this discussion and analysis, the median of relevant market levels or "market median" typically means the 50th percentile of our current peer group and "competitive market data" or "comparative market data" refer to market data regarding our peer group. We generally target base salary levels for our executive officers slightly below market median levels with annual short-term variable cash incentive opportunities tied to specific and measurable performance goals that are important to the Company's success and targeted to pay out slightly above market median levels when performance goals are achieved or exceeded. This strategy results in placing a greater level of total cash compensation at risk than is typical in the market since salaries are conservatively targeted as compared to prevailing market norms.

With respect to equity incentives, we strive to grant our executive officers long-term equity incentive opportunities with a targeted grant-date value equal to the 65th percentile of the competitive market data for each position. The use of the 65th percentile of competitive market data for on-target long-term incentive awards demonstrates our belief that executive compensation should emphasize performance-based metrics linked to long-term value creation and stockholder alignment. By setting the target long-term incentive award above the competitive market median, we believe we provide executives greater incentive to drive company results that increase long-term stockholder value. Actual award value granted may vary based upon the degree of direct responsibility the executive officer has for corporate results, as well as managing overall dilution and plan expenses. As a result of our pay-for-performance philosophy, base salary typically comprises a smaller percentage of the total compensation of our executive officers as compared with our peer group.

## **How We Determine Executive Compensation**

### **Role of Compensation Committee**

The Committee operates pursuant to a charter (the "Compensation Committee Charter") approved and adopted by our Board. The Committee amended the Compensation Committee Charter on December 1, 2010. A copy of the Compensation Committee Charter is available on our website at [www.aciworldwide.com](http://www.aciworldwide.com) in the Who We Are - Investor Relations - Corporate Governance section. During 2010, Messrs. Seymour, Shay and Suwinski served as members of the Committee. At all times during 2010, each of the directors that served on the Committee was "independent" as defined in Rule 5605(a)(2) of the NASDAQ listing standards.

The Committee approves base salary and incentive compensation for, and addresses other compensation matters with respect to, our executive officers, including our Named Executive Officers. The Committee grants all stock options and other equity awards to all employees, including our executive officers, based on management recommendations; provided, however, grants and awards to our CEO are based on recommendations from the Committee's independent compensation consultant and the Board's evaluation of the CEO's performance. The full Board retains the authority to grant equity awards to non-employee directors, taking into consideration the recommendations of the Corporate Governance Committee.



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In determining our executive officers' compensation, the Committee primarily considers the following:

- Company performance, individual performance and relative stockholder return;
- the value of similar incentive awards to officers at comparable companies;
- the equity and long-term incentive awards given to the officers in prior years; and
- the value of any change-in-control severance or other severance arrangements.

In determining our CEO's compensation, the Committee specifically considers the Board's evaluation of the CEO's performance.

The Committee is also responsible for the periodic review and evaluation of (i) the terms and administration of our annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with our goals and objectives; (ii) existing equity-related plans and the adoption of any new equity-related plans, including a review and evaluation of our policies and practices relating to grants of equity-based compensation; and (iii) our employee benefits and, if applicable, perquisite programs and approval of any significant changes therein. In accordance with the Compensation Committee Charter, the Committee also reviews and evaluates the performance of, and succession planning for, executive officers other than our CEO, and provides general oversight over leadership development process and strategies for executive officers.

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

Executive management, acting primarily through our CEO, negotiates the compensation packages for all newly-hired executive officers. In addition, our CEO annually evaluates the performance of each executive officer and, based on that review, may recommend changes in the executive officer's compensation to the Committee. This review includes a performance appraisal that takes into consideration various factors, including, without limitation, the following:

- the ability of the executive to drive results for the Company;
- the executive's understanding of the Company's business and his/her organizational savvy;
- the ability of the executive to make complex decisions and his/her strategic abilities;
- the executive's ability to manage work process;
- the communication skills of the executive; and
- the executive's ability to manage diversity and ethics.

The CEO's review also includes a determination of each executive's leadership attributes along with an objective review of the executive's profit and loss management and other key accomplishments during the review period. Our Company is an evolving company, and executives' roles and scope of work, and the size and geographical diversity of the groups they manage are subject to change. As an executive's role changes, our CEO may recommend changes to the executive's compensation to the Committee.

The CEO's compensation recommendations may include changes in base salary and the annual on-target variable cash incentive awards under our Management Incentive Compensation (MIC) program, additional equity grants,

modifications to standard vesting schedules that are deemed to be in the best interest of the Company, and changes to future MIC plan performance metrics or targets to reflect changes in the scope or focus of an executive's position. In making such recommendations, our CEO is typically provided with competitive market compensation data from our independent compensation consultant and recommendations related to individual executive performance from our human resources department. Our internal human resources department typically provides an analysis of comparative survey data obtained from third party resources when data for the selected position becomes available. All compensation changes for executive officers must be reviewed and approved by the Committee.

Management annually recommends to the Committee performance metrics for our MIC program. The performance targets associated with the selected performance metrics are tied directly to the annual operating

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plan. The MIC plans and the performance metrics and associated targets for executive officers are then reviewed, discussed with, and approved by the Committee.

## **Role of External Consultants**

Hewitt Associates LLP ( Hewitt ) served as the Committee s independent compensation consultant in connection with establishing the 2010 executive compensation. Hewitt s role included::

assisting the Committee with the review of the peer comparison group of companies;

reviewing the annual variable cash incentive program and the long-term equity incentive compensation program; and

performing compensation benchmarking against the peer group for the Committee s review.

In connection with its performance of these activities, Hewitt met with the Committee both with and without management present. From time to time, Hewitt also conducted surveys and analyses to assist the Committee in its analysis and decision-making process related to executive compensation. Hewitt did not provide any services beyond executive compensation consulting services during 2010.

In July 2010, following a process in which the Committee solicited proposals from several independent compensation consulting firms, including Hewitt, the Committee engaged Pearl Meyer & Partners, LLC ( Pearl Meyer ). As the Committee s new independent compensation consultant, Pearl Meyer assisted the Committee with the establishment of the 2011 executive compensation, including the 2011 incentive programs, the review and establishment of a peer comparison group of companies and the benchmarking of compensation against the peer group of companies. In connection with its performance of these activities, Pearl Meyer met with the Committee both with and without management present. During 2010, Pearl Meyer did not provide any services beyond executive compensation consulting services which all related to the establishment of 2011 executive compensation.

## **Market Referencing The 2010 Peer Group**

Each year we identify a peer group of businesses for the purpose of benchmarking our executive compensation pay and practices. In 2007, our Board selected our peer group based on input from Hewitt as well as our business plans. The criteria for selecting companies for our peer group included similarity of size, based on revenue or market capitalization, similarity of industry, direct competitors for customers, plausible competitors for talent, and availability of compensation data for comparable positions. Based on these criteria, Hewitt suggested a list of companies to consider for inclusion in our peer group which was reviewed by the Committee and narrowed down to establish our 2007 peer group. Since 2007, the Committee has engaged in periodic reviews of the Company s peer group in consultation with its independent compensation consultant.

In 2009, Hewitt conducted a review of the Company s peer group and suggested certain modifications. The criteria used to select companies for our modified peer group included direct competitors for customers, similarity of industry (software, IT, financial/commercial services), similarity of size, based on revenue and market

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capitalization, plausible competitors for talent and additional availability of compensation data for a broader scope of comparable positions. The 2010 peer group is listed below.

ACCO Brands Corporation	Fidelity National Information Services, Inc.
Brightpoint, Inc.	First Data Corporation
Broadridge Financial Solutions, Inc.	Fiserv, Inc.
Ceridian Corporation	Global Payments Inc.
Colonial BancGroup, Inc.	IHS Inc.
Covance Inc.	IMS Health Incorporated
Cullen/Frost Bankers, Inc.	Mastercard International
Deluxe Corporation	Moneygram International, Inc.
DeVry Inc.	S1 Corporation
Discover Financial Services	Thomas & Betts Corporation
Dun & Bradstreet Corporation	Viad Corp.
Equifax Inc.	Waters Incorporated
ESCO Technologies, Inc.	Western Union Company
Euronet Worldwide, Inc.	Zions Bancorporation
Fair Isaac Corporation	

The Committee's analysis of the peer group included a comparative performance review of the Company against its peer group companies. This review was based on data from the one-year and five-year periods ended in 2008 which was the last full year of data available at the time the Committee performed its review. The Committee used operating margins, operating income, earnings per share growth, revenue growth and total shareholder return as the comparative performance metrics. In the one-year comparative period, the Company performed above the peer group median with respect to total shareholder return, revenue and operating income but performed below the peer group median with respect to earnings per share and operating margin. In each of the five-year comparative periods, the Company performed below the peer group median. The Company's performance below the peer group median for both comparative period reviews results largely from a change in the Company's business practices with respect to discounts on paid up-front renewals which had an immediate negative impact to the Company's revenue and net income in 2007 as well as significant expenses incurred by the Company in 2007 related to restructuring activities, the historic stock option review, preparation of restated historical financial information, cash settlement of vested options and efforts to become current with our SEC filings.

**Elements of Executive Compensation**

Our executive compensation programs are comprised of the following principal elements, each of which is described in more detail below:

<b>Element of Compensation</b>	<b>Purpose</b>	<b>Pay-for-Performance Considerations</b>	<b>Target Positioning</b>
<b><i>Cash and Short-Term Variable Cash Compensation:</i></b>			
Base Salary	Provides competitive, fixed compensation to attract and retain exceptional executive	Adjustments to base salary consider the individual's overall performance, contribution to the	We target base salary for our executive officers slightly below market median levels (50 <sup>th</sup> )

talent

business and internal and  
external comparisons

percentile of peer group  
companies)

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<b>Element of Compensation</b>	<b>Purpose</b>	<b>Pay-for-Performance Considerations</b>	<b>Target Positioning</b>
Executive Management Incentive Compensation Program	Encourages and rewards achievement of annual financial, operational and strategic performance goals	The potential amount received by an executive officer varies to the degree we achieve our annual financial, operational or strategic performance goals and the extent to which the executive officer contributes to the achievement	We target annual short-term variable cash incentive compensation to pay out slightly above market median levels (50 <sup>th</sup> percentile of peer group companies) when performance goals are achieved so that when combined with base salary each executive officer's total cash compensation is at market median level
<b><i>Long-Term Incentive Compensation:</i></b>			
Performance Shares and Stock Options	Encourages executive officers to focus on the long-term performance of the Company, links an executive officer's incentives to our stockholders' interests in increasing our stockholder value, encourages significant ownership of our common stock and promotes long-term retention of our executive officers	<b><i>Performance Shares:</i></b> The number of performance shares earned by an executive officer, if any, is based on the Company's performance over a three-year performance period against specified financial, operational or strategic performance goals <b><i>Stock Options:</i></b> The potential appreciation in our stock price above the exercise price for stock options motivates our executives to build stockholder value as the executive officer only realizes value from the stock option if the stock price appreciates	We grant long-term incentive awards with targeted grant date value equal to the long-term incentives for the 65 <sup>th</sup> percentile of comparative market data
<b><i>Other Elements:</i></b>			
Deferred Compensation Benefits	Allows executive officers and other senior managers of the Company to defer compensation on a more	Not applicable	We strive to provide market competitive benefits consistent with benefits provided at other

tax-efficient basis by  
deferring employee  
contributions of base  
salary or annual variable  
cash incentive  
compensation

companies with whom we  
compete for talent

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<b>Element of Compensation</b>	<b>Purpose</b>	<b>Pay-for-Performance Considerations</b>	<b>Target Positioning</b>
Health, Retirement and Other Benefits	Provides broad-based market competitive employee benefits program such as participation in benefit plans generally available to our employees, including, employee stock purchase plan, 401(k) retirement plan, life, health and dental insurance and short-term and long-term disability plans	Not applicable	Our goal is to provide health, retirement and other benefits at a reasonable costs consistent with health, retirement and other benefits provided at other companies with whom we compete for talent
Change- in-Control Benefits	Preserves productivity, avoids disruption and prevents attrition during a period when we may be involved in a change-in-control transaction and motivates executives to pursue transactions that are in our stockholders best interests notwithstanding the potential negative impact of the transaction on their future employment	Not applicable	We strive to provide market competitive post-termination benefits consistent with the post-termination benefits provided at other companies with whom we compete for talent

**Cash and Short-Term Variable Cash Compensation**

Our compensation philosophy provides that the total on-target cash compensation of our executives should generally be at the market median (50th percentile of our current peer group). However, based on our pay-for- performance approach, we believe that annual variable cash incentive compensation tied directly to annual financial, operational and strategic performance goals should comprise a greater percentage of each executive s total cash compensation. As a result, we generally set base salaries for our executive officers slightly below the market median with annual on-target variable cash incentive compensation set slightly above the market median.

*Base Salary.* We generally target base salary levels for our executive officers slightly below market median levels. Each executive officer s base salary, except our Chief Executive Officer s ( CEO ), is based on the recommendation of our CEO to the Committee. These recommendations consider competitive market data assessments prepared by our independent compensation consultant. Other business factors used by the CEO in formulating base salary recommendations include 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, for individual executives, the overall operating performance of the Company, and the assessment of the executive's performance in the executive's annual performance appraisal. Based on data from the peer group, base salaries for our Named Executive Officer, excluding Mr. Heasley, were positioned at 90% of our peer group median base salary.

Mr. Heasley's compensation and the terms of his employment are set forth in his employment agreement, as amended and restated, which agreement is discussed in further detail below in the section entitled "CEO

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Employment Agreement . The Committee reviews Mr. Heasley's compensation, including his base salary and on-target incentive compensation, and the terms of his employment agreement on an annual basis in connection with the review of all other executive officers' compensation. The Committee considers competitive market data provided by our independent compensation consultant, the performance of the Company and progress on operational and strategic goals in this review. Information regarding the results of the 2010 review of Mr. Heasley's compensation along with details regarding the compensation for our Named Executive Officers during 2010 is set forth below under Analysis of 2010 Named Executive Officer Compensation as well as in the Summary Compensation Table set forth in the Executive Compensation section below.

*Variable Cash Incentive Compensation.* We generally establish annual on-target variable cash incentive compensation for our executive officers to pay out slightly above market median levels when the performance goals are achieved so that when combined with the executive officer's base salary, total on-target cash compensation for each executive officer falls within the market median.

Our variable cash incentive program is known as our Management Incentive Compensation ( MIC ) program. Our MIC program is generally available to employees at or above the director level (e.g. one level below a vice president) and provides variable cash awards for business and individual performance during a 12-month performance period. The MIC program is designed to encourage an individual's contribution to, and reward an individual for, Company-wide performance and the attainment of specific operational and financial goals that are controlled by or can be directly impacted by the individual.

In January 2008, the Committee adopted the Executive Management Incentive Compensation Plan (the Executive MIC Plan ), which was approved by our stockholders on June 10, 2008. The Executive MIC Plan is intended to satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Code. The Committee believes that it is in the best interests of the Company and its stockholders to ensure that bonuses to be paid to executive officers are deductible by the Company for federal income tax purposes. All MIC awards granted in 2010 to our executive officers, including our Named Executive Officers, were granted pursuant to the Executive MIC Plan.

Our CEO recommends annual on-target MIC awards for each executive officer, excluding himself, to the Committee. The CEO's recommendations are derived from competitive market data provided by our independent compensation consultant and general market data and compensation surveys provided by internal compensation resources within our human resources department.

Our MIC program provides for payments ranging from 0% of the applicable bonus opportunity, if the threshold performance levels are not attained, to 200% of the applicable bonus opportunity, if all performance is at or above the levels established to qualify for maximum payouts. Payments for performance between the threshold and maximum levels are interpolated based on the level of performance achieved.

Individualized MIC performance metrics and objectives are established for our executive officers as part of the Board's review of its strategic plan and establishment of its annual operating budget. Performance metrics and related targets for our executive officers may include a mix of core Company-level financial metrics and business unit financial metrics that may be tailored to include important operational factors under the executive officer's control. The performance metrics for our executive officers are all performance metrics set forth in the Executive MIC Plan approved by our stockholders. The Committee approves the performance metrics and objectives for each executive officer and our CEO.

The individual award agreements with each participant in the MIC program, including our Named Executive Officers, grant the Company the right to require a participant to forfeit his or her right to payment or to reimburse the Company

for any payments previously paid, along with any other action the Company deems necessary or appropriate, in the event it is determined that the individual participant engaged in misconduct in the course of his or her employment.

Under the MIC program, in order to be entitled to any payment under the MIC program, the participant, including our Named Executive Officers, must be an employee of the Company on the date of payment, except to the extent otherwise provided by the Company. If the participant's employment with the Company terminates for

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any reason prior to the payment date, the participant is not eligible for a MIC bonus under the respective MIC program, and he or she forfeits all rights to such payment except to the extent otherwise provided by the Company.

The Committee retains the right at any time to: (i) amend or terminate an individual executive's MIC plan, in whole or in part, (ii) revoke any eligible executive's right to participate in the MIC program, and (iii) make adjustments to targets.

Information about the MIC awards earned by our Named Executive Officers during 2010 is set forth below under Analysis of 2010 Incentive Compensation Programs as well as in the Summary Compensation Table set forth in the Executive Compensation section below.

## **Long-Term Incentive Compensation**

Our long-term incentive program ( LTIP ) provides for the grant of equity awards and is available to a small group of senior management employees, including executive officers, whose responsibilities and decisions directly impact long-term business results. In each case, an executive officer's LTIP award is consistent with other executives within the Company at a similar level. Including equity awards in the compensation package of our executive officers is beneficial in aligning management and stockholder interests, and consequently increasing stockholder value because the value of equity awards is directly tied to the value of our stock, providing award recipients with incentives to increase the value of our stock. While our CEO may recommend grants of equity awards for executive officers, the Committee must approve all equity-based awards granted to all of our employees, including our executive officers.

The form of equity awards is reviewed by the Committee each year in consideration of data provided by its independent compensation consultant combined with a review of the Company's performance and business goals and consideration of global and domestic economic conditions. The combination of equity award grants to an executive officer is considered in the analysis of the executive officer's overall compensation package based on market competitiveness and a review of the executive officer's ability to contribute to increases in stockholder value. The Committee also takes into consideration the expense to the Company associated with equity awards. Generally, the Committee targets LTIP equity award opportunities at a grant-date value equal to the 65th percentile of competitive market data. The use of the 65th percentile of competitive market data for on-target long-term incentive awards demonstrates our belief that executive compensation should emphasize performance-based metrics linked to long-term value creation and stockholder alignment. By setting the target long-term incentive award above the competitive market median, we believe we provide executives greater incentive to drive company results that increase long-term stockholder value.

During 2010, the only equity incentive plan we had pursuant to which we granted equity awards, including our 2010 LTIP equity awards, was the 2005 Incentive Plan. A copy of the amended 2005 Incentive Plan was attached as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007 filed with the SEC on August 10, 2007.

The 2005 Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, performance awards and other awards to eligible employees or non-employee directors of the Company. The maximum number of shares of our common stock that may be issued or transferred in connection with awards granted under the 2005 Incentive Plan is the sum of (1) 5,000,000 shares and (2) any shares represented by outstanding options that had been granted under designated terminated stock option plans that are subsequently forfeited, expire or are canceled without delivery of our common stock. As of December 31, 2010, we had 1,580,878 shares available for grant under the 2005 Incentive Plan based on the assumptions included in footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2010 included in our Annual Report.

In addition to annual grants under LTIP, in order to attract executive talent, we may grant stock options or other equity awards to new executives at the time of hire. Market practice and conditions, internal equity and the qualifications of the candidate are all factors considered by management and the Committee when determining whether to grant stock options or other equity awards to a new executive. New hire grants are typically granted by the Committee at the next regularly scheduled meeting after hire. On rare occasions, additional or special grants of

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stock options may be made to executives to recognize an increase in responsibility or when market conditions and competitive market data indicate that an executive's compensation is not competitive. Special option grants are subject to Committee review and approval, which typically occurs during the next scheduled Committee meeting. Stock options that are not granted as part of LTIP generally vest over a four-year period; however, the Committee may adjust the vesting schedule to incorporate specific performance elements or to support continued retention. During 2010, the Committee did not grant any special option awards to any Named Executive Officer.

Information about the LTIP equity awards granted to our Named Executive Officers during 2010 is set forth below under "Analysis of 2010 Incentive Compensation Programs" section below.

## **Other Elements of Compensation**

*Employee Stock Purchase Plan.* We maintain an employee stock purchase plan that is available to substantially all employees, including our Named Executive Officers. This plan has been approved by our stockholders. Under the plan, participating employees may contribute up to 10% of their base salary (subject to certain IRS limits) to purchase shares of our common stock at the end of each participation period. The participation periods are three-month periods running from February through April, May through July, August through October and November through January each year and the purchase price is equal to 85% of the fair market value of the stock on the last day of the participation period.

*Retirement Benefits.* We maintain a tax-qualified 401(k) retirement plan that provides for broad-based employee participation. Beginning on the first anniversary of an employee's date of hire, we match the employee's contributions up to 4% of the employee's base salary with an annual match limit of \$4,000 for each employee. All employer and employee contributions are 100% vested immediately. Our Named Executive Officers are eligible to participate in the 401(k) retirement plan.

*Non-Qualified Deferred Compensation Benefits.* In September 2010, the Committee established the Deferred Compensation Plan which is a non-qualified deferred compensation plan in which a select group of management and highly compensated employees, including our Named Executive Officers, may elect to participate. Eligible participants may elect to defer either base salary or incentive compensation received under the MIC program. Deferral amounts are credited to a bookkeeping account maintained by the Company with hypothetical gains or losses attributable to the earnings indices selected by the employee. The Committee designates the earnings indices available to all participants; provided, however, under no circumstances shall the value of the Company's stock be used as an earnings index. The Committee selected the following four earnings indices: S&P 500, the Russell 2000, the Barclay's Bond Index and a fixed rate of return equivalent to the prime rate. The earnings indices are to be used for measurement purposes only and amounts deferred under the Deferred Compensation Plan will not represent any actual investment made on the participant's behalf by the Company. It is intended that this Deferred Compensation Plan will conform with the requirements of Internal Revenue Code Section 409A and regulations pursuant thereto. Additional information on the Deferred Compensation Plan can be found under the heading "Deferred Compensation Plan" in the "Executive Compensation" section below.

*Insurance and Disability Benefits.* We provide our Named Executive Officers with basic life, health, dental and disability coverage benefits. These benefits are the same as those provided to other employees within the organization.

*Perquisites.* The Company generally does not provide additional or special executive-only benefits that are not part of our standard compensation practices for a particular geographic location or used to address special circumstances such as relocations.

*Severance Benefits.* Except for the employment agreement with Mr. Heasley described in detail below in the section entitled Employment Agreements with Named Executive Officers, we do not have employment or severance agreements with our Named Executive Officers and their employment may be terminated at any time.

*Change-in-Control Severance Benefits.* All of our Named Executive Officers are entitled to certain severance benefits under the terms of a Change-in-Control Employment Agreement ( *CIC Agreement* ). The change-in-control benefits provided in the *CIC Agreements* are designed to preserve productivity, avoid disruption and prevent attrition during a period when we are, or are rumored to be, involved in a change-in-control transaction.

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The change-in-control severance program also motivates executives to pursue transactions that are in our stockholders best interests notwithstanding the potential negative impact of the transaction on their future employment. A description of the current CIC Agreements can be found below under the heading Potential Payments Upon Termination or Change-in-Control Change-In-Control Employment Agreements .

## **Analysis of 2010 Named Executive Officer Compensation**

In connection with establishing the 2010 compensation for our CEO and executive officers, the Committee engaged Hewitt to conduct a competitive compensation analysis for key senior management positions within the Company, including each Named Executive Officer's position (the Competitive Analysis ). In the Competitive Analysis, Hewitt provided compensation data on the CEOs of our peer group companies for the Committee's consideration as well as compensation data on the other executive officer positions and general industry compensation survey data. The Competitive Analysis contains information related to the median levels (50th percentile) of our peer group or market median levels. The Committee reviewed the Competitive Analysis to ensure that the compensation programs for our key senior managers, including our Named Executive Officers, are consistent with our compensation philosophy and remain within broadly competitive norms.

In addition to reviewing competitive market data, the Committee also believes that individual compensation should reflect an executive officer's position and value to our organization considering individual contribution to business results, knowledge and skills, and market value and that individual compensation should also take into consideration long-term potential of the executive officer to contribute to our financial position and retention concerns, if any, for individual executives.

In accordance with our compensation philosophy, we set the base salary for each of our Named Executive Officers for 2010 slightly below the median of our peer group and established annual on-target MIC awards targeted to pay out slightly above market median levels when the performance targets are achieved. Any modifications made to a Named Executive Officer's base salary or annual on-target MIC award during 2010, as described below, were made in order to adjust the respective executive's total cash compensation to fall within the competitive norms contained within the Competitive Analysis or to reflect individual contributions of the executive to the Company or increased responsibilities assumed by the executive. Set forth below is a summary of the decisions related to 2010 executive compensation for each of our Named Executive Officers made during 2010. Additional information regarding decisions made related to the 2011 executive compensation for our Named Executive Officers is set forth in the 2011 Compensation Update section below.

### **Philip G. Heasley, President and CEO**

The Committee reviews our CEO's compensation and the terms of his employment agreement on an annual basis in connection with the review of all other executive officers' compensation. Based on a review of the Competitive Analysis, Mr. Heasley did not receive an increase to his base salary or his annual on-target MIC award and therefore, his base salary of \$575,000 and annual on-target MIC award of \$575,000 remained the same during 2010. The Committee determined that Mr. Heasley's base salary was market competitive and in line with his performance as the CEO of the Company and an annual on-target MIC award equal to 100% of his base salary conforms to market practice where a CEO's annual cash incentive target typically equals his base salary.

On December 10, 2009, as part of the 2010 LTIP, Mr. Heasley received a grant of 36,570 performance shares and 45,708 stock options.

We believe that our application of a pay-for-performance philosophy is consistent with current market practices that tend to award a higher proportion of equity compensation to officers in the CEO position. Moreover, we believe that



Mr. Heasley's compensation level should be more strongly tied to increases in stockholder value than our other Named Executive Officers because the Committee believes that the CEO's position and performance has a more significant impact on the Company's performance and stock price. Accordingly, the aggregate grant date fair value of Mr. Heasley's equity awards is currently approximately 3.5 times greater than the average LTIP grant value of our other Named Executive Officers while his base salary is only two times greater than the average base salary of our other Named Executive Officers.

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**Scott. W. Behrens, Senior Vice President, Chief Financial Officer and Chief Accounting Officer**

Scott W. Behrens joined the Company in June 2007 as our Corporate Controller. On October 18, 2007, the Board appointed him to serve as our Chief Accounting Officer. The Board designated Mr. Behrens as principal financial officer for purposes of SEC filings on March 4, 2009 and then appointed him to serve as our Chief Financial Officer effective December 18, 2009. Mr. Behrens ceased serving as our Corporate Controller in December 2010. In connection with the functional progression of Mr. Behrens' position to include the enhanced responsibilities of the Chief Financial Officer position, we determined that it was in the best interest of the Company to make adjustments to Mr. Behrens' compensation over several years consistent with this progression in order to conform to the competitive market for the Chief Financial Officer position.

As a result of this functional progression approach to making Mr. Behrens' compensation market competitive, Mr. Behrens' base salary increased from \$250,000 to \$270,000, an 8% increase, and his annual on-target MIC award increased from \$150,000 to \$189,000, a 26% increase. Mr. Behrens on-target MIC award now represents 70% of his base salary which conforms to competitive market data related to annual cash incentive compensation as a percentage of his positions' base salary.

Under the 2010 LTIP, Mr. Behrens received a grant of 12,100 performance shares and 15,125 stock options.

**Dennis P. Byrnes, Senior Vice President, Chief Administrative Officer, General Counsel and Secretary**

Mr. Byrnes has served as our Senior Vice President, General Counsel and Secretary since he joined the Company in June 2003. Commencing in 2008, Mr. Byrnes assumed responsibility for the Company's global human resources department and the global corporate services department. In addition, in 2009, Mr. Byrnes assumed responsibility for the Company's corporate tools and infrastructure department and became the Company's Chief Administrative Officer. In 2010, Mr. Byrnes also assumed the corporate management office responsibilities as part of his role as Chief Administrative Officer. Based on a review of the Competitive Analysis, Mr. Byrnes did not receive a base salary increase in 2010 and therefore, his base salary remained \$275,000. However, in recognition of Mr. Byrnes' assumption of the corporate tools and infrastructure department, his assumption of the corporate management office responsibilities and his enhanced operational management role as Chief Administrative Officer, Mr. Byrnes' annual on-target MIC award increased by 12.8%, from \$195,000 to \$220,000. Mr. Byrnes' annual on-target MIC award now represents 80% of his base salary which conforms to competitive market data related to annual cash incentive compensation as a percentage of his positions' base salary.

Under the 2010 LTIP, Mr. Byrnes received a grant of 12,100 performance shares and 15,125 stock options.

**David N. Morem, Senior Vice President, Global Business Operations**

Mr. Morem joined the Company in August 2005 and has served as our Senior Vice President, Global Business Operations since January 2009. Mr. Morem did not receive an increase to his base salary; therefore, his base salary of \$260,000 remained the same in 2010. However, based on a review of the Competitive Analysis, Mr. Morem's annual on-target MIC award increased by 1%, from \$180,000 to \$182,000 which now represents 70% of his base salary and conforms to competitive market data related to annual cash incentive compensation as a percentage of his position's base salary.

Under the 2010 LTIP, Mr. Morem received a grant of 7,780 performance shares and 9,725 stock options.

**Craig A. Maki, Senior Vice President, Chief Corporate Development Officer and Treasurer**

Mr. Maki has served as our Senior Vice President and Chief Corporate Development Officer since joining the Company in June 2006. On January 28, 2008, the Board appointed Mr. Maki to also serve as the Company's Treasurer. Mr. Maki did not receive an increase to his base salary; therefore, his base salary of \$275,000 remained the same during 2010. However, based on a review of the Competitive Analysis, Mr. Maki's annual on-target MIC award increased by 12.8%, from \$195,000 to \$220,000. Mr. Maki's annual on-target MIC award now represents 80% of his base salary which conforms to competitive market data related to annual cash incentive compensation as a percentage of his positions' base salary.

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Under the 2010 LTIP, Mr. Maki received a grant of 12,100 performance shares and 15,125 stock options.

**Analysis of 2010 Incentive Compensation Programs****2010 Executive MIC**

The 2010 MIC program ran from January 1, 2010 through December 31, 2010. All MIC awards granted to our executive officers, including our Named Executive Officers, in 2010 were granted pursuant to the Executive MIC Plan (the 2010 Executive MIC ). Under the 2010 Executive MIC, executive officers were eligible to receive annual bonus awards based on combinations of performance metrics which fall into one of two classes: (1) Core Company Financial Metrics consisting of operating income, sales and 60-month backlog, and (2) business unit performance metrics. The objective of the 2010 Executive MIC was to encourage executives to contribute toward the attainment of the Company's consolidated financial and performance goals for fiscal year 2010.

The 2010 MIC program incorporated a funding mechanism related to the funding of the incentive pool available for payout of MIC bonuses under the 2010 MIC, including the 2010 Executive MIC (the Funded Incentive Pool ). Only the Core Company Financial Metrics were used to determine the Funded Incentive Pool. The total Funded Incentive Pool available for payout was calculated by determining the individual Core Company Financial Metric attainment percentage set forth in the table below and multiplying the attainment percentage by the respective weighting percentage set forth in the table below.

<b>Core Company</b>		<b>Target Attainment</b>	<b>MIC Bonus</b>
<b>Financial Metric</b>	<b>Metric Weighting</b>	<b>Percentage</b>	<b>Payout Percentage</b>
Operating Income	75%	90% Attainment	40%
		Target Attainment	100%
		118% Attainment	200%
Sales	15%	90% Attainment	40%
		Target Attainment	100%
		120% Attainment	200%
60-Month Backlog	10%	96% Attainment	40%
		Target Attainment	100%
		106% Attainment	200%

The incorporation of the Funded Incentive Pool into the 2010 MIC program provided a common set of performance metrics to fund the MIC program for all participants. By establishing a Funded Incentive Pool tied to three key financial metrics, all executive officers and members of the senior management team focused on achieving results in operating income, sales and 60-month backlog.

Bonus payouts under the 2010 MIC program, including, the 2010 Executive MIC, could have been more or less than the target 100% bonus opportunity (up to a maximum of 200%) depending on the level of attainment against each performance metric target. However, the total MIC bonus paid to our Named Executive Officers could not exceed the Funded Incentive Pool percentage.

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The performance metrics, relative metric weight and actual attainment for the annual bonus opportunities under the 2010 Executive MIC based on the Core Company Financial Metrics are set forth in the table below.

<b>2010 Executive MIC</b>						
<b>Core Company Financial</b>	<b>Metric</b>	<b>January 1, 2010</b>	<b>December 31, 2010</b>		<b>Payout</b>	<b>Weighted Payout</b>
		<b>Performance Target</b>	<b>Attainment</b>	<b>Attainment</b>		
<b>Metric</b>	<b>Weight</b>	<b>(% in millions)</b>	<b>(\$ in millions)</b>	<b>Percentage</b>	<b>Percentage</b>	<b>Percentage</b>
Operating Income	75%	\$ 50.00	\$ 56.30	112.6%	160.54%	120.40%
Sales	15%	\$ 425.00	\$ 525.30	123.6%	200.00%	30.00%
60-Month Backlog	10%	\$ 1,655.00	\$ 1,575.30	95.18%	0%	0%
<b>TOTAL PAYOUT</b>						<b>150.40%</b>

Consistent with its discretion under the Executive MIC Plan, the Committee made adjustments to certain Named Executive Officers and other executive officers based on the officer's business unit or personal performance. The table below sets forth the individual payments and payout percentages earned by our Named Executive Officers during 2010.

<b>Name of Executive</b>	<b>2010 Executive MIC</b>	
	<b>Payout Amount</b>	<b>Payout Percentage(a)</b>
	<b>(\$)</b>	<b>(%)</b>
Philip G. Heasley	864,822	150.40
Scott W. Behrens	284,263	150.40
Dennis P. Byrnes	330,888	150.40
David N. Morem	225,322	123.80
Craig A. Maki	300,000	136.36

While performance metric targets are established at levels intended to be achievable for the executive, a maximum payout is challenging and requires very high levels of both individual and Company performance. Despite the Company's strong financial performance during 2010, the payout percentage under the 2010 Executive MIC did not reach the maximum payout percentage. In accordance with our compensation philosophy related to annual short-term variable cash incentives, the 2010 Executive MIC incorporated performance metrics important to the Company's success with annual on-target MIC awards targeted to pay out at or above market median levels when performance goals are achieved or exceeded.

**2010 LTIP**

The 2010 LTIP was comprised of a combination of stock options and performance shares. Under the 2010 LTIP, the Committee granted 1.25 stock options for each performance share granted with each combined award unit having a targeted value equal to the 65th percentile of competitive market data. The Committee believes that the combination of stock option and performance share awards reinforces the objectives of making long-term incentives (i) at risk so that the level of at risk compensation actually earned by the executive depends on the Company's performance against specified financial, operational and strategic goals, and (ii) directly tied to increasing stockholder value. Stock options provide a critical and direct link between executives and stockholders given that all value earned through stock options is dependent on an increase in the value of the stock price; whereas, performance shares provide an opportunity to reward executives for both stock price growth and achievement of financial performance goals.

*LTIP Performance Shares.* Performance shares provide a competitive performance-based substitute to traditional equity awards while linking executive management incentives to stockholder interests. We design the performance shares compensation program and the applicable performance metrics to focus executives on a

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clear set of objectives over a specified performance period which is typically three years but must be at least one year. The performance metrics and the relative weight of each metric are developed for each plan cycle and approved by the Committee. The award agreements provide for no payout if a threshold level of performance is not obtained, a below market level payout if a threshold level of performance is achieved, a market level payout if targets are achieved, and above-market payout if targets are clearly exceeded.

Performance shares granted as part of the 2010 LTIP have a three-year performance period which runs from January 1, 2010 through December 31, 2012 (the Performance Period). Performance shares granted to participants, including our Named Executive Officers, as part of the 2010 LTIP are earned, if at all, based upon the achievement, over the Performance Period, of performance goals relating to the following: (a) compound annual growth rate over the Performance Period in the sales for the Company and its subsidiaries as determined by the Company, and (b) the cumulative operating income over the Performance Period for the Company and its subsidiaries as determined by the Company.

Receipt of performance shares granted as part of the 2010 LTIP is not guaranteed, and the grantees, including our Named Executive Officers, will earn the awards only if both performance goals exceed a threshold performance level. If the Company achieves the threshold performance level for both performance goals, then grantees will earn performance shares based on a performance matrix that provides 50% of the awarded performance shares are earned for threshold performance, 100% of the awarded performance shares are earned for target performance and 200% of performance shares are earned for performance at or above the maximum performance. Payments for performance between the threshold and maximum levels are interpolated based on the level of performance achieved.

The Committee elected a three-year performance period in order to focus the efforts of our executive officers on the long-term growth and success of the Company which will ultimately benefit our stockholders by increasing our stockholder value. The Committee set performance goal targets at levels intended to be challenging but achievable and to ensure that a maximum payout of performance shares requires very high levels of both individual and Company performance.

In accordance with applicable accounting standards, expense related to performance share awards is accrued if the attainment of performance indicators is probable as determined by management. The expense is recognized over the applicable Performance Period. Each quarter management evaluates the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment. During the three months ended December 31, 2010, management increased the expected attainment for the performance shares granted as part of the 2010 LTIP from 100% to 150% based on forecasted sales and operating income.

*LTIP Stock Options.* The Committee included time-vested stock options in the 2010 LTIP to reward long-term Company performance, link an executive's incentives to the stockholders' interests in increasing stockholder value and to provide executives with incentives to stay with the Company. Stock options granted as part of 2010 LTIP vest in equal annual installments over a three-year period and have a 10-year term. In accordance with the Company's equity award granting policy, the exercise price of all stock options equals the closing sale price (price for last trade) of our common stock as reported by The NASDAQ Global Select Stock Market on the date of grant.

## **Equity Policies**

### **Stock Ownership Guidelines**

Our executive officers have stock ownership guidelines designed to link the interests of executive management with that of our stockholders. These guidelines provide that our executive officers, including our Named Executive Officers, should have specific equity positions in the Company which vary by position. Under the guidelines, our

CEO is expected to own shares with a value equal to five times his base salary. The remaining executive officers, including our Named Executive Officers, are expected to own shares with a value equal to three times their base salary. Shares used to calculate compliance with the ownership guidelines include direct share purchases, shares acquired through any employee benefit plan, as well as vested shares of restricted stock and the vested in-the-money portion of any stock options held by the executive officer. As of December 31, 2010, Mr. Heasley's stock ownership was valued at approximately nine times his base salary. Current ownership levels for the other Named Executive Officers vary depending on their length of employment with us. Each executive officer has five years from (i) the



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adoption of the stock ownership guidelines, which occurred in September 2007, or (ii) the date of their appointment to an executive officer position, whichever is later, to achieve the target ownership levels. An executive officer who fails to meet the ownership guidelines within the five-year period will not be eligible for new equity awards until he achieves his prescribed ownership level.

## **Equity Award Granting Policy**

Our Board recognizes the importance of adhering to specific practices and procedures in the granting of equity awards and therefore, in September 2007, our Board adopted an Equity Award Granting Policy that applies to the granting of all compensatory equity awards provided under our equity compensation plans in the form of common stock or any derivative of common stock, including stock options, stock appreciation rights, dividend equivalents, restricted stock, restricted stock units, performance shares or performance units. This policy provides that all grants of equity awards to executive officers must be approved by the Committee, or the full Board in the case of our non-employee directors, at a Board or Committee meeting. Equity awards are not authorized pursuant to action by written consent in lieu of a meeting.

The grant date of any equity award shall be the date of the Board or Committee meeting at which the award was approved. The exercise price (if applicable) for an equity award shall be the closing sale price (price for last trade) of our common stock as reported on The NASDAQ Global Select Stock Market on the grant date.

The Committee considers regular equity award proposals on an annual basis. Proposed grants to newly hired employees or other proposed ad hoc grants (e.g., grants in connection with an acquisition) are considered on a quarterly basis in connection with the next scheduled meeting following the event giving rise to the grant proposal. Our Board considers equity awards to non-employee directors at the Board meeting immediately following the annual meeting of stockholders at which the non-employee directors are elected, or if appointed by our Board, at the meeting at which the appointment is made or at the next scheduled meeting following the appointment.

Notwithstanding the foregoing, the Committee or Board may consider and approve equity award grants to employees, including Named Executive Officers, at meetings other than those described above when deemed reasonably appropriate under the circumstances.

## **Tax and Accounting Implications**

### **Deductibility of Executive Compensation**

Section 162(m) of the Code limits the deductibility of compensation in excess of \$1 million paid to our Named Executive Officers, unless the compensation qualifies as performance-based compensation. Among other things, in order to be deemed performance-based compensation, the compensation must be based on the achievement of pre-established, objective performance criteria and must be pursuant to a plan that has been approved by our stockholders. It is intended that all performance-based compensation paid in 2010 to our Named Executive Officers under the plans and programs described above will qualify for deductibility, either because the compensation is below the threshold for non-deductibility provided in Section 162(m) of the Code, or because the payment of amounts in excess of \$1 million qualify as performance-based compensation under the provisions of Section 162(m) of the Code.

We believe that it is important to continue to be able to take all available company tax deductions with respect to the compensation paid to our Named Executive Officers. Therefore, we believe we have taken all actions that may be necessary under Section 162(m) of the Code to continue to qualify for all available tax deductions related to executive compensation. However, we also believe that preserving flexibility in awarding compensation is in our best interest and that of our stockholders, and we may determine, in light of all applicable circumstances, to award compensation in

a manner that will not preserve the deductibility of such compensation under Section 162(m) of the Code.

**Accounting for Share-Based Compensation**

Beginning on October 1, 2006, we began accounting for share-based compensation awards, including our stock options and performance shares, in accordance with the requirements of Financial Accounting Standards

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Board Accounting Standards Codification Topic 718, Compensation – Stock Compensation (formerly FASB Statement 123R, Share-Based Payment ). Before we grant stock-based compensation awards, we consider the accounting impact of the award as structured and under various other scenarios in order to analyze the expected impact of the award.

## **Employment Agreements with Named Executive Officers**

### **CEO Employment Agreement**

On March 8, 2005, we entered into an Employment Agreement (the CEO Employment Agreement ) with Philip G. Heasley, pursuant to which Mr. Heasley agreed to serve as our President and CEO for an initial term of four years which CEO Employment Agreement was amended on September 7, 2007. On January 7, 2009, the Company and Mr. Heasley entered into an Amended and Restated Employment Agreement (the Restated CEO Employment Agreement ). A copy of the Restated CEO Employment Agreement was attached as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 7, 2009.

Under the Restated CEO Employment Agreement, Mr. Heasley will be employed through March 8, 2011 (the Employment Period ), after which the Employment Period will be extended for successive one-year periods, unless we give 30 days written notice to Mr. Heasley that the Employment Period will not be extended for an additional year or unless the Employment Period otherwise terminates. 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 of Directors. The Restated CEO Employment Agreement provides that Mr. Heasley will receive a base salary of \$575,000 per year and an annual on-target MIC award of \$575,000 as well as other compensation as set forth in the Restated CEO Employment Agreement.

The Restated CEO Employment Agreement requires that Mr. Heasley purchase and hold, during the initial Employment Period, 100,000 shares of our common stock. At the end of 2010, Mr. Heasley held 260,941 shares of our common stock.

Pursuant to the Restated CEO Employment Agreement, if Mr. Heasley's employment is terminated by the Company 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 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 the Company ending prior to the date of termination; and (3) continued participation in the Company's medical and dental plans until the earlier of (a) two years or (b) until he is covered under the plans of another employer. Mr. Heasley will also be subject to non-competition obligations for a period of one year following termination of his employment. The Restated CEO Employment Agreement also provides that if payments by the Company to Mr. Heasley would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then Mr. Heasley will be entitled to a gross up payment such that he will be in the same after-tax position as if no excise tax had been imposed. If Mr. Heasley is entitled to payments under the Change-in-Control Employment Agreement (as described below), no payments will be made to Mr. Heasley under the Restated CEO Employment Agreement.

## **2011 Compensation Update**

### **2011 Peer Group**

After retaining Pearl Meyer as its new independent compensation consultant in July 2010 and in anticipation of the establishment of 2011 executive compensation, during 2010, the Committee requested that Pearl Meyer conduct a comprehensive review and analysis of the peer group used for executive compensation purposes, namely, to provide a

market perspective for evaluating executive and non-employee director compensation, reviewing practices and trends as they relate to executive compensation programs and examining pay and performance relationships. Based on its review, Pearl Meyer recommended revisions to the peer group for use in connection with

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establishing 2011 executive compensation which was reviewed and approved by the Committee. The peer group used to compare the levels and elements of compensation provided to our executive officers in 2011 are listed below.

Advent Software, Inc.  
Ariba Inc.  
Blackbaud Inc.  
Bottomline Technologies Inc.  
Concur Technologies Inc.  
CSG Systems International Inc.  
Euronet Worldwide, Inc.  
Fair Isaac Corp.  
Henry (Jack) & Associates  
JDA Software Group Inc.  
S1 Corporation  
VeriFone Systems, Inc.

The criteria for selecting companies for our 2011 peer group included U.S. publicly-traded companies in the software or information technology services industries of an appropriate similarity of size, based on revenue or market capitalization as well as companies that have a similar focus in terms of products or customer which would likely compete against the Company for financial capital.

In December 2010, the Committee established 2011 compensation for our executive officers, including our Named Executive Officers. In connection with establishing the 2011 compensation for our CEO and executive officers, the Committee engaged Pearl Meyer to conduct a competitive compensation analysis for key senior management positions within the Company, including each Named Executive Officer's position (the 2011 Competitive Analysis). In the 2011 Competitive Analysis, Pearl Meyer provided compensation data on the CEOs of our new peer group companies for the Committee's consideration as well as compensation data on the other executive officer positions and general industry compensation survey data. The 2011 Competitive Analysis contains information related to the median levels (50th percentile) of our peer group or market median levels.

## **CEO Compensation**

The Committee reviewed the 2011 Competitive Analysis and determined that Mr. Heasley's total cash compensation was consistent with its compensation philosophy and therefore, the Committee did not make any changes to Mr. Heasley's base salary or his annual on-target MIC award.

## **Other Named Executive Officers**

The Committee reviewed the 2011 Competitive Analysis and determined that the total cash compensation of Mr. Byrnes, Mr. Morem and Mr. Maki was consistent with its compensation philosophy and therefore, these Named Executive Officers did not receive any increase in their base salary or in their on-target MIC awards for 2011. As part of the continued functional progression of Mr. Behrens' compensation to a level that is market competitive for a Chief Financial Officer position, Mr. Behrens' base salary and on-target MIC incentive increased by 4.6%. His base salary went from \$270,000 to \$282,350, and his annual on-target MIC award target increased to \$197,650. Mr. Behrens' annual on-target MIC award was maintained at 70% of his base salary which conforms to competitive market dated related to annual cash incentive compensation as a percentage of his positions' base salary.

## **Incentive Compensation**

*2011 Executive MIC.* Comparable to the 2010 Executive MIC, all MIC awards granted to our executive officers, including our Named Executive Officers, in 2011 were granted pursuant to the Executive MIC Plan (the 2011 Executive MIC ). The structure of the 2011 Executive MIC is consistent with the 2010 Executive MIC. MIC bonus amounts are determined based upon the achievement of two categories of performance metrics: (i) funding metrics which again consist of the following core Company financial metrics: operating income, sales and backlog, and (ii) business unit performance metrics. A MIC bonus may be more or less than 100% (up to a maximum of

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200%) of its target level depending upon the percentage attainment of the performance metrics in the executive officer's plan.

*2011 LTIP.* On December 1, 2010, the Committee granted the 2011 LTIP awards to the executive officers, including our Named Executive Officers. The form of the 2011 LTIP award is identical to the form of the 2010 LTIP award and therefore, is comprised of a combination of stock options and performance shares. The performance shares granted as part of the 2011 LTIP awards are earned, if at all, based upon the achievement, over a three-year period commencing January 1, 2011 and ending December 31, 2013 of performance goals relating to the following: (i) compound annual growth rate over the performance period in the sales for the Company and its subsidiaries as determined by the Company, and (ii) the cumulative operating income over the Performance Period for the Company and its subsidiaries as determined by the Company. Under the 2011 LTIP, the Committee granted our Named Executive Officers the following 2011 LTIP awards:

<b>Name</b>	<b>Number of Stock Options</b>	<b>Number of On-Target Performance Shares</b>
Philip G. Heasley	43,890	35,112
Scott W. Behrens	16,095	12,876
Dennis P. Byrnes	16,095	12,876
David N. Morem	9,510	7,608
Craig A. Maki	9,510	7,608

### **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 of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

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

John M. Shay, Jr., Chairman  
Harlan F. Seymour  
Jan H. Suwinski

**Table of Contents****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, 2010 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(1)**

Name and Principal Position (a)	Period (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (\$)(2) (e)	Option Awards (\$)(3) (f)	Non-Equity Incentive Plan Compensation	All Other Compensation (5) (i)	Total Compensation (j)
						(4) (g)	(5) (i)	(j)
G. Heasley, President and Chief Executive Officer	2010	575,000	0	935,033	585,054	864,822	9,442	2,964,351
	2009	575,000	0	604,136	394,460	762,613	38,077	2,374,286
	2008	550,000	0	0	1,062,986	369,338	4,420	1,986,744
W. Behrens, Senior Vice President, Chief Financial Officer and Chief Accounting Officer	2010	270,000	0	342,888	214,546	284,263	93,218	1,204,915
	2009	250,000	0	199,892	130,529	252,793	78,559	911,183
	2008	230,000	0	342,225	0	101,937	4,420	678,682
S. P. Byrnes, Senior Vice President, Chief Administrative Officer, General Counsel and Secretary	2010	275,000	0	342,888	214,546	330,888	222,114	1,385,436
	2009	275,000	0	199,892	130,529	323,913	205,129	1,134,463
	2008	230,000	0	855,781	0	188,658	4,420	1,278,861
N. Morem, Senior Vice President, Global Business Operations	2010	260,000	0	202,601	126,768	225,322	222,061	1,036,752
	2009	260,000	0	128,526	83,927	273,821	213,463	955,817
	2008	237,508	0	855,781	0	141,532	4,420	1,239,241
A. Maki, Senior Vice President, Chief Corporate Development Officer and Controller	2010	275,000	0	202,601	126,768	300,000	1,323	905,692
	2009	275,000	0	199,892	130,529	284,177	420	890,018
	2008	250,008	0	0	961,164	126,720	420	1,338,312

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

(2) 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 footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2010 included in our Annual Report. See the "2010 Grants of Plan-Based Awards" table for information on performance shares granted in 2010. The grant date fair values included in column (e) for the performance shares are based upon the probable outcome of the performance conditions. The following table reflects both the grant date fair value of the performance shares included in this column as well as the maximum value of these awards if, due to the Company's performance during the applicable performance period, the performance shares vested at their maximum level based on the Company's stock price on the grant date of the awards:

Name of Executive	Grant Date Fair Value of Performance Shares		Maximum Value of Performance Shares	
	2009	2010	2009	2010
Philip G. Heasley	604,136	935,033	1,208,273	1,870,065
Scott W. Behrens	199,892	342,888	399,784	685,766
Dennis P. Byrnes	199,892	342,888	399,784	685,766
David N. Morem	128,526	202,601	257,051	405,202
Craig A. Maki	199,892	202,601	399,784	405,202

- (3) 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

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Named Executive Officer. The assumptions used in the calculation of these amounts are included in footnote 13 to the Company's audited financial statements for the fiscal year ended December 31, 2010 included in our Annual Report. See the 2010 Grants of Plan-Based Awards table for information on stock options granted in 2010.

- (4) The amounts in column (g) represent amounts earned by the Named Executive Officers during 2010 pursuant to the 2010 Executive MIC. The table below sets forth the amounts earned by the executive during 2010 under the 2010 Executive MIC but paid to the executive in February 2011 and the respective payout percentages:

Name of Executive	2010 Executive MIC	
	Payout Amount (\$)	Payout Percentage(a) (%)
Philip G. Heasley	864,822	150.40
Scott W. Behrens	284,263	150.40
Dennis P. Byrnes	330,888	150.40
David N. Morem	225,322	123.80
Craig A. Maki	300,000	136.36

- (a) The percentages shown reflect the percentage of the target bonus opportunity amounts paid to each Named Executive Officer based on the performance metrics and targets applicable to each Named Executive Officer and the Company's performance against such targets during the plan period.

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

Name of Executive	Employer Contributions to the 401(k) Plan (\$)	Premiums for Long-Term Disability Insurance		Tax Gross-Ups(b) (\$)	Restricted Stock Vesting Event(c) (\$)
		Perquisites(a) (\$)	Perquisites(a) (\$)		
Philip G. Heasley	4,000	494	3,640	1,309	
Scott W. Behrens	4,000	494	529	243	87,953
Dennis P. Byrnes	4,000	494	529	243	216,849
David N. Morem	4,000	494	529	190	216,849
Craig A. Maki		494	529	300	

- (a) For all Named Executive Officers this amount includes the value of Company-provided computer equipment and for Mr. Heasley, this amount also represents the value of the 2010 club trip in the amount of \$3,111.
- (b) For all Named Executive Officers this amount represents tax gross-ups related to their tax liability for the Company-provided computer equipment and for Mr. Heasley, this amount also represents tax gross-ups related to his tax liability for the value of the 2010 club trip.
- (c) These amounts reflect the amount of income recognized by Messrs. Behrens, Byrnes and Morem upon the vesting of shares of restricted stock during 2010. See the Option Exercises and Stock Vested table for more information on the shares of restricted stock that vested during 2010.

Table of Contents**2010 Grants of Plan-Based Awards**

In 2010, we utilized two plans to provide our Named Executive Officers with opportunities to earn cash or equity incentive compensation: the 2010 Executive MIC and the 2005 Incentive Plan. The 2010 Executive MIC provides cash compensation for annual performance by the Company and the individual executives. The 2005 Incentive Plan provides equity-based compensation. The following table sets forth information concerning annual incentive cash awards, grants of stock options and grants of performance shares to our Named Executive Officers during 2010.

**2010 Grants of Plan-Based Awards(1)**

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Option Awards: Number of Underlying Securities	Exercise or Base Price of Option	Grant Date Fair Value(5) (\$) (l)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	Options(4) (#) (j)	Awards (\$/Sh) (k)	
Philip G. Heasley 2010 Executive MIC	N/A	23,000	575,000	1,150,000						
2005 Incentive Plan	12/1/10				17,556	35,112	70,224			935,033
2005 Incentive Plan	12/1/10							43,890	26.63	585,054
Scott W. Behrens 2010 Executive MIC	N/A	7,560	189,000	378,000						
2005 Incentive Plan	12/1/10				6,438	12,876	25,752			342,888
2005 Incentive Plan	12/1/10							16,095	26.63	214,546
Dennis P. Byrnes										

2010 Executive MIC	N/A	8,800	220,000	440,000				
2005 Incentive Plan	12/1/10				6,438	12,876	25,752	342,888
2005 Incentive Plan	12/1/10						16,095	26.63 214,546
David N. Morem								
2010 Executive MIC	N/A	7,280	182,000	364,000				
2005 Incentive Plan	12/1/10				3,804	7,608	15,216	202,601
2005 Incentive Plan	12/1/10						9,510	26.63 126,768
Craig A. Maki								
2010 Executive MIC	N/A	8,800	220,000	440,000				
2005 Incentive Plan	12/1/10				3,804	7,608	15,216	202,601
2005 Incentive Plan	12/1/10						9,510	26.63 126,768

- (1) Column (i) to this table entitled "All Other Stock Awards: Number of Shares of Stock or Units" has been omitted because no stock awards are reportable thereunder.
- (2) The amounts shown as estimated payouts under non-equity incentive plans include estimated payouts under the 2010 Executive MIC. The actual payouts to each Named Executive Officer under the 2010 Executive MIC are set forth in footnote 4 to the Summary Compensation Table above. The amounts shown in column (c) reflect the minimum payment level under the 2010 Executive MIC above zero assuming that only the lowest weighted metric achieves threshold performance. The amounts shown in column (d) reflect the target payment levels of 100% under the 2010 Executive MIC assuming that each performance metric achieves target performance. The amounts shown in column (e) reflect the maximum payment levels under the 2010 Executive MIC assuming each performance metric achieves maximum performance which payment represents 200% of the targeted amount shown in column (d).
- (3) The awards shown in columns (f) through (h) reflect shares of our common stock payable in connection with performance share awards granted to our Named Executive Officers during 2010. All performance shares granted in 2010 were granted pursuant to the terms of the 2005 Incentive Plan. These performance shares will be earned, if at all, based upon the achievement, over a defined performance period of three years commencing January 1, 2011 through December 31, 2013 (the "Performance Period"), of performance goals related to (1) the compound

annual growth rate over the Performance Period in sales as determined by the Company, and (b) the cumulative operating income over the Performance Period as determined by the Company. The amounts shown in column (f) reflect the minimum payout of performance shares above zero assuming achievement of

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threshold performance for each metric. The amounts shown in column (g) reflect the payout of performance shares at 100% assuming that each metric achieves target performance. The amounts shown in column (h) reflect the payout of performance shares at 200% assuming that each metric achieves maximum performance.

- (4) All stock options granted to our Named Executive Officers during 2010 were granted pursuant to the terms of the 2005 Incentive Plan. All stock options granted to our Named Executive Officers in 2010 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 2010 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 2010 is based on the achievement of target performance for each metric.

**Outstanding Equity Awards at 2010 Fiscal Year End**  
**Option Awards(1)**

Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable(2) (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Stock Awards			Number of Shares or Units of Stock That Have Not Vested(2) (g)	Market Value of Stock That Have Not Vested(3) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights That Have Not Vested(4) (i)	Equity Incentive Plan Awards: Market Value of Unearned Shares, or Other Rights That Have Not Vested(4) (j)
					Number of Shares or Units of Stock That Have Not Vested(2) (g)	Market Value of Stock That Have Not Vested(3) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights That Have Not Vested(4) (i)				
12/1/2010		43,890(6)	26.63	12/1/2020					35,112	94	
12/10/2009	15,236	30,472(6)	16.52	12/10/2019					36,570	98	
9/16/2008	25,000	25,000	19.76	9/16/2018							
2/7/2008	30,000	30,000	14.99	2/7/2018							
7/24/2007	75,000	25,000	32.61	7/24/2017							
3/9/2005	600,000		22.65	3/9/2015							
3/9/2005		400,000(7)	22.65	3/9/2015							
12/1/2010		16,095(6)	26.63	12/1/2020					12,876	34	

12/10/2009	5,041	10,084(6)	16.52	12/10/2019			12,100	32
9/16/2008					6,000	161,220		
2/1/2008					3,250	87,328		
6/27/2007	11,250	3,750	33.46	6/27/2017				
12/1/2010		16,095(6)	26.63	2/1/2020			12,876	34
12/10/2009	5,041	10,084(6)	16.52	12/10/2019			12,100	32
9/16/2008					9,174	246,505		
2/1/2008					15,250	409,768		
6/5/2007	9,014	3,005	34.97	6/5/2017				
9/14/2005	17,500		28.27	9/14/2015				
10/7/2004	10,000(6)		17.62	10/7/2014				
7/15/2003	30,000		10.24	7/15/2013				
6/23/2003	60,000(6)		9.72	6/23/2013				
12/1/2010		9,510(6)	26.63	12/1/2020			7,608	20
12/10/2009	3,241	6,484(6)	16.52	12/10/2019			7,780	20
9/16/2008					9,174	246,505		
2/1/2008					15,250	409,768		
6/5/2007	9,014	3,005	34.97	6/5/2017				
9/14/2005	15,000		28.27	9/14/2015				
8/9/2005	60,000		25.38	8/9/2015				
8/9/2005		40,000(8)	25.38	8/9/2015				
12/1/2010		9,510(6)	26.63	12/1/2020			7,608	20
12/10/2009	5,041	10,084(6)	16.52	12/10/2019			12,100	32
9/16/2008	18,350	18,350	19.76	9/16/2018				
2/1/2008	30,500	30,500	16.17	2/1/2018				
6/5/2007	9,014	3,005	34.97	6/5/2017				
8/9/2006	100,000		34.74	8/9/2016				

(1) Column (d) to this table under "Option Awards" entitled "Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options" has been omitted because no shares are reportable thereunder.



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- (2) Unless otherwise noted all stock options and stock awards vest 25% per year beginning with the first anniversary of the date of grant.
- (3) In accordance with SEC rules, the market value of stock reported in column (h) of this table was calculated by multiplying the number of shares set forth in column (g) by the closing price of our common stock at December 31, 2010 which was \$26.87.
- (4) This column reflects the payout of the underlying shares of our common stock related to performance shares granted in 2009 and 2010 pursuant to the 2005 Incentive Plan based on the achievement of target performance for each metric. Performance shares granted on December 10, 2009 have a performance period from January 1, 2010 through December 31, 2012 and performance shares granted on December 1, 2010 have a performance period from January 1, 2011 through December 31, 2013.
- (5) The market value of the performance shares that have not vested was calculated by multiplying the number of performance shares set forth in column (i) by the closing price of our common stock at December 31, 2010 which was \$26.87.
- (6) These stock options vest in equal installments over a three-year period beginning with the first anniversary of the date of grant.
- (7) These stock options will vest, if at all, upon the attainment by the Company, at any time between March 9, 2007 and March 9, 2015, of a market price per share for our common stock of at least \$50 per share for 60 consecutive trading days.
- (8) These stock options will vest, if at all, upon the attainment by the Company, at any time between March 9, 2007 and August 9, 2015, of a market price per share of our common stock of at least \$50 per share for 60 consecutive trading days.

**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, 2010.

Name (a)	Option Exercises and Stock Vested Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized on
	Acquired on Exercise	on Exercise	Acquired on Vesting	Vesting(1)
	(#) (b)	(\$) (c)	(#) (d)	(\$) (e)
Philip G. Heasley	0	0	0	0
Dennis P. Byrnes	0	0	12,213	216,849

Scott W. Behrens	0	0	4,625	87,953
David N. Morem	0	0	12,213	216,849
Craig A. Maki	0	0	0	0

(1) In accordance with SEC rules, the amounts in column (e) were calculated by multiplying the number of shares of restricted stock that vested by the market value of the underlying shares on the vesting date.

### **Deferred Compensation Plan**

In September 2010, the Compensation Committee approved the Amended and Restated Deferred Compensation Plan (the Deferred Compensation Plan ). A copy of our Deferred Compensation Plan was attached as Exhibit 4.3 to our Registration Statement on Form S-8 filed with the SEC on September 9, 2010.

The Deferred Compensation Plan is an unfunded, nonqualified deferred compensation plan designed to allow a select group of management or highly compensated employees designated by our Compensation Committee, including our Named Executive Officers, to save for retirement on a tax-deferred basis. The Deferred Compensation Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. The effective date for the Deferred Compensation Plan was October 1, 2010. The initial plan year

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commenced October 1, 2010 and ended on December 31, 2010. Each plan year thereafter runs from January 1 to December 31.

Amounts deferred under the Deferred Compensation Plan will be credited to bookkeeping accounts maintained by the Company for each participant and will be credited or debited with the participant's proportionate share of any gains or losses attributable to the earnings indices selected by the participant. The Compensation Committee will designate the earnings indices available to participants; provided, however, under no circumstances shall the value of our common stock be used as an earnings index. The Committee selected the following four earnings indices: S&P 500, the Russell 2000, the Barclay's Bond Index and a fixed rate of return equivalent to the prime rate. The earnings indices are to be used for measurement purposes only and amounts deferred under the Deferred Compensation Plan will not represent any actual investment made on the participant's behalf by the Company. The amount that the Company is required to pay under the Deferred Compensation Plan is equal to the elective deferrals made by the participant, as adjusted for the hypothetical gains or losses based on the earnings indices selected by the participant. The Company may make discretionary contributions to participant accounts in such amounts and at such times as are determined by the Company from time to time in its sole discretion.

Amounts deferred by a participant are fully vested at all times. The Compensation Committee may impose a vesting schedule of up to five years with respect to discretionary contributions, if any, made by the Company to a participant account.

The amounts payable to participants under the Deferred Compensation Plan will be payable in accordance with the distribution provisions of the Deferred Compensation Plan. Distribution generally can not be made prior to the distribution dates specified by the participants, other than withdrawals made in the event of a participant's (i) unforeseeable emergency, as defined in the Deferred Compensation Plan, (ii) separation from service, (iii) death or (iv) disability. Distributions will be made to participants in a single lump-sum payment after the earliest of (a) the participant's separation from service, (b) the participant's death or (c) the participant's disability ( Standard Distribution ). In lieu of the Standard Distribution timing, a participant may elect, at the time of deferral, to receive distribution in a given plan year (a) at a specified date or time (or upon attainment of a specific age), or (b) upon the earlier of such date (or age) or one or more of the Standard Distribution events. A participant may also elect, at the time of deferral, to receive distributions in annual installments for a period of up to 10 years. Deferred amounts retained in a participant's account during the payout period continue to earn hypothetical gains and are subject to hypothetical losses based on the earnings indices selected by the participant.

Amounts deferred under the Deferred Compensation Plan are general unsecured obligations of the Company and are subject to the claims of the Company's general creditors and rank equally with other unsecured indebtedness of the Company from time to time outstanding.

The Deferred Compensation Plan is administered by the Compensation Committee and the Compensation Committee has full power to interpret the plan and determine all questions that arise under it. The Compensation Committee reserves the right to amend or terminate the Deferred Compensation Plan at any time; provided, however, that no such action shall affect a participant's right to receive the full amount of his or her vested account balance.

During 2010, none of our Named Executive Officers made any contributions to the Deferred Compensation Plan and the Company did not make any discretionary contributions to any Named Executive Officer's account.

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

Except for the employment agreement with Mr. Heasley described above, and the change-in-control agreements described below, none of our Named Executive Officers have employment or severance agreements with the

Company 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 each of our Named Executive Officers (each an "Executive" for purposes of this section). A copy of the form of CIC Agreement

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for all Executives was attached as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on January 7, 2009.

Under the CIC Agreement, we are required to employ the Executive for a two-year period following a change-in-control (the Employment Period ). During the Employment Period, we must (1) pay the Executive a base salary equal to the highest annual rate of base salary paid or payable to the Executive during the 12-month period prior to the change-in-control, (2) award the Executive for each fiscal period during the Employment Period total annual and quarterly bonus opportunities in amounts greater than or equal to the Executive's target annual and quarterly bonus opportunities for the year in which the change-in-control occurs, and (3) allow the Executive opportunities to participate in the Company's incentive, savings and retirement plans to an extent no less favorable than opportunities provided for by the Company in the 120-day period prior to the beginning of the Employment Period.

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.* If we terminate the Executive's employment other than for cause or the Executive's death or disability, or the Executive terminates his employment for good reason, the Executive will be entitled to receive from the Company certain payments and benefits. These payments and benefits include (1) the lump sum payment of (a) the Executive's unpaid current year annual base salary through the date of termination, the current year target annual bonus pro-rated through the date of termination, and any accrued and unpaid vacation pay (collectively, the Accrued Obligations ), and (b) two or, in the case of Mr. Heasley only, three times, the sum of the Executive's annual base salary and target annual bonus; (2) continued participation at the Company's cost in the welfare benefits plans in which the Executive would have been entitled to participate, 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 by the Company will be secondary to the subsequent employer's plans during the applicable period of eligibility; (3) outplacement services not to exceed \$50,000; and (4) any unpaid amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any other contract or agreement with, the Company or the affiliated companies at or subsequent to the date of termination (the Other Benefits ).

*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.* If the Executive's employment is terminated for cause, we must 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 will have no other severance obligations under the CIC Agreement. If the Executive voluntarily terminates employment, excluding a termination for good reason, we must provide to the Executive the Accrued Obligations and the timely payment or delivery of the Other Benefits, and will have no other severance obligations under the CIC Agreement.

*Tax-Gross-Up.* If any payment under the CIC Agreement would be subject to excise tax, the Executive will be entitled to receive an additional payment (the Gross-Up Payment ) in an amount such that, after payment by the Executive of all taxes, including, without limitation, any income taxes (and any interest and penalties imposed with

respect thereto) and excise tax imposed upon the Gross-Up Payment, but excluding any income taxes and penalties imposed pursuant to Section 409A of the Code, the Executive retains an amount of the Gross-Up Payment equal to the excise tax imposed upon the payments. There is, however, a provision of the CIC Agreements under which a portion of the Executive's payments under the CIC Agreement will be forfeited if the excise tax can be eliminated (provided the forfeiture cannot exceed 10% of the amount due to the Executive).

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*Acceleration of Equity Awards.* In the event of a change-in-control, all stock-based awards held by the Executive will vest in full, in each case immediately prior to the occurrence of such change-in-control, and any applicable performance-based vesting goals with respect to such stock-based awards granted to the Executive shall be deemed satisfied at the target level; *provided, however*, that (a) any performance shares awarded under the Company's 2005 Incentive Plan and (b) any stock options which vest upon the attainment of a certain per-share transaction price in connection with a change-in-control granted under the Company's 2005 Incentive Plan, will, in each case, vest pursuant to the terms of the applicable award agreement, notwithstanding the provision of any award agreement requiring that market conditions exist for a specified duration of time.

*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 the Company'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 the Company's business within the restricted territory; (c) divert, entice or otherwise take away any customers, business, patronage or orders of the Company within the restricted territory, or attempt to do so; (d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business that competes with the Company's business within the restricted territory; or (e) solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company and/or its affiliated companies to terminate their employment, representation or other association with the Company 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 the Company 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 the Company 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, in order to be entitled to a payment under the plan, the executive, including our Named Executive Officers, must be employed by the Company on the date of payment. If employment with the Company 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 the Company.

The individual award agreements with each executive officer, including our Named Executive Officers, related to the Executive MIC Plan, grant the Company the right to require an executive officer to forfeit his or her right to payment or to reimburse the Company for any payments previously paid, along with any other action the Company 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**

*Stock Options.* The award agreements for stock options granted under the 2005 Incentive Plan generally provide that if an optionee, including a Named Executive Officer, voluntarily terminates employment with the Company, 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. 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. Award agreements to executive officers, including our Named Executive Officers, also generally provide that all stock options will immediately vest upon the occurrence of a change-in-control of the Company. A copy of the form of



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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 10.18 to our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 26, 2009.

*Performance Shares.* The award agreements for performance shares granted under the 2005 Incentive Plan generally provide that if an employee, including a Named Executive Officer, voluntarily terminates employment with the Company 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 the Company must pay the employee a pro-rata portion of the performance shares he would have been entitled based on the performance of the Company during the full fiscal quarters completed during the applicable performance period until the date of termination. Such amounts will be paid made as soon as practicable after the receipt of audited financial statements of the Company relating to the last fiscal year of the performance period. The award agreements for performance shares also provide that in the event of a change-in-control of the Company, the Company will pay the employee, within 60 days of the change-in control, a pro-rata portion of the performance shares the employee would have been entitled to based on the performance of the Company at the target level for the full fiscal quarters completed during the applicable performance period prior to the date of the change-in-control. 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 10.1 to our Current Report on Form 8-K filed with the SEC on December 16, 2009.

*Restricted Shares.* The award agreements for restricted shares granted under the 2005 Incentive Plan generally provide that if any employee, including a Named Executive Officer, voluntarily terminates employment with the Company, 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. Award agreements to executive officers, including our Named Executive Officers, also generally provide that all shares of restricted stock will immediately vest upon the occurrence of a change-in-control of the Company. 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, 2010 filed with the SEC on February 26, 2009.

*Forfeiture and Recoupment Provisions.* Commencing in 2009, our form of award agreements for all awards granted to employees pursuant to the 2005 Incentive Plan, including Named Executive Officers, provide that 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 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 (a) the right to 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, and (c) the right to 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.

## **Other Stock Option Plans**

The Company has two other stock option plans pursuant to which our Named Executive Officers held outstanding stock options at the end of 2010: (a) the 1996 Stock Option Plan, as amended (the 1996 Option Plan ), and (b) the 1999 Stock Option Plan, as amended (the 1999 Option Plan ). The 1996 Option Plan was terminated in connection with the adoption of the 2005 Incentive Plan in March 2005 and the 1999 Option Plan expired on February 23, 2009. Termination or expiration of these plans does not affect the outstanding awards issued under the plans.

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The award agreements for stock options granted under these option plans generally provide that if an optionee, including a Named Executive Officer, voluntarily terminates employment with the Company, all unvested stock options will terminate and the optionee will have one month from the date of termination to exercise any vested stock options. 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. The award agreements granting stock options to executive officers, including our Named Executive Officers, under each of these plans also generally provide that all stock options will immediately vest upon the occurrence of a change-in-control of the Company.

**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, 2010 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 that date which was \$26.87. 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.

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.

Compensation Program	Voluntary		Involuntary				Retirement	Change-in-Control	Involuntary or for Good Reason after
	For Good Reason	Other than Good Reason	For Cause	Without Cause	Death	Disability			
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
<b>Cash Severance:</b>									
Heasley	2,777,436	0	0	2,777,436	0	0	0	3,450,000	
Behrens	0	0	0	0	0	0	0	918,000	
Byrnes	0	0	0	0	0	0	0	990,000	
Morem	0	0	0	0	0	0	0	884,000	
Maki	0	0	0	0	0	0	0	990,000	
<b>Bonus Payment:</b>									
Heasley	0	0	0	0	0	0	0	575,000	
Behrens	0	0	0	0	0	0	0	189,000	
Byrnes	0	0	0	0	0	0	0	220,000	
Morem	0	0	0	0	0	0	0	182,000	
Maki	0	0	0	0	0	0	0	220,000	
<b>Stock Options:</b>									
Heasley	0	0	0	0	4,083,912	4,083,912	0	4,083,912	

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Behrens	0	0	0	0	160,407	160,407	0	160,407
Byrnes	0	0	0	0	1,780,807	1,780,807	0	1,780,807
Morem	0	0	0	0	192,336	192,336	0	192,336
Maki	0	0	0	0	1,072,463	1,072,463	0	1,072,463
<b>Restricted Shares:</b>								
Heasley	0	0	0	0	0	0	0	0
Behrens	0	0	0	0	248,548	248,548	0	248,548
Byrnes	0	0	0	0	656,273	656,273	0	656,273
Morem	0	0	0	0	656,273	656,273	0	656,273
Maki	0	0	0	0	0	0	0	0

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	Voluntary		Involuntary				Retirement	Change-in-Compensation	Involuntary or for Good Reason after
	For Good Reason (\$)	Other than Good Reason (\$)	For Cause (\$)	Without Cause (\$)	Death (\$)	Disability (\$)			
<b>Compensation Program</b>									
<b>Performance Shares (1)(2):</b>									
Deasley	0	0	0	0	0	0	0	0	327,545
Dehrens	0	0	0	0	0	0	0	0	108,376
Deyrnes	0	0	0	0	0	0	0	0	108,376
Deorem	0	0	0	0	0	0	0	0	69,683
Deaki	0	0	0	0	0	0	0	0	108,376
<b>Health &amp; Welfare Benefit Continuation:</b>									
Deasley	22,000	0	0	22,000	0	0	0	0	34,000
Dehrens	0	0	0	0	0	0	0	0	35,000
Deyrnes	0	0	0	0	0	0	0	0	33,000
Deorem	0	0	0	0	0	0	0	0	36,000
Deaki	0	0	0	0	0	0	0	0	36,000
<b>Outplacement Services:</b>									
Deasley	0	0	0	0	0	0	0	0	50,000
Dehrens	0	0	0	0	0	0	0	0	50,000
Deyrnes	0	0	0	0	0	0	0	0	50,000
Deorem	0	0	0	0	0	0	0	0	50,000
Deaki	0	0	0	0	0	0	0	0	50,000
<b>Excise Tax Gross-Up/Forfeiture) Related to a TIC:</b>									
Deasley	0	0	0	0	0	0	0	0	3,625,187
Dehrens	0	0	0	0	0	0	0	0	721,574
Deyrnes	0	0	0	0	0	0	0	0	1,747,177
Deorem	0	0	0	0	0	0	0	0	769,761
Deaki	0	0	0	0	0	0	0	0	1,226,057
<b>TOTALS:</b>									
Deasley	2,799,436	0	0	2,799,436	4,083,912	4,083,912	0	0	12,145,644
Dehrens	0	0	0	0	408,955	408,955	0	0	2,430,905
Deyrnes	0	0	0	0	2,437,080	2,437,080	0	0	5,585,633
Deorem	0	0	0	0	848,609	848,609	0	0	2,840,053
Deaki	0	0	0	0	1,072,463	1,072,463	0	0	3,702,896

(1)

The estimated pro rata portion of performance shares set forth in this table and in the footnote below, relate solely to the performance shares granted December 10, 2009. The performance period for the performance shares granted December 1, 2010 does not commence until January 1, 2011 and therefore, termination of employment for any reason or upon a change-in-control event on December 31, 2010 would not have triggered any payment of performance shares for this grant.

- (2) Pursuant to the terms of the LTIP Performance Shares Award Agreement, if the employment of a grantee, including our Named Executive Officers, terminates without cause or due to death, disability or retirement approved by the Company, the grantee is entitled to receive a pro rata portion of the performance shares based on the performance of the Company during the performance period against the performance goals. The payout of the pro rata portion of performance shares each grantee, including our Named Executive Officer, is entitled to receive in the event of termination without cause or due to death, disability or retirement, will be paid out at the end of the performance period based on the audited financial statements of the Company relating to the last year of the performance period. Using the performance of the Company as of December 31, 2010 as a base and then annualizing such performance through the remaining performance period, the Company would not meet the

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threshold performance required to pay any performance shares. However, based on management's evaluation of the probability that the performance goals will be achieved used to determine the compensation expense to be recorded for the performance shares, the following table provides an estimate of the pro rata portion of the performance shares that would be paid to our Named Executive Officers upon completion of the performance period based on termination without cause or due to death, disability or retirement approved by the Company. The amounts shown do not correspond to the actual amount of performance shares, if any, or the actual value that will be realized by the Named Executive Officer.

<b>Named Executive Officer</b>	<b>Estimated Pro Rata Number of Performance Shares Earned (#)</b>	<b>Estimated Pro Rata Performance Share Value (\$)</b>
Philip G. Heasley	18,285	491,318
Scott W. Behrens	6,050	162,564
Dennis P. Byrnes	6,050	162,564
David N. Morem	3,890	104,524
Craig A. Maki	6,050	162,564

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS****Review and Approval of Related Person Transactions**

We recognize that related person transactions can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations which may not be in our best interests or the best interests of our stockholders. Accordingly, as a general matter, we prefer to avoid related person transactions. Nevertheless, we recognize that there are situations where related person transactions may be in, or may not be inconsistent with, our best interests. 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 or executive officers and their respective immediate family members and 5% beneficial owners of our common stock.

In addition, our Code of Business Conduct and Ethics establishes a policy on potential conflicts of interest. Under the 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 Counsel. Conflicts of interest involving our directors and executive officers are prohibited unless waived by our Board or a committee of 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. Pursuant to its charter, the Corporate Governance Committee is responsible for reviewing and considering possible conflicts of interest which involve members of our Board or management.

We also have a Code of Ethics for the CEO and Senior Financial Officers which 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 Chairman of 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 party transactions during 2010 and there are not any currently proposed related party transactions.



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**COMPENSATION COMMITTEE  
INTERLOCKS AND INSIDER PARTICIPATION**

No member of the Compensation and Leadership Development Committee was at any time during 2010, or at any other time, an officer or employee of the Company. No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or its Compensation and Leadership Development 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 the Company, Attn: Investor Relations, 120 Broadway, Suite 3350, New York, New York 10271.** 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 [www.aciworldwide.com](http://www.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 the Company's 2012 Proxy Statement**

Proposals of stockholders intended to be included in the proxy statement and form of proxy relating to our 2012 Annual Meeting of Stockholders must be received at the Secretary of the Company at the Company's principal executive offices located at 120 Broadway, Suite 3350, New York, New York, 10271, no later than December 29, 2011. 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.

**Requirements for Stockholder Proposals to Be Brought Before the 2012 Annual Meeting of Stockholders**

Pursuant to Rule 14a-4(c) under the Exchange Act, if the Company 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 the Company may confer discretionary voting authority to vote proxies on the stockholder proposal without any discussion of the matter in the proxy statement. Our Bylaws provide that written notice of a stockholder proposal that a stockholder intends to present at the next annual meeting, but does not intend to have included in the proxy statement and form of proxy related to such meeting, must be delivered to, or mailed and received by, the Secretary of the Company at the principal executive offices of the Company 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.

As to each matter the stockholder proposes to bring before the 2012 Annual Meeting of Stockholders, the stockholder's notice must set forth: (i) a brief description of the business desired to be brought before the 2012 Annual Meeting of Stockholders and the reasons for conducting such business at such annual meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of the Company which are owned beneficially and of record by the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (iv) a description of

all arrangements or understandings among such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (v) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of the Company entitled to vote required to approve the proposal, and (vi) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the annual meeting. Our Bylaws also provide that the chairman of an

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annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the annual meeting and, if he should so determine, such business shall not be transacted.

**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,

Dennis P. Byrnes  
*Secretary*

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

**Date:** Wednesday, June 15, 2011  
**Time:** 8:30 A.M. (Eastern Daylight Time)  
**Place:** 120 Broadway, Suite 3350, New York, New York 10271  
 See Voting Instruction on Reverse Side.

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

The Board of Directors Recommends a Vote **FOR** all Nominees for Director, **FOR** Proposals 2 and 3 and for **1 YEAR** on Proposal 4.

**1: Election of Directors**

		<b>Directors Recommend ê FOR</b>
<b>To vote For all Directors o</b>	<b>To Withhold from all Directors o</b>	

**To vote individually for each Director:**

	<b>For</b>	<b>Withhold</b>	<b>Directors Recommend ê</b>
01 Alfred R. Berkeley, III	o	o	<b>FOR</b>
02 John D. Curtis	o	o	<b>FOR</b>
03 Philip G. Heasley	o	o	<b>FOR</b>
04 James C. McGroddy	o	o	<b>FOR</b>
05 Harlan F. Seymour	o	o	<b>FOR</b>
06 John M. Shay, Jr.	o	o	<b>FOR</b>
07 John E. Stokely	o	o	<b>FOR</b>
08 Jan H. Suwinski	o	o	<b>FOR</b>

	<b>For</b>	<b>Against</b>	<b>Abstain</b>		
<b>2:</b> Ratify the appointment of Deloitte & Touche LLP as our independent auditor for the fiscal year ending December 31, 2011.	o	o	o		<b>FOR</b>

<b>3:</b> Conduct an advisory vote on executive compensation.	o	o	o		<b>FOR</b>
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	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>	
<b>4:</b> Conduct an advisory vote on the frequency of holding future advisory votes on executive compensation.	o	o	o	o	<b>1 YEAR</b>

**5:** Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual

Meeting.

**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 Here

Please Date Above

Please Sign Here

Please Date Above

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 Wednesday, June 15, 2011  
For Stockholders of Record as of April 18, 2011  
This proxy is being solicited on behalf of the Board of Directors  
VOTED BY:**

**INTERNET**

**TELEPHONE  
866-390-5392**

Go To

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

Cast your vote online.  
View Meeting Documents.

**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 must be received by 5:00 P.M., Eastern Daylight Time, June 13, 2011.**

**PROXY TABULATOR FOR**

**ACI WORLDWIDE, INC.  
P.O. BOX 8016  
CARY, NC 27512-9903**

**EVENT #**

**CLIENT #**

**OFFICE #**



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**Proxy ACI Worldwide, Inc.**

**Annual Meeting of Stockholders**

**June 15, 2011, 8:30 a.m. (Eastern Daylight Time)**

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

The undersigned appoints Dennis P. Byrnes, Victoria H. Sitz and Tamar Gerber (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 principal executive offices located at 120 Broadway, Suite 3350, New York, New York 10271, on Wednesday, June 15, 2011 at 8:30 a.m. (EDT) and all adjournments 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 2012 Annual Meeting of Stockholders;
2. Ratify the appointment of Deloitte & Touche LLP as our independent auditor for the fiscal year ending December 31, 2011;
3. Conduct an advisory vote on executive compensation;
4. Conduct an advisory vote on the frequency of holding future advisory votes on executive compensation; and
5. Transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The eight directors up for re-election are: Alfred R. Berkeley, III, John D. Curtis, Philip G. Heasley, James C. McGroddy, Harlan F. Seymour, John M. Shay, Jr., John E. Stokely, and Jan H. Suwinski.

The Board of Directors of the Company recommends a vote FOR all nominees for director, FOR proposals 2 and 3, and for 1 YEAR on proposal 4.

**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, FOR proposals 2 and 3, and for 1 YEAR on proposal 4. 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.**