
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____

Commission File Number 0-25346

ACI WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3520 Kraft Rd, Suite 300
Naples, FL 34105
(Address of principal executive offices,
including zip code)

47-0772104
(I.R.S. Employer
Identification No.)

(239) 403-4600
(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of the Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 28, 2014 there were 114,079,905 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

	<u>Page</u>
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013	3
Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013	4
Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2014 and 2013	5
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	38
Item 4. Controls and Procedures	39
<u>PART II – OTHER INFORMATION</u>	
Item 1. Legal Proceedings	39
Item 1A. Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3. Defaults Upon Senior Securities	40
Item 4. Mine Safety Disclosures	40
Item 5. Other Information	40
Item 6. Exhibits	41
Signature	42
Exhibit Index	43

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands, except share and per share amounts)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 54,982	\$ 95,059
Receivables, net of allowances of \$4,722 and \$4,459, respectively	206,901	203,575
Deferred income taxes, net	74,247	47,593
Recoverable income taxes	3,009	2,258
Prepaid expenses	21,580	22,549
Other current assets	29,884	65,328
Total current assets	390,603	436,362
Property and equipment, net	54,731	57,347
Software, net	191,465	191,468
Goodwill	668,566	669,217
Intangible assets, net	224,505	237,693
Deferred income taxes, net	41,740	48,852
Other noncurrent assets	42,594	40,912
TOTAL ASSETS	\$1,614,204	\$1,681,851
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 41,235	\$ 43,658
Employee compensation	36,665	35,623
Current portion of long-term debt	59,141	47,313
Deferred revenue	141,388	122,045
Income taxes payable	2,625	1,192
Deferred income taxes, net	691	753
Other current liabilities	55,639	95,016
Total current liabilities	337,384	345,600
Noncurrent liabilities		
Deferred revenue	48,229	45,656
Long-term debt	693,500	708,070
Deferred income taxes, net	10,078	11,000
Other noncurrent liabilities	22,347	27,831
Total liabilities	1,111,538	1,138,157
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2014 and December 31, 2013	—	—
Common stock; \$0.005 par value; 280,000,000 shares authorized; 139,820,388 shares issued at June 30, 2014 and December 31, 2013	698	698
Additional paid-in capital	547,201	542,697
Retained earnings	269,317	263,855
Treasury stock, at cost, 25,736,694 and 23,255,421 shares at June 30, 2014 and December 31, 2013, respectively	(300,454)	(240,241)
Accumulated other comprehensive loss	(14,096)	(23,315)
Total stockholders' equity	502,666	543,694
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,614,204	\$1,681,851

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
License	\$ 61,377	\$ 53,714	\$ 97,079	\$ 95,070
Maintenance	62,309	57,830	124,808	116,464
Services	24,991	26,964	47,579	50,893
Hosting	106,131	67,322	206,815	105,400
Total revenues	254,808	205,830	476,281	367,827
Operating expenses				
Cost of license (1)	6,897	6,169	12,633	12,087
Cost of maintenance, services and hosting (1)	112,595	82,573	220,482	144,444
Research and development	38,876	38,391	76,332	75,540
Selling and marketing	28,007	27,538	55,916	52,612
General and administrative	24,682	26,147	49,798	51,184
Depreciation and amortization	17,010	13,490	34,088	24,447
Total operating expenses	228,067	194,308	449,249	360,314
Operating income	26,741	11,522	27,032	7,513
Other income (expense)				
Interest expense	(9,329)	(6,053)	(18,504)	(9,950)
Interest income	135	211	334	342
Other, net	(3,901)	(1,519)	(4,958)	1,646
Total other income (expense)	(13,095)	(7,361)	(23,128)	(7,962)
Income (loss) before income taxes	13,646	4,161	3,904	(449)
Income tax expense (benefit)	2,409	2,280	(1,558)	(164)
Net income (loss)	\$ 11,237	\$ 1,881	\$ 5,462	\$ (285)
Income (loss) per common share				
Basic	\$ 0.10	\$ 0.02	\$ 0.05	\$ (0.00)
Diluted	\$ 0.10	\$ 0.02	\$ 0.05	\$ (0.00)
Weighted average common shares outstanding				
Basic	113,907	119,505	114,663	118,781
Diluted	115,977	121,502	116,812	118,781

(1) The cost of software license fees excludes charges for depreciation but includes amortization of purchased and developed software for resale. The cost of maintenance, services and hosting fees excludes charges for depreciation.

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited and in thousands)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net income (loss)	\$ 11,237	\$ 1,881	\$ 5,462	\$ (285)
Other comprehensive income (loss):				
Foreign currency translation adjustments	<u>6,318</u>	<u>(9,417)</u>	<u>9,219</u>	<u>(19,873)</u>
Total other comprehensive income (loss)	<u>6,318</u>	<u>(9,417)</u>	<u>9,219</u>	<u>(19,873)</u>
Comprehensive income (loss)	<u>\$17,555</u>	<u>\$(7,536)</u>	<u>\$14,681</u>	<u>\$(20,158)</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ 5,462	\$ (285)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	10,558	7,964
Amortization	30,591	23,142
Amortization of deferred debt issuance costs	2,680	2,516
Deferred income taxes	(12,134)	(6,776)
Stock-based compensation expense	9,188	7,724
Excess tax benefit of stock options exercised	(4,382)	(1,681)
Other	671	2,035
Changes in operating assets and liabilities, net of impact of acquisitions:		
Receivables	(9,279)	22,028
Accounts payable	(3,203)	(10,731)
Accrued employee compensation	659	(8,012)
Current income taxes	4,728	3,780
Deferred revenue	20,337	21,737
Other current and noncurrent assets and liabilities	(7,553)	(5,810)
Net cash flows from operating activities	<u>48,323</u>	<u>57,631</u>
Cash flows from investing activities:		
Purchases of property and equipment	(8,319)	(9,050)
Purchases of software and distribution rights	(6,991)	(4,578)
Acquisition of businesses, net of cash acquired	—	(264,202)
Other	(1,500)	—
Net cash flows from investing activities	<u>(16,810)</u>	<u>(277,830)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,338	938
Proceeds from exercises of stock options	4,117	5,583
Excess tax benefit of stock options exercised	4,382	1,681
Repurchases of common stock	(70,000)	(12,068)
Repurchase of restricted stock and performance shares for tax withholdings	(4,533)	(5,574)
Proceeds from term portion of credit agreement	—	300,000
Proceeds from revolving credit facility	50,000	—
Repayment of revolving credit facility	(35,000)	—
Repayment of term portion of credit agreement	(17,742)	(13,125)
Payments on other debt and capital leases	(6,687)	(11,717)
Payment for debt issuance costs	(163)	(9,536)
Distribution to noncontrolling interest	(1,391)	—
Net cash flows from financing activities	<u>(75,679)</u>	<u>256,182</u>
Effect of exchange rate fluctuations on cash	4,089	(4,571)
Net increase (decrease) in cash and cash equivalents	(40,077)	31,412
Cash and cash equivalents, beginning of period	95,059	76,329
Cash and cash equivalents, end of period	<u>\$ 54,982</u>	<u>\$ 107,741</u>
Supplemental cash flow information		
Income taxes paid, net	\$ 13,176	\$ 7,668
Interest paid	\$ 15,630	\$ 7,315

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements include the accounts of ACI Worldwide, Inc. and its wholly-owned subsidiaries (collectively, the “Company”). All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements as of June 30, 2014, and for the three and six months ended June 30, 2014 and 2013, are unaudited and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the financial position and operating results for the interim periods. The condensed consolidated balance sheet as of December 31, 2013 is derived from the audited financial statements.

The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 28, 2014. Results for the three and six months ended June 30, 2014 are not necessarily indicative of results that may be attained in the future.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The fair values of cash and cash equivalents approximate the carrying values due to the short period of time to maturity (Level 2 of the fair value hierarchy).

Receivables, net

Receivables represent amounts billed and amounts earned that are to be billed in the near future. Included in accrued receivables are services and software hosting revenues earned in the current period but billed in the following period as well as license revenues that are determined to be fixed and determinable but that will be billed in future periods.

<u>(in thousands)</u>	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Billed Receivables	\$179,512	\$ 173,100
Allowance for doubtful accounts	(4,722)	(4,459)
Billed, net	174,790	168,641
Accrued Receivables	32,111	34,934
Receivables, net	<u>\$206,901</u>	<u>\$ 203,575</u>

[Table of Contents](#)

Other Current Assets and Other Current Liabilities

<u>(in thousands)</u>	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Settlement deposits	\$ 7,564	\$ 27,770
Settlement receivables	5,472	20,119
Current debt issuance costs	5,075	5,276
Other	11,773	12,163
Total other current assets	<u>\$29,884</u>	<u>\$ 65,328</u>

<u>(in thousands)</u>	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Settlement payables	\$12,540	\$ 42,841
Accrued interest	7,219	7,074
Vendor financed licenses	7,123	6,410
Royalties payable	4,201	5,627
Other	24,556	33,064
Total other current liabilities	<u>\$55,639</u>	<u>\$ 95,016</u>

Individuals and businesses settle their obligations to the Company's various clients, primarily utility and other public sector clients, using credit or debit cards or via ACH payments. The Company creates a receivable for the amount due from the credit or debit card company and an offsetting payable to the client. Once confirmation is received that the funds have been received, the Company settles the obligation to the client. Due to timing, in some instances, the Company may receive the funds into bank accounts controlled by and in the Company's name that are not disbursed to its clients by the end of the day resulting in a settlement deposit on the Company's books.

Off Balance Sheet Accounts

The Company also enters into agreements with certain clients to process payment funds on their behalf. When an automated clearing house or automated teller machine network payment transaction is processed, a transaction is initiated to withdraw funds from the designated source account and deposit them into a settlement account, which is a trust account maintained for the benefit of the Company's clients. A simultaneous transaction is initiated to transfer funds from the settlement account to the intended destination account. These "back to back" transactions are designed to settle at the same time, usually overnight, such that the funds are received from the source at the same time as the funds are sent to their destination. However, due to the transactions being with various financial institutions there may be timing differences that result in float balances. These funds are maintained in accounts for the benefit of the client which are separate from the Company's corporate assets. As the Company does not take ownership of the funds, those settlement accounts are not included in the Company's balance sheet. The Company is entitled to interest earned on the fund balances. The collection of interest on these settlement accounts is considered in the Company's determination of its fee structure for clients and represents a portion of the payment for services performed by the Company. The amount of off balance sheet settlement funds as of June 30, 2014 and December 31, 2013 were \$208.6 million and \$284.0 million, respectively.

Accumulated Other Comprehensive Loss

The \$14.1 million and \$23.3 million accumulated other comprehensive loss included in the Company's condensed consolidated balance sheets as of June 30, 2014 and December 31, 2013, respectively, represents the accumulated foreign currency translation adjustment. Since the undistributed earnings of the Company's foreign subsidiaries are considered to be permanently reinvested, the components of accumulated other comprehensive loss have not been tax effected.

[Table of Contents](#)

Goodwill

Changes in the carrying amount of goodwill attributable to each reporting unit with goodwill balances during the six months ended June 30, 2014 were as follows:

<u>(in thousands)</u>	<u>Americas</u>	<u>EMEA</u>	<u>Asia/Pacific</u>	<u>Total</u>
Gross Balance prior to December 31, 2013	\$488,698	\$160,158	\$ 67,793	\$716,649
Total impairment prior to December 31, 2013	(47,432)	—	—	(47,432)
Balance, December 31, 2013	441,266	160,158	67,793	669,217
Goodwill from acquisitions (1)	(3,192)	—	—	(3,192)
Foreign currency translation adjustments	238	312	1,991	2,541
Balance, June 30, 2014	<u>\$438,312</u>	<u>\$160,470</u>	<u>\$ 69,784</u>	<u>\$668,566</u>

- (1) Goodwill from acquisitions relates to adjustments in the goodwill recorded for the acquisitions of Official Payments Holdings, Inc. (“OPAY”), Online Resources Corporation (“ORCC”), and Profesionales en Transacciones Electronicas S.A. (“PTESA”) as discussed in Note 3. The purchase price allocation for OPAY is preliminary as of June 30, 2014 and accordingly is subject to future changes during the maximum one-year allocation period.

In accordance with ASC 350, *Intangibles – Goodwill and Other*, we assess goodwill for impairment annually during the fourth quarter of our fiscal year using October 1 balances or when there is evidence that events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. We evaluate goodwill at the reporting unit level and have identified our reportable segments, Americas, Europe/Middle East/Africa (“EMEA”), and Asia/Pacific, as our reporting units. Recoverability of goodwill is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved. Use of a discounted cash flow model is common practice in impairment testing in the absence of available transactional market evidence to determine the fair value.

The calculated fair value was substantially in excess of the current carrying value for all reporting units based upon our October 1, 2013 annual impairment test and there have been no indications of impairment in the subsequent periods.

Noncontrolling Interest

On April 10, 2014, the Company dissolved its partnership based in South Africa with Cornastone Technology Investments (Proprietary) Limited (“CTI”). As a result, the Company paid CTI approximately \$1.5 million during the three months ended June 30, 2014 for CTI’s noncontrolling interest and loan balance. Noncontrolling interest in this partnership of \$1.1 million was included in other noncurrent liabilities as of December 31, 2013.

Revenue

Vendor Specific Objective Evidence (“VSOE”)

ASC 985-605 requires the seller of software that includes post contract customer support (maintenance or “PCS”) to establish VSOE of fair value of the undelivered element of the contract in order to account separately for the PCS revenue. The Company has traditionally established VSOE of the fair value of PCS by reference to stated renewals, expressed in dollar terms, or separate sales with consistent pricing of PCS expressed in percentage terms. In determining whether a stated renewal is not substantive, the Company considers factors such as whether the period of the initial PCS term is relatively long when compared to the term of the software license or whether the PCS renewal rate is significantly below the Company’s normal pricing practices. In determining whether PCS pricing is consistent, the Company considers the population of separate sales that are within a reasonably narrow range of the median within the identified market segment over the trailing 12 month period.

Effective July 2013, the Company establishes VSOE of fair value of PCS by reference to stated renewals for all identified market segments. The Company continues to consider factors such as whether the period of the initial PCS term is relatively long when compared to the term of the software license or whether the PCS renewal is significantly below the Company’s normal pricing practices. In determining whether PCS pricing is significantly below the Company’s normal pricing practice, the Company considers the population of stated renewal rates that are within a reasonably narrow range of the median within the identified market segment over the trailing 12 month period. The change in estimation methodology does not have a material effect on our financial statements.

[Table of Contents](#)

Certain of the Company's software license arrangements include PCS terms that fail to achieve VSOE of fair value due to non-substantive renewal periods or non-substantive PCS renewal amounts. For these arrangements, VSOE of fair value of PCS does not exist and revenues for the software license, PCS and services, if applicable, are considered to be one accounting unit and are therefore recognized ratably over the longer of the contractual service term or PCS term once the delivery of both services has commenced. The Company typically classifies revenues associated with these arrangements in accordance with the contractually specified amounts, which approximate fair value assigned to the various elements, including software license fees, maintenance fees and services, if applicable.

This allocation methodology has been applied to the following amounts included in revenues in the condensed consolidated statements of operations from arrangements for which VSOE of fair value does not exist for each undelivered element:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Software license fees	\$ 5,784	\$ 5,559	\$12,640	\$11,360
Maintenance fees	2,197	2,447	4,413	4,768
Services	5	—	13	3
Total	<u>\$ 7,986</u>	<u>\$ 8,006</u>	<u>\$17,066</u>	<u>\$16,131</u>

Newly Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standard Codification 605, Revenue Recognition, and most industry-specific guidance. The standard requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of ASU 2014-09 on its financial position, results of operations, and cash flow.

2. Stock Split

On April 10, 2014, the Company announced that its Board of Directors approved a three-for-one stock split of the Company's common stock, which was affected in the form of a common stock dividend distributed on July 10, 2014. The Company's par value remained \$0.005 per common share, resulting in the necessity for an adjustment to increase the total common stock balance with an equal and offsetting adjustment to additional paid-in capital. Stockholders' equity and all references to share and per share amounts in the accompanying condensed consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the three-for-one stock split for all periods presented.

3. Acquisitions

Fiscal 2013 Acquisitions

In 2013, the Company completed three acquisitions at an aggregate cost of \$378.1 million.

Official Payments Holdings, Inc.

On November 5, 2013, the Company completed the tender offer for OPAY and all its subsidiaries. The Company paid cash of \$8.35 per share of common stock or approximately \$139.8 million using funds on hand and \$40 million drawn on the Revolving Credit Facility, which was repaid prior to December 31, 2013. The Company has included the financial results of OPAY in the consolidated financial statements from the date of acquisition. As a leading provider of electronic bill payment solutions in the U.S., serving federal, state and local governments, municipal utilities, higher education institutions and charitable giving organizations, OPAY's team, user base and vertical expertise made it an ideal match for the Company. The acquisition further extended the Company's presence in the Electronic Bill Presentment and Payment ("EBPP") space, expanding its portfolio across key sectors including federal, state and local governments, municipal utilities, higher education institutions and charitable giving organizations.

Each outstanding option to acquire OPAY common stock was cancelled and terminated at the effective time of the acquisition and converted into the right to receive cash with respect to the number of shares of OPAY common stock that would have been issuable upon a net exercise of such option, assuming the market value of the OPAY common stock at the time of such exercise was equal to the \$8.35 per common stock tender offer. Any outstanding option with a per share exercise price that was greater than or equal to such amount was cancelled and terminated and no payment was made with respect thereto. In addition, each OPAY restricted stock unit award outstanding immediately prior to the effective time of the tender offer was fully vested and cancelled, and each holder of such awards became entitled to receive the \$8.35 per common stock tender offer for each share of OPAY common stock into which the vested portion of the awards would otherwise have been converted.

[Table of Contents](#)

The consideration paid by the Company to complete the acquisition of OPAY has been allocated preliminarily to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition. The allocation of purchase price is based upon certain external valuations and other analyses that have not been completed as of the date of this filing, including, but not limited to, property, intangible assets, and certain tax matters. Accordingly, the purchase price allocations are preliminary and are subject to future adjustments during the maximum one-year allocation period.

The Company made adjustments to the preliminary purchase price allocation as additional information became available for acquired intangibles and intellectual property, certain accruals and tax account balances. These adjustments and any resulting adjustments to the statements of operations were not material to the Company's previously reported operating results or financial position.

Factors contributing to the purchase price that resulted in the goodwill (which is not tax deductible) include the acquisition of management, sales, and technology personnel with the skills to market new and existing products of the Company, enhanced product capabilities, complementary products and customers.

Online Resources Corporation

On March 11, 2013, the Company completed the tender offer for ORCC and all its subsidiaries. The Company paid cash of \$3.85 per share of common stock for approximately \$132.9 million and \$127.2 million for the Series A-1 Convertible Preferred Stock for a total purchase price of \$260.1 million (the "Merger"). The Company has included the financial results of ORCC in the consolidated financial statements from the date of acquisition. As a leading provider of online banking and full service bill pay solutions, the acquisition of ORCC added EBPP solutions as a strategic part of ACI's Universal Payments portfolio. It also strengthened the Company's online banking capabilities with complementary technology, and expanded the Company's leadership in serving community banking and credit union customers.

Each outstanding option to acquire ORCC common stock was cancelled and terminated at the effective time of the Merger and converted into the right to receive an equivalent number of options to purchase ACI common stock. Each ORCC restricted stock unit was vested immediately prior to the effective time of the Merger and received \$3.85 per share.

The Company used funds from the \$300.0 million of senior bank financing arranged through Wells Fargo Securities, LLC to fund the acquisition. See Note 4, *Debt*, for terms of the financing arrangement.

The consideration paid by the Company to complete the Merger has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition. The allocation of purchase price is based upon certain external valuations and other analyses.

The Company made adjustments to finalize the purchase price allocation as additional information became available for certain accruals and deferred income taxes. These adjustments and any resulting adjustments to the statements of operations were not material to the Company's previously reported operating results or financial position.

Factors contributing to the purchase price that resulted in the goodwill (which is not tax deductible) include the acquisition of management, sales, and technology personnel with the skills to market new and existing products of the Company, enhanced product capabilities, complementary products and customers.

Profesionales en Transacciones Electronicas S.A.

During the first quarter of 2013, the Company acquired 100% of Profesionales en Transacciones Electronicas S.A. – Venezuela ("PTESA-V"), 100% of Profesionales en Transacciones Electronicas S.A. – Ecuador ("PTESA-E"), and the ACI related assets of Profesionales en Transacciones Electronicas S.A. – Colombia ("PTESA-C"), collectively "PTESA". The common stock of PTESA-E and PTESA-V were acquired for \$2.8 million and the assets of PTESA-C were acquired for \$11.4 million, for a total aggregate purchase price of \$14.2 million paid in cash. The Company has included the financial results of PTESA in our consolidated financial statements from the date of acquisition. PTESA had been a long-term partner of the Company, serving customers in South America in sales, service and support functions. The addition of the PTESA team to the Company reinforces its commitment to serve the Latin American market.

[Table of Contents](#)

Factors contributing to the purchase price that resulted in the goodwill (approximately \$1.5 million of which is not tax deductible) include the acquisition of management, sales, and services personnel with the skills to market and support products of the Company in the Latin America region. Pro forma results are not presented because they are not material.

In connection with the acquisitions, the Company recorded the following amounts based upon its purchase price allocations as of June 30, 2014. The purchase price allocation for OPAY is considered preliminary and is subject to completion of valuations and other analyses.

(in thousands, except weighted average useful lives)	Weighted-Average Useful Lives	Official Payments Holdings, Inc.	Online Resources Corporation	PTESA
Current assets:				
Cash and cash equivalents		\$ 25,871	\$ 9,930	\$ 193
Billed and accrued receivables, net		2,858	19,394	327
Deferred income taxes, net		2,443	11,726	—
Other current assets		27,779	17,643	95
Total current assets acquired		<u>58,951</u>	<u>58,693</u>	<u>615</u>
Noncurrent assets:				
Property and equipment		8,141	7,335	6
Goodwill		40,549	122,247	7,113
Software	10 years	25,113	62,215	7,732
Customer relationships	14 - 15 years	47,400	68,750	—
Trademarks	3 - 5 years	3,000	3,050	—
Other noncurrent assets		7,269	459	7
Total assets acquired		<u>190,423</u>	<u>322,749</u>	<u>15,473</u>
Current liabilities:				
Accounts payable		8,839	15,394	341
Employee compensation		15,006	10,549	261
Note payable		—	7,500	—
Other current liabilities		25,968	7,559	—
Total current liabilities acquired		<u>49,813</u>	<u>41,002</u>	<u>602</u>
Noncurrent liabilities:				
Deferred income taxes, net		—	18,290	225
Other noncurrent liabilities		828	3,339	439
Total liabilities acquired		<u>50,641</u>	<u>62,631</u>	<u>1,266</u>
Net assets acquired		<u>\$ 139,782</u>	<u>\$ 260,118</u>	<u>\$14,207</u>

OPAY and ORCC contributed approximately \$75.4 million in revenue and \$5.2 million in operating income for the three months ended June 30, 2014, which includes significant transaction related expenses related to integration activities. OPAY and ORCC contributed approximately \$147.1 million in revenue and \$13.9 million in operating income for the six months ended June 30, 2014, which includes significant transaction related expenses related to integration activities.

ORCC contributed approximately \$38.4 million in revenue and \$1.6 million in operating income for the three months ended June 30, 2013, which includes significant transaction related expenses related to integration activities. ORCC contributed approximately \$47.2 million in revenue and \$0.5 million in operating income for the six months ended June 30, 2013, which includes significant transaction related expenses related to integration activities.

Unaudited Pro Forma Financial Information

The pro forma financial information in the table below presents the combined results of operations for ACI, ORCC and OPAY as if the acquisitions had occurred January 1, 2012 (in thousands, except per share data). The pro forma information is shown for illustrative purposes only and is not necessarily indicative of future results of operations of the Company or results of operations of the Company that would have actually occurred had the transactions been in effect for the periods presented. This pro forma information is not intended to represent or be indicative of actual results had the acquisition occurred as of the beginning of each period, nor is it necessarily indicative of future results and does not reflect potential synergies, integration costs, or other such costs or savings. Certain pro forma adjustments have been made to net income for the three and six months ended June 30, 2013 to give effect to estimated adjustments to expenses to remove the amortization on eliminated OPAY and ORCC historical identifiable intangible assets and add amortization expense for the value of identified intangibles acquired in the acquisitions (primarily acquired software, customer relationships, trade names, and covenants not to compete), adjustments to interest expense to reflect the elimination of preexisting OPAY and ORCC debt and add estimated interest expense on the Company's additional Term Credit Facility borrowings and to eliminate share-based compensation expense for eliminated positions. Additionally, certain transaction expenses that are a direct result of the acquisitions have been excluded from the three and six months ended June 30, 2013.

<u>(in thousands, except per share data)</u>	<u>Pro Forma Results of Operations for the Three Months Ended June 30, 2013</u>	<u>Pro Forma Results of Operations for the Six Months Ended June 30, 2013</u>
Total Revenues	\$ 253,623	\$ 481,783
Net Income	5,487	2,372
Income per share		
Basic	\$ 0.05	\$ 0.02
Diluted	\$ 0.05	\$ 0.02

4. Debt

As of June 30, 2014, the Company had \$15.0 million, \$437.6 million and \$300.0 million outstanding under our Revolving Credit Facility, Term Credit Facility and Senior Notes, respectively, with up to \$235.0 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended. The amount of unused borrowings actually available varies in accordance with the terms of the agreement.

Credit Agreement

The Company entered into the Credit Agreement (the "Credit Agreement"), as amended, with a syndicate of financial institutions, as lenders, and Wells Fargo Bank, National Association ("Wells Fargo"), as Administrative Agent, providing for revolving loans, swingline loans, letters of credit and a term loan on November 10, 2011. The Credit Agreement consists of a five-year \$250 million senior secured revolving credit facility (the "Revolving Credit Facility"), which includes a sublimit for the issuance of standby letters of credit and a sublimit for swingline loans, and a five-year \$500 million senior secured term loan facility (the "Term Credit Facility" and, together with the Revolving Credit Facility, the "Credit Facility"). The Credit Agreement also allows the Company to request optional incremental term loans and increases in the revolving commitment.

On August 20, 2013, upon the consummation of the offering of the 6.375% Senior Notes due in 2020 (the "Senior Notes"), the Fourth Amendment to the Credit Agreement originally entered into on November 10, 2011, became effective. The Fourth Amendment, among other things, extended the maturity date of the loans under the credit facility to August 20, 2018, and increased the amount the Company may request for optional incremental term loans and/or increases in the revolving commitment from \$200 million to \$300 million. The Fourth Amendment does not impact the interest rate schedule previously applied to the Credit Agreement.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the Company's option, either (a) a base rate determined by reference to the highest of (1) the rate of interest per annum publicly announced by the Administrative Agent as its Prime Rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) a LIBOR based rate determined by reference to the costs of funds for U.S. dollar deposits for a one-month interest period adjusted for certain additional costs plus 1% or (b) a LIBOR based rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is, based on the calculation of the applicable consolidated total leverage ratio, between 0.50% to 1.50% with respect to base rate borrowings and between 1.50% and 2.50% with respect to LIBOR based borrowings. Interest is due and payable monthly. The interest rate in effect at June 30, 2014 for the Credit Facility was 2.40%.

[Table of Contents](#)

In addition to paying interest on the outstanding principal under the Credit Facility, the Company is required to pay a commitment fee in respect of the unutilized commitments under the Revolving Credit Facility, payable quarterly in arrears. The Company is also required to pay letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on LIBOR based borrowings under the Revolving Credit Facility on a per annum basis, payable quarterly in arrears, as well as customary fronting fees for the issuance of letters of credit fees and agency fees.

The Company is permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Credit Facility at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR based loans.

Senior Notes

On August 20, 2013, the Company completed a \$300 million offering of Senior Notes at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The Senior Notes bear an interest rate of 6.375% per annum, payable semi-annually in arrears on August 15 and February 15 of each year, commencing on February 15, 2014. Interest began accruing on August 20, 2013. The Senior Notes will mature on August 15, 2020.

Maturities on long-term debt outstanding at June 30, 2014 are as follows:

<u>Fiscal year ending December 31,</u> <u>(in thousands)</u>	
2014	\$ 29,570
2015	65,055
2016	70,969
2017	70,969
2018	216,078
Thereafter	300,000
Total	\$ 752,641

The Credit Agreement and Senior Notes also contain certain customary mandatory prepayment provisions. If certain events, as specified in the Credit Agreement or Senior Notes agreement, shall occur, the Company may be required to repay all or a portion of the amounts outstanding under the Credit Facility or Senior Notes.

The Credit Facility will mature on August 20, 2018 and the Senior Notes will mature on August 15, 2020. The Revolving Credit Facility and Senior Notes will not amortize and the Term Credit Facility will amortize, with principal payable in consecutive quarterly installments.

The Company's obligations and the obligations of the guarantors under the Guaranty and cash management arrangements entered into with lenders under the Credit Facility (or affiliates thereof) are secured by first-priority security interests in substantially all assets of the Company and any guarantor, including 100% of the capital stock of ACI Corporation and each domestic subsidiary of the Company, each domestic subsidiary of any guarantor and 65% of the voting capital stock of each foreign subsidiary of the Company that is directly owned by the Company or a guarantor, and in each case, is subject to certain exclusions set forth in the credit documentation governing the Credit Facility.

The Credit Agreement and Senior Notes contain certain customary affirmative covenants and negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, advances, investments, acquisitions, transactions with affiliates, change in nature of business and the sale of the assets. The Company is also required to maintain a consolidated leverage ratio at or below a specified amount and a consolidated fixed charge coverage ratio at or above a specified amount. If an event of default, as specified in the Credit Agreement and Senior Notes agreement, shall occur and be continuing, the Company may be required to repay all amounts outstanding under the Credit Facility and Senior Notes. As of June 30, 2014, and at all times during the period, the Company was in compliance with its financial debt covenants.

The fair value of our Credit Agreement approximates the carrying value due to the floating interest rate (Level 2 of the fair value hierarchy). The fair value of our Senior Notes approximates the carrying value at June 30, 2014 based upon prevailing interest rates and the Company's credit rating (Level 2 of the fair value hierarchy).

[Table of Contents](#)

<u>(in thousands)</u>	<u>As of June 30, 2014</u>	<u>As of December 31, 2013</u>
Term credit facility	\$ 437,641	\$ 455,383
Revolving credit facility	15,000	—
6.375% Senior Notes, due August 2020	300,000	300,000
Total debt	752,641	755,383
Less current portion of term credit facility	59,141	47,313
Total long-term debt	<u>\$ 693,500</u>	<u>\$ 708,070</u>

5. Stock-Based Compensation Plans

Employee Stock Purchase Plan

Under the Company's 1999 Employee Stock Purchase Plan, as amended (the "ESPP"), a total of 4,500,000 shares of the Company's common stock have been reserved for issuance to eligible employees. Participating employees are permitted to designate up to the lesser of \$25,000 or 10% of their annual base compensation for the purchase of common stock under the ESPP. Purchases under the ESPP are made one calendar month after the end of each fiscal quarter. The price for shares of common stock purchased under the ESPP is 85% of the stock's fair market value on the last business day of the three-month participation period. Shares issued under the ESPP during the six months ended June 30, 2014 and 2013 totaled 68,079 and 60,762, respectively.

Stock-Based Payments

A summary of stock options issued pursuant to the Company's stock incentive plans is as follows:

	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value of In-the-Money Options</u>
Outstanding as of December 31, 2013	7,408,821	\$ 11.02		
Granted	27,132	20.13		
Exercised	(542,391)	7.57		
Forfeited or expired	(62,895)	17.25		
Outstanding as of June 30, 2014	<u>6,830,667</u>	<u>\$ 11.28</u>	<u>5.43</u>	<u>\$ 51,913,490</u>
Exercisable as of June 30, 2014	<u>5,002,719</u>	<u>\$ 9.19</u>	<u>4.19</u>	<u>\$ 47,115,588</u>

As of June 30, 2014, the Company expects that 93.4% of the options will vest over the vesting period.

The weighted-average grant date fair value of stock options granted during the six months ended June 30, 2014 and 2013 was \$9.02 and \$8.02, respectively. The Company issued treasury shares for the exercise of stock options during the six months ended June 30, 2014 and 2013. The total intrinsic value of stock options exercised during the six months ended June 30, 2014 and 2013 was \$6.6 million and \$6.0 million, respectively.

[Table of Contents](#)

The fair value of options granted during the three and six months ended June 30, 2014 and 2013 was estimated on the date of grant using the Black-Scholes option-pricing model, a pricing model acceptable under U.S. GAAP, with the following weighted-average assumptions:

	Six Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Expected life (years)	5.93	9.57	8.70
Interest rate	1.8%	2.1%	1.8%
Volatility	45.2%	46.9%	47.6%
Dividend yield	—	—	—

Expected volatilities are based on the Company's historical common stock volatility derived from historical stock price data for historical periods commensurate with the options' expected life. The expected life is the average number of years that the Company estimated that the options will be outstanding, based primarily on historical employee option exercise behavior. The risk-free interest rate is based on the implied yield currently available on United States Treasury zero coupon issues with a term equal to the expected term at the date of grant of the options. The expected dividend yield is zero as the Company has historically paid no dividends and does not anticipate dividends to be paid in the future.

Stock Incentive Plan – ORCC Corporation Stock Incentive Plan, as amended and restated

In relation to the acquisition of ORCC discussed in Note 3, the Company amended the ORCC Stock Incentive Plan, as previously amended and restated (the "ORCC Incentive Plan"). Stock options were granted to ORCC employees by ORCC prior to acquisition by the Company under the ORCC Incentive Plan. Outstanding ORCC options were converted into ACI options in accordance with the terms of the Transaction Agreement. These are the only equity awards currently outstanding under the ORCC Incentive Plan and no further grants will be made.

A summary of transaction stock options issued pursuant to the Company's stock incentive plans is as follows:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options
Outstanding as of December 31, 2013	62,445	\$ 35.03		
Exercised	(909)	13.92		
Expired	(12,867)	30.80		
Outstanding as of June 30, 2014	48,669	\$ 36.54	2.05	\$ 34,303
Exercisable as of June 30, 2014	48,669	\$ 36.54	2.05	\$ 34,303

A summary of nonvested long-term incentive program performance share awards ("LTIP performance shares") outstanding as of June 30, 2014 and changes during the period are as follows:

Nonvested LTIP Performance Shares	Number of Shares at Expected Attainment	Weighted- Average Grant Date Fair Value
Nonvested as of December 31, 2013	2,718,576	\$ 13.79
Granted	19,065	20.13
Forfeited	(67,344)	15.28
Vested	(635,643)	8.88
Change in attainment for 2010 grants	26,226	8.88
Nonvested as of June 30, 2014	2,060,880	\$ 15.25

During the six months ended June 30, 2014, 635,643 shares of the LTIPs vested. The Company withheld 228,279 of those shares to pay the employees' portion of the minimum payroll withholding taxes.

[Table of Contents](#)

A summary of nonvested restricted share awards (“RSAs”) as of June 30, 2014 and changes during the period are as follows:

Nonvested Restricted Share Awards	Number of Restricted Share Awards	Weighted-Average Grant Date Fair Value
Nonvested as of December 31, 2013	145,065	\$ 14.91
Granted	94,773	18.47
Vested	(5,802)	12.69
Forfeited	(1,461)	20.51
Nonvested as of June 30, 2014	232,575	\$ 16.38

During the six months ended June 30, 2014, 5,802 shares of the RSAs vested. The Company withheld 1,908 of those shares to pay the employees’ portion of the minimum payroll withholding taxes.

Stock Incentive Plan – S1 Corporation 2003 Stock Incentive Plan, as amended and restated

In relation to the acquisition of S1 Corporation (“S1”) in 2012, the Company amended the S1 Corporation 2003 Stock Incentive Plan, as previously amended and restated (the “S1 2003 Incentive Plan”). Restricted share awards (“RSAs”) were granted to S1 employees by S1 Corporation prior to the acquisition by the Company in accordance with the terms of the Transaction Agreement (“Transaction RSAs”) under the S1 2003 Incentive Plan. These are the only equity awards currently outstanding under the S1 2003 Incentive Plan and no further grants will be made.

Under the terms of the Transaction Agreement with S1, upon the acquisition, the S1 Transaction RSAs were converted to RSAs of the Company’s stock. These awards have requisite service periods of four years and vest in increments of 25% on the anniversary of the original grant date of November 9, 2011. If an employee was terminated without cause within 12 months from the acquisition date, the RSAs 100% vest. Stock is issued without direct cost to the employee. The RSA grants provide for the payment of dividends on the Company’s common stock, if any, to the participant during the requisite service period (vesting period) and the participant has voting rights for each share of common stock. The conversion of the Transaction RSAs was treated as a modification and as such, they were valued immediately prior to and after modification. The Company recognizes compensation expense for RSAs on a straight-line basis over the requisite service period. The incremental fair value as measure upon modification will be recognized on a straight-line basis from modification date through the end of the requisite service period.

A summary of nonvested Transaction RSAs issued under the S1 2003 Stock Incentive Plan as of June 30, 2014 and changes during the period are as follows:

Nonvested Transaction Restricted Share Awards	Number of Restricted Share Awards	Weighted-Average Grant Date Fair Value
Nonvested as of December 31, 2013	57,552	\$ 11.80
Forfeited	(12,993)	11.80
Nonvested as of June 30, 2014	44,559	\$ 11.80

As of June 30, 2014, there were unrecognized compensation costs of \$9.8 million related to nonvested stock options, \$3.2 million related to the nonvested RSAs, and \$16.9 million related to the LTIP performance shares, which the Company expects to recognize over weighted-average periods of 2.1 years, 1.2 years and 2.1 years, respectively.

The Company recorded stock-based compensation expenses for the three months ended June 30, 2014 and 2013 related to stock options, LTIP performance shares, RSAs, and the ESPP of \$4.4 million and \$3.8 million, respectively, with corresponding tax benefits of \$1.7 million and \$1.4 million, respectively. The Company recorded stock-based compensation expenses for the six months ended June 30, 2014 and 2013 related to stock options, LTIP performance shares, RSAs, and the ESPP of \$9.2 million and \$7.7 million, respectively, with corresponding tax benefits of \$3.5 million and \$2.9 million, respectively. Tax benefits in excess of the option’s grant date fair value are classified as financing cash flows. Estimated forfeiture rates, stratified by employee classification, have been included as part of the Company’s calculations of compensation costs. The Company recognizes compensation costs for stock option awards that vest with the passage of time with only service conditions on a straight-line basis over the requisite service period.

[Table of Contents](#)

Cash received from option exercises for the six months ended June 30, 2014 and 2013 was \$4.1 million and \$5.6 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$2.5 million and \$2.3 million for the six months ended June 30, 2014 and 2013, respectively.

6. Software and Other Intangible Assets

At June 30, 2014, software net book value totaling \$191.5 million, net of \$110.2 million of accumulated amortization, includes the net book value of software marketed for external sale of \$88.2 million. The remaining software net book value of \$103.3 million is comprised of various software that has been acquired or developed for internal use.

At December 31, 2013, software net book value totaled \$191.5 million, net of \$95.3 million of accumulated amortization. Included in this amount is software marketed for external sale of \$94.0 million. The remaining software net book value of \$97.5 million is comprised of various software that has been acquired or developed for internal use.

Quarterly amortization of software marketed for external sale is computed using the greater of the ratio of current revenues to total estimated revenues expected to be derived from the software or the straight-line method over an estimated useful life of three to ten years. Software for resale amortization expense recorded in the three months ended June 30, 2014 and 2013 totaled \$3.6 million and \$3.5 million, respectively. These software amortization expense amounts are reflected in cost of software license fees in the condensed consolidated statements of operations. Software for resale amortization expense recorded in the six months ended June 30, 2014 and 2013 totaled \$7.1 million and \$6.7 million, respectively. These software amortization expense amounts are reflected in cost of software license fees in the condensed consolidated statements of operations.

Quarterly amortization of software for internal use is computed using the straight-line method over an estimated useful life of three to ten years. Software for internal use includes software acquired through acquisitions that is used to provide certain of our hosted offerings. Amortization of software for internal use of \$6.0 million and \$4.4 million for the three months ended June 30, 2014 and 2013, respectively, is included in depreciation and amortization in the condensed consolidated statements of operations. Amortization of software for internal use of \$11.2 million and \$7.8 million for the six months ended June 30, 2014 and 2013, respectively, is included in depreciation and amortization in the condensed consolidated statements of operations.

The carrying amount and accumulated amortization of the Company's other intangible assets that were subject to amortization at each balance sheet date are as follows:

(in thousands)	June 30, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships	\$278,974	\$ (60,352)	\$ 218,622	\$277,356	\$ (49,410)	\$ 227,946
Trademarks and tradenames	11,953	(6,145)	5,808	13,995	(4,383)	9,612
Purchased Contracts	10,920	(10,920)	—	10,865	(10,865)	—
Covenant not to compete	440	(365)	75	438	(303)	135
	<u>\$302,287</u>	<u>\$ (77,782)</u>	<u>\$ 224,505</u>	<u>\$302,654</u>	<u>\$ (64,961)</u>	<u>\$ 237,693</u>

Other intangible assets amortization expense for the three months ended June 30, 2014 and 2013 totaled \$5.8 million and \$4.8 million, respectively. Other intangible assets amortization expense for the six months ended June 30, 2014 and 2013 totaled \$12.3 million and \$8.6 million, respectively.

[Table of Contents](#)

Based on capitalized software and other intangible assets at June 30, 2014, estimated amortization expense for future fiscal years is as follows:

<u>Fiscal Year Ending December 31,</u> <u>(in thousands)</u>	<u>Software</u> <u>Amortization</u>	<u>Other</u> <u>Intangible</u> <u>Assets</u> <u>Amortization</u>
Remainder of 2014	\$ 19,639	\$ 11,084
2015	33,716	19,659
2016	29,485	18,516
2017	23,402	17,009
2018	21,003	16,497
2019	18,697	16,172
Thereafter	45,523	125,568
Total	<u>\$ 191,465</u>	<u>\$ 224,505</u>

7. Corporate Restructuring and Other Organizational Changes

2014 Activities

During the six months ended June 30, 2014, the Company reduced its headcount as a part of its integration of its recent acquisitions. In connection with these actions, approximately \$1.0 million and \$2.8 million of termination costs were recognized in general and administrative expense in the accompanying condensed consolidated statements of operations during the three and six months ended June 30, 2014, respectively. The charges by segment were as follows for the three months ended June 30, 2014: \$0.4 million in the Americas segment, \$0.4 million in the Asia/Pacific segment, and \$0.2 million in the EMEA segment. The charges by segment were as follows for the six months ended June 30, 2014: \$2.1 million in the Americas segment, \$0.5 million in the Asia/Pacific segment, and \$0.2 million in the EMEA segment. Approximately \$3.3 million of termination costs were paid during the six months ended June 30, 2014. The remaining liability is expected to be paid over the next 12 months.

2013 Activities

During the six months ended June 30, 2013, the Company reduced its headcount as a part of its integration of its recent acquisitions. In connection with these actions, approximately \$2.1 million and \$3.7 million of termination costs were recognized in general and administrative expense in the accompanying condensed consolidated statements of operations during the three and six months ended June 30, 2013, respectively. The charges for the three and six months ended June 30, 2013 were \$0.3 million in the EMEA segment and \$0.3 million in the Asia/Pacific segment. The remaining expense of \$1.5 million and \$3.1 million was incurred in the Americas region for the three and six months ended June 30, 2013, respectively.

The components of corporate restructuring and other reorganization activities from the recent acquisitions are included in the following table:

<u>(in thousands)</u>	<u>Severance</u>	<u>Facility</u> <u>Closures</u>	<u>Total</u>
Balance, December 31, 2013	\$ 1,470	\$ 1,871	\$ 3,341
Restructuring charges (adjustments) incurred	2,798	(196)	2,602
Amounts paid during the period	(3,270)	(946)	(4,216)
Foreign currency translation	(1)	—	(1)
Balance, June 30, 2014	<u>\$ 997</u>	<u>\$ 729</u>	<u>\$ 1,726</u>

The \$1.0 million for unpaid severance is included in employee compensation and the \$0.7 million for unpaid facility closures is included in other current liabilities in the accompanying condensed consolidated balance sheet at June 30, 2014.

8. Common Stock and Treasury Stock

As of December 31, 2011, the Company's Board of Directors had approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to \$210 million of its common stock. In February 2012, the Company's Board of Directors approved an increase of \$52.1 million to their current stock repurchase authorization, bringing the total authorization to \$262.1 million.

[Table of Contents](#)

On September 13, 2012, the Company's Board of Directors approved the repurchase of up to 7,500,000 shares of the Company's common stock, or up to \$113.0 million in place of the remaining repurchase amounts previously authorized. In July 2013, the Company's Board of Directors approved an additional \$100 million for the stock repurchase program. In February 2014, the Company's Board of Directors again approved an additional \$100 million for the stock repurchase program.

The Company repurchased 3,578,427 shares for \$70.0 million under the program during the six months ended June 30, 2014. Under the program to date, the Company has repurchased 37,108,467 shares for approximately \$395.8 million. The maximum remaining authorized for purchase under the stock repurchase program was approximately \$138.3 million as of June 30, 2014.

9. Earnings Per Share

Basic earnings (loss) per share is computed on the basis of weighted average outstanding common shares. Diluted earnings (loss) per share is computed on the basis of basic weighted average outstanding common shares adjusted for the dilutive effect of stock options and other outstanding dilutive securities.

The following table reconciles the average share amounts used to compute both basic and diluted earnings (loss) per share (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Weighted average shares outstanding:				
Basic weighted average shares outstanding	113,907	119,505	114,663	118,781
Add: Dilutive effect of stock options and restricted stock awards	2,070	1,997	2,149	—
Diluted weighted average shares outstanding	<u>115,977</u>	<u>121,502</u>	<u>116,812</u>	<u>118,781</u>

The diluted earnings per share computation excludes 3.2 million options to purchase shares, restricted share awards, and contingently issuable shares during the three and six months ended June 30, 2014 as their effect would be anti-dilutive. The diluted earnings (loss) per share computation excludes 4.9 million and 11.2 million options to purchase shares, restricted share awards, and contingently issuable shares during the three and six months ended June 30, 2013, respectively, as their effect would be anti-dilutive

Common stock outstanding as of June 30, 2014 and December 31, 2013 was 114,083,694 and 116,564,967, respectively.

10. Other, net

Other, net is comprised of the following items:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Foreign currency transaction gains (losses)	\$(3,819)	\$(1,338)	\$(4,769)	\$2,128
Other	(82)	(181)	(189)	(482)
Total	<u>\$(3,901)</u>	<u>\$(1,519)</u>	<u>\$(4,958)</u>	<u>\$1,646</u>

11. Segment Information

The Company's chief operating decision maker, together with other senior management personnel, currently focus their review of consolidated financial information and the allocation of resources based on reporting of operating results, including revenues and operating income (loss), for the geographic regions of the Americas, EMEA and Asia/Pacific and the Corporate line item. The Company's products are sold and supported through distribution networks covering these three geographic regions, with each distribution network having its own sales force. The Company supplements its distribution networks with independent reseller and/or distributor arrangements. All administrative costs that are not directly attributable or reasonably allocable to a geographic segment are tracked in the Corporate line item. As such, the Company has concluded that its three geographic regions are its reportable segments.

[Table of Contents](#)

The Company allocates segment support expenses such as global product development, business operations, and product management based upon percentage of revenue per segment. Depreciation and amortization costs are allocated as a percentage of the headcount by segment. The Corporate line item consists of the corporate overhead costs that are not allocated to reportable segments. Corporate overhead costs relate to human resources, finance, legal, accounting, merger and acquisition activity and amortization of acquisition-related intangibles and other costs that are not considered when management evaluates segment performance.

The following is selected segment financial data for the periods indicated:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Americas	\$ 177,745	\$ 138,379	\$ 332,514	\$ 232,692
EMEA	57,350	46,719	104,811	94,290
Asia/Pacific	19,713	20,732	38,956	40,845
	<u>\$ 254,808</u>	<u>\$ 205,830</u>	<u>\$ 476,281</u>	<u>\$ 367,827</u>
Income (loss) before income taxes:				
Americas	\$ 26,074	\$ 30,325	\$ 43,033	\$ 43,292
EMEA	24,669	13,153	42,340	28,208
Asia/Pacific	10,428	3,347	16,082	9,187
Corporate	(47,525)	(42,664)	(97,551)	(81,136)
	<u>\$ 13,646</u>	<u>\$ 4,161</u>	<u>\$ 3,904</u>	<u>\$ (449)</u>

(in thousands)	June 30, 2014	December 31, 2013
Total assets:		
Americas—United States	\$ 1,091,472	\$ 1,129,064
Americas—Other	38,375	39,995
EMEA	361,477	380,320
Asia/Pacific	122,880	132,472
	<u>\$ 1,614,204</u>	<u>\$ 1,681,851</u>

No single customer accounted for more than 10% of the Company's consolidated revenues during the three and six months ended June 30, 2014 and 2013. No other country outside the United States accounted for more than 10% of the Company's consolidated revenues during the three and six months ended June 30, 2014 and 2013.

12. Income Taxes

The effective tax rate for the three months ended June 30, 2014 and June 30, 2013 was 17.7% and 54.8%, respectively. The earnings of the Company's foreign entities for the three months ended June 30, 2014 and June 30, 2013 were \$18.6 million and \$2.5 million. The tax rates in the foreign jurisdictions in which the Company operates are less than the domestic tax rate. The effective tax rate for the three months ended June 30, 2014 was positively impacted by profits in certain foreign jurisdictions taxed at lower rates and domestic losses taxed at higher rates, partially offset by losses in other foreign jurisdictions taxed at lower rates. The effective tax rate for the three months ended June 30, 2013 was positively impacted by foreign profits taxed at lower rates. The effective tax rate for the three months ended June 30, 2013 was negatively impacted by acquisition related expenses that are not deductible for tax purposes.

[Table of Contents](#)

The Company reported a tax benefit for the six months ended June 30, 2014 while reporting a pretax profit for the same period. The resulting effective tax rate is negative. The effective tax rate for the six months ended June 30, 2013 was a benefit of 36.5%. The earnings of the Company's foreign entities for the six months ended June 30, 2014 and June 30, 2013 were \$24.2 million and \$11.4 million. The tax rates in the foreign jurisdictions in which the Company operates are less than the domestic tax rate. The effective tax rate for the six months ended June 30, 2014 was positively impacted by profits in certain foreign jurisdictions taxed at lower rates and domestic losses taxed at higher rates, partially offset by losses in other foreign jurisdictions taxed at lower rates. The effective tax rate for the six months ended June 30, 2013 was positively impacted by foreign profits taxed at lower rates and a domestic loss taxed at a higher rate as well as recognition of \$1.4 million tax benefit as a result of implementing the 2012 American Taxpayer Relief Act. The effective tax rate for the six months ended June 30, 2013 was negatively impacted by acquisition related expenses that are not deductible for tax purposes as well as an increase in the valuation allowance against foreign tax credits as a result of the acquisition of ORCC.

The Company's effective tax rate could fluctuate significantly on a quarterly basis and could be negatively affected to the extent earnings are lower in the countries in which it operates that have a lower statutory rate or higher in the countries in which it operates that have a higher statutory rate or to the extent it has losses sustained in countries where the future utilization of losses are uncertain. The Company's effective tax rate could also fluctuate due to changes in the valuation of its deferred tax assets or liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, the Company is occasionally subject to examination of its income tax returns by tax authorities in the jurisdictions it operates. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

The amount of unrecognized tax benefits for uncertain tax positions was \$14.7 million as of June 30, 2014 and \$15.0 million as of December 31, 2013, excluding related liabilities for interest and penalties of \$2.2 million and \$2.3 million as of June 30, 2014 and December 31, 2013, respectively.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months by approximately \$0.8 million, due to the settlement of various audits and the expiration of statutes of limitation.

13. Commitments and Contingencies

Legal Proceedings

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company is not currently a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, the Company believes would be likely to have a material effect on the Company's financial condition, results of operations or cash flows.

Indemnities

Under certain customer contracts, the Company indemnifies customers for certain matters including third party claims of intellectual property infringement relating to the use of our products. Our maximum potential exposure under indemnification arrangements can range from a specified dollar amount to an unlimited amount, depending on the nature of the transactions and the agreements. The Company has recorded an accrual for estimated losses for demands for indemnification that have been tendered by certain customers. The Company does not have any reason to believe that we will be required to make any material payments under these indemnity provisions in excess of the balance accrued at June 30, 2014.

14. Subsequent Events

On July 21, 2014, the Company announced it entered into a definitive transaction agreement to acquire Retail Decisions ("ReD") for \$205 million in cash to be financed using the Company's existing Revolving Credit Facility and an incremental term loan. ReD is a leader in fraud prevention solutions and their technology and software solutions will bring the Company a proven, global SaaS-based ecommerce offering with integrated fraud detection/management. The transaction is expected to close during the three months ended September 30, 2014.

On July 21, 2014, the Company entered into a commitment letter (the "Commitment Letter"), pursuant to which, subject to the terms and conditions set forth therein, a syndicate of financial institutions committed to provide, as a source of funding for the transactions contemplated by the definitive transaction agreement to acquire ReD, financing of up to \$150 million (the "Commitment"). The Commitment is subject to various customary conditions.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and may include words or phrases such as "believes," "will," "expects," "anticipates," "intends," and words and phrases of similar impact. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended.

Forward-looking statements in this report include, but are not limited to, statements regarding future operations, business strategy, business environment, key trends, and, in each case, statements related to expected financial and other benefits. Many of these factors will be important in determining our actual future results. Any or all of the forward-looking statements in this report may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those expressed or implied in any forward-looking statements, and our business, financial condition and results of operations could be materially and adversely affected. In addition, we disclaim any obligation to update any forward-looking statements after the date of this report, except as required by law.

All of the forward-looking statements in this report are expressly qualified by the risk factors discussed in our filings with the Securities and Exchange Commission ("SEC"). Such factors include, but are not limited to, risks related to:

- increased competition;
- the performance of our strategic product, BASE24-eps;
- demand for our products;
- restrictions and other financial covenants in our credit facility;
- consolidations and failures in the financial services industry;
- customer reluctance to switch to a new vendor;
- our strategy to migrate customers to our next generation products;
- the accuracy of management's backlog estimates;
- failure to obtain renewals of customer contracts or to obtain such renewals on favorable terms;
- delay or cancellation of customer projects or inaccurate project completion estimates;
- global economic conditions impact on demand for our products and services;
- volatility and disruption of the capital and credit markets and adverse changes in the global economy;
- difficulty meeting our debt service requirements;
- impairment of our goodwill or intangible assets;
- risks from potential future litigation;
- future acquisitions, strategic partnerships and investments and litigation;
- risk of difficulties integrating Online Resources Corporation ("ORCC") and Official Payments Holdings, Inc. ("OPAY") which may cause us to fail to realize anticipated benefits of the acquisitions;
- the complexity of our products and services and the risk that they may contain hidden defects;
- risks of failing to comply with money transmitter rules and regulations;
- compliance of our products with applicable legislation, governmental regulations and industry standards;
- our compliance with privacy regulations;
- risks of being subject to security breaches or viruses;
- the protection of our intellectual property in intellectual property litigation;
- certain payment funding methods expose us to the credit and/or operating risk of our clients;
- the cyclical nature of our revenue and earnings and the accuracy of forecasts due to the concentration of revenue generating activity during the final weeks of each quarter;
- business interruptions or failure of our information technology and communication systems;
- our offshore software development activities;
- risks from operating internationally;
- exposure to unknown tax liabilities; and
- volatility in our stock price.

The cautionary statements in this report expressly qualify all of our forward-looking statements.

The following discussion should be read together with our financial statements and related notes contained in this report and with the financial statements and related notes and Management's Discussion & Analysis in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed February 28,

2014. Results for the three and six months ended June 30, 2014, are not necessarily indicative of results that may be attained in the future.

Overview

ACI Worldwide powers electronic payments and banking for nearly 2,600 financial institutions, retailers and processors around the world. Through our comprehensive suite of software products and hosted services, we deliver a broad range of solutions for payment processing; card and merchant management; online banking; mobile, branch and voice banking; fraud detection; trade finance; and electronic bill presentment and payment.

In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. Our products are sold and supported through distribution networks covering three geographic regions – the Americas, EMEA and Asia/Pacific. Each distribution network has its own globally coordinated sales force and supplements its sales force with independent reseller and/or distributor networks. Our products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Accordingly, our business and operating results are influenced by trends such as information technology spending levels, the growth rate of the electronic payments industry, mandated regulatory changes, and changes in the number and type of customers in the financial services industry. Our products are marketed under the ACI Worldwide, ACI Payment Systems, ACI Universal Payments and Official Payments brands.

We derive a significant amount of our revenues from international operations and believe we have large opportunities for growth in international markets as well as continued expansion domestically in the United States. Refining our global infrastructure is a critical component of driving our growth. We have launched a globalization strategy which includes elements intended to streamline our supply chain and maximize expertise in several geographic locations to support a growing international customer base and competitive needs. We utilize our Irish subsidiaries to manage certain of our intellectual property rights and to oversee and manage certain international product development and commercialization efforts. We also continue to grow centers of expertise in Timisoara, Romania and Pune and Bangalore in India as well as key operational centers such as Capetown, South Africa and in multiple locations in the United States.

Key trends that currently impact our strategies and operations include:

Increasing electronic payment transaction volumes. Electronic payment volumes continue to increase around the world, taking market share from traditional cash and check transactions. In February 2011 Boston Consulting Group predicted that noncash payment transactions would grow in volume at an annual rate of 9% from 309 billion in 2010 to 740 billion in 2020, with varying growth rates based on the type of payment and part of the world. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume and through the licensing of capacity upgrades to existing customers.

Adoption of real-time delivery. Customer expectations, from both consumers and corporate, are driving the payments world to more real-time delivery. In the UK, payments sent through the traditional ACH multi day batch service can now be sent through the Faster Payments service giving almost immediate access to the funds and this is being considered in several countries including Singapore and the US. Corporate customers expect real-time information on the status of their payments instead of waiting for an end of day report. And regulators expect banks to be monitoring key measures like liquidity in real time. ACI's focus has always been on the real-time execution of transactions and delivery of information through real-time tools such as dashboards so our experience will be valuable in addressing this trend.

Increasing competition. The electronic payments market is highly competitive and subject to rapid change. Our competition comes from in-house information technology departments, third-party electronic payment processors and third-party software companies located both within and outside of the United States. Many of these companies are significantly larger than us and have significantly greater financial, technical and marketing resources. As electronic payment transaction volumes increase, third-party processors tend to provide competition to our solutions, particularly among customers that do not seek to differentiate their electronic payment offerings or are eliminating banks from the payments service, reducing the need for our solutions. As consolidation in the financial services industry continues, we anticipate that competition for those customers will intensify.

Adoption of cloud technology. In an effort to leverage lower-cost computing technologies some financial institutions, retailers, billers and electronic payment processors are seeking to transition their systems to make use of cloud technology. Our ACI On Demand SaaS hosting service addresses this market need.

Electronic payments fraud and compliance. As electronic payment transaction volumes increase, criminal elements continue to find ways to commit a growing volume of fraudulent transactions using a wide range of techniques. Financial institutions, retailers and electronic payment processors continue to seek ways to leverage new technologies to identify and prevent fraudulent transactions and other attacks such as denial of service attacks. Due to concerns with international terrorism and money laundering, financial institutions in particular are being faced with increasing scrutiny and regulatory pressures. In addition, several high-profile data breaches at major retailers further heightened visibility and awareness of payments fraud and risk-related issues. We continue to see opportunity to offer our fraud detection solutions to help customers manage the growing levels of electronic payment fraud and compliance activity.

Adoption of smartcard technology. In many markets, card issuers are being required to issue new cards with embedded chip technology, most recently in the United States. Chip-based cards are more secure, harder to copy and offer the opportunity for multiple functions on one card (e.g. debit, credit, electronic purse, identification, health records, etc.). The EMV standard for issuing and processing debit and credit card transactions has emerged as the global standard, with many regions throughout the world working on EMV rollouts. The primary benefit of EMV deployment is a reduction in electronic payment fraud, with the additional benefit that the core infrastructure necessary for multi-function chip cards is being put in place (e.g., chip card readers in ATMs and POS devices) allowing the deployment of other technologies like contactless. We are working with many customers around the world to facilitate EMV deployments, leveraging several of our solutions.

Single Euro Payments Area (“SEPA”). The SEPA, primarily focused on the European Economic Community and the United Kingdom, is designed to facilitate lower costs for cross-border payments and reduce timeframes for settling electronic payment transactions. Deadlines for SEPA payment mechanisms will drive more volume to these systems with the potential to cause banks to review the capabilities of the systems supporting these payments. Our retail and wholesale banking solutions facilitate key functions that help financial institutions address these mandated regulations.

Financial institution consolidation. Consolidation continues on a national and international basis, as financial institutions seek to add market share and increase overall efficiency. Such consolidations have increased, and may continue to increase, in their number, size and market impact as a result of the recent global economic crisis and the financial crisis affecting the banking and financial industries. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions may result in a smaller number of existing and potential customers for our products and services. Consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity decides to forego future use of our products, our revenue would decline. Conversely, we could benefit from the combination of a non-customer and a customer when the combined entity continues use of our products and, as a larger combined entity, increases its demand for our products and services. We tend to focus on larger financial institutions as customers, often resulting in our solutions being the solutions that survive in the consolidated entity.

Global vendor sourcing. Global and regional financial institutions, processors and retailers are aiming to reduce costs in supplier management by picking suppliers who can service them across all their geographies instead of allowing each country operation to choose suppliers independently. Our global footprint from both a customer and a delivery perspective enable us to be successful in this global sourced market. However, projects in these environments tend to be more complex and therefore of higher risk.

Electronic payments convergence. As electronic payment volumes grow and pressures to lower overall cost per transaction increase, financial institutions are seeking methods to consolidate their payment processing across the enterprise. We believe that the strategy of using service-oriented-architectures to allow for re-use of common electronic payment functions such as authentication, authorization, routing and settlement will become more common. Using these techniques, financial institutions will be able to reduce costs, increase overall service levels, enable one-to-one marketing in multiple bank channels, leverage volumes for improved pricing and liquidity, and manage enterprise risk. Our Universal Payments strategy is, in part, focused on this trend, by creating integrated payment functions that can be re-used by multiple bank channels, across both the consumer and wholesale bank. While this trend presents an opportunity for us, it may also expand the competition from third-party electronic payment technology and service providers specializing in other forms of electronic payments. Many of these providers are larger than us and have significantly greater financial, technical and marketing resources.

Mobile banking and payments. There is a growing demand for the ability to carry out banking services or make payments using a mobile phone. Our customers have been making use of existing products to deploy mobile banking, mobile payment, mobile commerce and mobile payment solutions for their customers in many countries. In addition, ACI has invested in mobile products of our own and via partnerships to support mobile functionality in the marketplace.

[Table of Contents](#)

The banking, financial services and payments industries have come under increased scrutiny from federal, state and foreign lawmakers and regulators in response to the crises in the financial markets and the global recession. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law July 21, 2010, represents a comprehensive overhaul of the U.S. financial services industry and requires the implementation of many new regulations that will have a direct impact on our customers and potential customers. These regulatory changes may create both opportunities and challenges for us. The application of the new regulations on our customers could create an opportunity for us to market our product capabilities and the flexibility of our solutions to assist our customers in addressing these regulations. At the same time, these regulatory changes may have an adverse impact on our operations and our financial results as we adjust our activities in light of increased compliance costs and customer requirements. It is currently too difficult to predict the long term extent to which the Dodd-Frank Act or the resulting regulations will impact our business and the businesses of our current and potential customers.

Several other factors related to our business may have a significant impact on our operating results from year to year. For example, the accounting rules governing the timing of revenue recognition in the software industry are complex and it can be difficult to estimate when we will recognize revenue generated by a given transaction. Factors such as maturity of the software product licensed, payment terms, creditworthiness of the customer, and timing of delivery or acceptance of our products often cause revenues related to sales generated in one period to be deferred and recognized in later periods. For arrangements in which services revenue is deferred, related direct and incremental costs may also be deferred. Additionally, while the majority of our contracts are denominated in the United States dollar, a substantial portion of our sales are made, and some of our expenses are incurred, in the local currency of countries other than the United States. Fluctuations in currency exchange rates in a given period may result in the recognition of gains or losses for that period.

We continue to seek ways to grow through organic sources, partnerships, alliances, and acquisitions. We continually look for potential acquisitions designed to improve our solutions’ breadth or provide access to new markets. As part of our acquisition strategy, we seek acquisition candidates that are strategic, capable of being integrated into our operating environment, and financially accretive to our financial performance.

Restructuring

Employee Related Actions

During the six months ended June 30, 2014, we reduced our headcount as a part of our integration of our recent acquisitions. In connection with these actions, approximately \$1.0 million and \$2.8 million of termination costs were recognized in general and administrative expense in the accompanying condensed consolidated statements of operations during the three and six months ended June 30, 2014, respectively. The charges by segment were as follows for the three months ended June 30, 2014: \$0.4 million in the Americas segment, \$0.4 million in the Asia/Pacific segment and \$0.2 million in the EMEA segment. The charges by segment were as follows for the six months ended June 30, 2014: \$2.1 million in the Americas segment, \$0.5 million in the Asia/Pacific segment and \$0.2 million in the EMEA segment. Approximately \$3.3 million of termination costs were paid during the six months ended June 30, 2014. The remaining liability is expected to be paid over the next 12 months.

Subsequent Events

On July 21, 2014, we announced that we entered into a definitive transaction agreement to acquire Retail Decisions (“ReD”) for \$205 million in cash to be financed using our existing Revolving Credit Facility and an incremental term loan. ReD is a leader in fraud prevention solutions and their technology and software solutions will bring us a proven, global SaaS-based ecommerce offering with integrated fraud detection/management. The transaction is expected to close during the three months ended September 30, 2014.

On July 21, 2014, we entered into a commitment letter (the “Commitment Letter”), pursuant to which, subject to the terms and conditions set forth therein, a syndicate of financial institutions committed to provide, as a source of funding for the transactions contemplated by the definitive transaction agreement to acquire ReD, financing of up to \$150 million (the “Commitment”). The Commitment is subject to various customary conditions.

Backlog

Included in backlog estimates are all software license fees, maintenance fees and services fees specified in executed contracts, as well as revenues from assumed contract renewals to the extent that we believe recognition of the related revenue will occur within the corresponding backlog period. We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

Our 60-month backlog estimate represents expected revenues from existing customers using the following key assumptions:

- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- License, facilities management, and software hosting arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.

[Table of Contents](#)

- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

In computing our 60-month backlog estimate, the following items are specifically not taken into account:

- Anticipated increases in transaction, account, or processing volumes in customer systems.
- Optional annual uplifts or inflationary increases in recurring fees.
- Services engagements, other than facilities management and software hosting engagements, are not assumed to renew over the 60-month backlog period.
- The potential impact of merger activity within our markets and/or customers.

We review our customer renewal experience on an annual basis. The impact of this review and subsequent update may result in a revision to the renewal assumptions used in computing the 60-month and 12-month backlog estimates. In the event a revision to renewal assumptions is determined to be necessary, prior periods will be adjusted for comparability purposes.

The following table sets forth our 60-month backlog estimate, by geographic region, as of June 30, 2014, March 31, 2014 and December 31, 2013 (in millions). Dollar amounts reflect foreign currency exchange rates as of each period end.

	<u>June 30, 2014</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Americas	\$2,874	\$ 2,858	\$ 2,831
EMEA	765	767	747
Asia/Pacific	285	285	283
Total	<u>\$3,924</u>	<u>\$ 3,910</u>	<u>\$ 3,861</u>

	<u>June 30, 2014</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Committed	\$1,637	\$ 1,629	\$ 1,742
Renewal	2,287	2,281	2,119
Total	<u>\$3,924</u>	<u>\$ 3,910</u>	<u>\$ 3,861</u>

Included in our 60-month backlog estimates are amounts expected to be recognized during the initial license term of customer contracts (“Committed Backlog”) and amounts expected to be recognized from assumed renewals of existing customer contracts (“Renewal Backlog”). Amounts expected to be recognized from assumed contract renewals are based on our historical renewal experience.

We also estimate 12-month backlog, segregated between monthly recurring and non-recurring revenues, using a methodology consistent with the 60-month backlog estimate. Monthly recurring revenues include all monthly license fees, maintenance fees and processing services fees. Non-recurring revenues include other software license fees and services fees. Amounts included in our 12-month backlog estimate assume renewal of one-time license fees on a monthly fee basis if such renewal is expected to occur in the next 12 months. The following table sets forth our 12-month backlog estimate, by geographic region, as of June 30, 2014, March 31, 2014 and December 31, 2013 (in millions). For all periods reported, approximately 90% of our 12-month backlog estimate is committed backlog and approximately 10% of our 12-month backlog estimate is renewal backlog. Dollar amounts reflect currency exchange rates as of each period end.

[Table of Contents](#)

	June 30, 2014		
	Monthly Recurring	Non-Recurring	Total
Americas	\$ 569	\$ 71	\$640
EMEA	131	43	174
Asia/Pacific	51	20	71
Total	<u>\$ 751</u>	<u>\$ 134</u>	<u>\$885</u>

	March 31, 2014			December 31, 2013		
	Monthly Recurring	Non-Recurring	Total	Monthly Recurring	Non-Recurring	Total
Americas	\$ 574	\$ 64	\$638	\$ 571	\$ 63	\$634
EMEA	127	50	177	130	38	168
Asia/Pacific	52	16	68	53	15	68
Total	<u>\$ 753</u>	<u>\$ 130</u>	<u>\$883</u>	<u>\$ 754</u>	<u>\$ 116</u>	<u>\$870</u>

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions as described above. These assumptions may turn out to be inaccurate or wrong, including for reasons outside of management's control. For example, our customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or we may experience delays in the development or delivery of products or services specified in customer contracts which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that amounts included in backlog estimates will actually generate the specified revenues or that the actual revenues will be generated within the corresponding 12-month or 60-month period. Additionally, because backlog estimates are operating metrics, the estimates are not required to be subject to the same level of internal review or controls as a GAAP financial measure.

RESULTS OF OPERATIONS

The following table presents the condensed consolidated statements of operations as well as the percentage relationship to total revenues of items included in our condensed consolidated statements of operations (amounts in thousands):

Three-Month Period Ended June 30, 2014 Compared to the Three-Month Period Ended June 30, 2013

Revenues

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Revenues:						
Initial license fees (ILFs)	\$ 38,387	15.1%	\$ 6,570	20.6%	\$ 31,817	15.5%
Monthly license fees (MLFs)	22,990	9.0%	1,093	5.0%	21,897	10.6%
License	61,377	24.1%	7,663	14.3%	53,714	26.1%
Maintenance	62,309	24.5%	4,479	7.7%	57,830	28.1%
Services	24,991	9.8%	(1,973)	-7.3%	26,964	13.1%
Hosting	106,131	41.7%	38,809	57.6%	67,322	32.7%
Total revenues	<u>\$254,808</u>	<u>100.0%</u>	<u>\$48,978</u>	<u>23.8%</u>	<u>\$205,830</u>	<u>100.0%</u>

Total revenue for the three months ended June 30, 2014 increased \$49.0 million, or 24%, as compared to the same period in 2013. The increase is the result of a \$38.8 million, or 58%, increase in hosting revenue, a \$7.7 million, or 14%, increase in license revenue and a \$4.5 million, or 8% increase in maintenance revenue partially offset by a \$2.0 million, or 7%, decrease in services revenue.

The increase in total revenue for the three months ended June 30, 2014 as compared to the same period in 2013 was due to a \$39.4 million, or 28%, increase in the Americas reportable segment and a \$10.6 million, or 23%, increase in the EMEA reportable segment partially offset by a \$1.0 million, or 5%, decrease in the Asia/Pacific reportable segment.

[Table of Contents](#)

The addition of Official Payments Holdings, Inc. (“OPAY”) contributed \$39.4 million, or 19%, of the increase in total revenue for the three months ended June 30, 2014. Excluding the impact of the incremental revenue from the addition of OPAY, total revenue for the three months ended June 30, 2014 increased \$9.6 million, or 5%. The increase in total revenue, excluding the addition of OPAY, is primarily due to an increase in initial license fee and maintenance revenues recognized during the three months ended June 30, 2014 as compared to the same period in 2013.

License Revenue

Customers purchase the right to license ACI software for the term of their agreement which term is generally 60 months. Within these agreements are specified capacity limits typically based on customer transaction volumes. ACI employs measurement tools that monitor the number of transactions processed by customers and if contractually specified limits are exceeded, additional fees are charged for the overage. Capacity overages may occur at varying times throughout the term of the agreement depending on the product, the size of the customer, and the significance of customer transaction volume growth. Depending on specific circumstances, multiple overages or no overages may occur during the term of the agreement.

Initial License Revenue

Initial license revenue includes license and capacity revenues that do not recur on a monthly or quarterly basis. Included in initial license revenue are license and capacity fees that are recognizable at the inception of the agreement and license and capacity fees that are recognizable at interim points during the term of the agreement, including those that are recognizable annually due to negotiated customer payment terms. Initial license revenue increased by \$6.6 million, or 21%, during the three months ended June 30, 2014, as compared to the same period in 2013. Initial license revenue increased in the EMEA and Asia/Pacific reportable segments by \$6.3 million and \$0.6 million, respectively, partially offset by a decrease in the Americas reportable segment of \$0.3 million. The increase in initial license revenue was partially offset by a decline in capacity related revenues of \$8.8 million primarily in the Americas reportable segments during the three months ended June 30, 2014 as compared to the same period in 2013. The increase in initial license revenue is primarily due to an increase in sales while the decrease in capacity related revenues is primarily due to the timing and relative size of capacity events as compared to the same period in 2013.

Monthly License Revenue

Monthly license revenue is license and capacity revenue that is paid monthly or quarterly due to negotiated customer payment terms as well as initial license and capacity fees that are recognized as revenue ratably over an extended period as monthly license revenue. Monthly license revenue increased \$1.1 million, or 5%, during the three months ended June 30, 2014, as compared to the same period in 2013 with the Americas, EMEA and Asia/Pacific reportable segments increasing by \$0.5 million, \$0.4 million and \$0.2 million, respectively.

Maintenance Revenue

Maintenance revenue includes standard and enhanced maintenance or any post contract support fees received from customers for the provision of product support services. Maintenance revenue during the three months ended June 30, 2014, as compared to the same period in 2013 increased \$4.5 million, or 8%. Maintenance revenue increased in the Americas, EMEA and Asia/Pacific reportable segments by \$1.2 million, \$2.8 million and \$0.5 million, respectively. Increases in maintenance revenue are primarily driven by increases in our customer installation base, expanded product usage from existing customers, and increased adoption of our enhanced support services programs.

Services Revenue

Services revenue includes fees earned through implementation services, professional services and facilities management services. Implementation services include product installations, product configurations, and retrofit custom software modifications (“CSMs”). Professional services include business consultancy, technical consultancy, on-site support services, CSMs, product education, and testing services. These services include new customer implementations as well as existing customer migrations to new products or new releases of existing products. During the period in which non-essential services revenue is being deferred, direct and incremental costs related to the performance of these services are also being deferred. During the period in which essential services revenue is being deferred, direct and indirect costs related to the performance of these services are also being deferred.

Services revenue during the three months ended June 30, 2014 as compared to the same period in 2013 decreased by \$2.0 million, or 7%. Implementation and professional services decreased in the Americas and Asia/Pacific reportable segment by \$1.4 million and \$2.3 million, respectively, partially offset by an increase in the EMEA reportable segment of \$1.7 million.

Hosting Revenue

Hosting revenue includes fees earned through hosting and on-demand arrangements. All revenue from hosting and on-demand arrangements that does not qualify for treatment as separate units of accounting, which include set-up fees, implementation or customization services, and product support services, are included in hosting revenue. For 2014, hosting revenue also includes fees paid by our clients as a part of the acquired EBPP products. Fees may be paid by our clients or directly by their customers and may be a percentage of the underlying transaction amount, a fixed fee per executed transaction or a monthly fee for each customer enrolled.

[Table of Contents](#)

Hosting revenue during the three months ended June 30, 2014 as compared to the same period in 2013 increased \$38.8 million, or 58%, of which \$39.4 million was due to the addition of OPAY.

Operating Expenses

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Operating expenses:						
Cost of license	\$ 6,897	2.7%	\$ 728	11.8%	\$ 6,169	3.0%
Cost of maintenance, services and hosting	112,595	44.2%	30,022	36.4%	82,573	40.1%
Research and development	38,876	15.3%	485	1.3%	38,391	18.7%
Selling and marketing	28,007	11.0%	469	1.7%	27,538	13.4%
General and administrative	24,682	9.7%	(1,465)	-5.6%	26,147	12.7%
Depreciation and amortization	17,010	6.7%	3,520	26.1%	13,490	6.6%
Total operating expenses	<u>\$228,067</u>	<u>89.5%</u>	<u>\$33,759</u>	<u>17.4%</u>	<u>\$194,308</u>	<u>94.4%</u>

Total operating expenses for the three months ended June 30, 2014 increased \$33.8 million, or 17%, as compared to the same period of 2013. For the three months ended June 30, 2014, there were approximately \$33.3 million of incremental operating expenses related to the added operations of ORCC and OPAY. There were approximately \$3.5 million and \$3.9 million of significant transaction related expenses incurred in the three months ended June 30, 2014 and June 30, 2013, respectively. Significant transaction related expenses for the three months ended June 30, 2014 included \$1.4 million of personnel related charges and \$2.1 million of professional and other expenses related to the acquisition of OPAY. Excluding these expenses, total operating expenses increased \$0.9 million in the three months ended June 30, 2014 compared to the same period in 2013.

Cost of License

The cost of license for our products sold includes third-party software royalties as well as the amortization of purchased and developed software for resale. In general, the cost of license for our products is minimal because we internally develop most of the software components, the cost of which is reflected in research and development expense as it is incurred as technological feasibility coincides with general availability of the software components.

Cost of licenses increased \$0.7 million, or 12%, in the three months ended June 30, 2014 compared to the same period in 2013 primarily due to an increase in third party royalty fees.

Cost of Maintenance, Services and Hosting

Cost of maintenance, services and hosting includes costs to provide hosting services and both the costs of maintaining our software products as well as the service costs required to deliver, install and support software at customer sites. Maintenance costs include the efforts associated with providing the customer with upgrades, 24-hour help desk, post go-live (remote) support and production-type support for software that was previously installed at a customer location. Service costs include human resource costs and other incidental costs such as travel and training required for both pre go-live and post go-live support. Such efforts include project management, delivery, product customization and implementation, installation support, consulting, configuration, and on-site support. Hosting costs related to the acquired EBPP products include payment card interchange fees, assessments payable to banks and payment card processing fees.

Cost of maintenance, services, and hosting increased \$30.0 million, or 36% in the three months ended June 30, 2014 compared to the same period in 2013. There were \$29.7 million of incremental operating expenses from the addition of ORCC and OPAY in the three months ended June 30, 2014. Excluding these expenses, the cost of maintenance, services and hosting increased \$0.4 million compared to the same period in 2013.

Research and Development

Research and development (“R&D”) expenses are primarily human resource costs related to the creation of new products, improvements made to existing products as well as compatibility with new operating system releases and generations of hardware.

[Table of Contents](#)

Research and development expense increased \$0.5 million, or 1%, in the three months ended June 30, 2014 compared to the same period in 2013. There were \$1.6 million of incremental ORCC and OPAY expenses added in the quarter ended June 30, 2014. Excluding these expenses, total research and development expenses decreased \$1.2 million in the three months ended June 30, 2014 compared to the same period in 2013 primarily due to a decrease in third party contractor costs.

Selling and Marketing

Selling and marketing includes both the costs related to selling our products to current and prospective customers as well as the costs related to promoting the Company, its products and the research efforts required to measure customers' future needs and satisfaction levels. Selling costs are primarily the human resource and travel costs related to the effort expended to license our products and services to current and potential clients within defined territories and/or industries as well as the management of the overall relationship with customer accounts. Selling costs also include the costs associated with assisting distributors in their efforts to sell our products and services in their respective local markets. Marketing costs include costs needed to promote the Company and its products as well as perform or acquire market research to help us better understand what products our customers are looking for in the future. Marketing costs also include the costs associated with measuring customers' opinions toward the Company, our products and personnel.

Selling and marketing expense increased \$0.5 million, or 2% in the three months ended June 30, 2014 compared to the same period in 2013. There were \$0.6 million of incremental ORCC and OPAY expenses added in the quarter ended June 30, 2014. Excluding these expenses, total selling and marketing expenses decreased \$0.1 million in the three months ended June 30, 2014 compared to the same period in 2013.

General and Administrative

General and administrative expenses are primarily human resource costs including executive salaries and benefits, personnel administration costs, and the costs of corporate support functions such as legal, administrative, human resources and finance and accounting.

General and administrative expense decreased \$1.5 million, or 6%, in the three months ended June 30, 2014. There were approximately \$3.5 million and \$3.9 million of significant transaction related expenses incurred in the three months ended June 30, 2014 and June 30, 2013, respectively. Significant transaction related expenses for the three months ended June 30, 2014 included \$1.4 million of personnel related charges and \$2.1 million of professional and other expenses related to the acquisition of OPAY. Excluding these expenses, total general and administrative expenses decreased \$1.1 million in the three months ended June 30, 2014 compared to the same period in the prior year due to a \$0.7 million decrease in bad debt allowances and a \$0.4 million decrease in professional and other expenses.

Depreciation and Amortization

Depreciation and amortization expense increased \$3.5 million, or 26%, in the three months ended June 30, 2014 compared to the same period in 2013 primarily due to depreciation and amortization of acquisition related assets and higher capital expenditures.

Other Income and Expense

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Other income (expense):						
Interest expense	\$ (9,329)	-3.7%	\$(3,276)	54.1%	\$(6,053)	-2.9%
Interest income	135	0.1%	(76)	-36.0%	211	0.1%
Other, net	(3,901)	-1.5%	(2,382)	156.8%	(1,519)	-0.7%
Total other income (expense)	<u>\$(13,095)</u>	<u>-5.1%</u>	<u>\$(5,734)</u>	<u>77.9%</u>	<u>\$(7,361)</u>	<u>-3.6%</u>

Interest expense for the three months ended June 30, 2014 increased \$3.3 million, or 54.1%, as compared to the same period in 2013 due to the increase in debt obtained in 2013. Interest income for the three months ended June 30, 2014 was flat as compared to the same period in 2013.

Other, net consists of foreign currency losses and other non-operating items. Foreign currency losses for the three months ended June 30, 2014 and 2013 were \$3.8 million and \$1.3 million, respectively.

[Table of Contents](#)

Income Taxes

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Income tax expense	\$2,409	0.9%	\$ 129	5.7%	\$2,280	1.1%
Effective Income tax rate	17.7%				54.8%	

The effective tax rate for the three months ended June 30, 2014 was 17.7%. The earnings of our foreign entities for the three months ended June 30, 2014 were \$18.6 million. The tax rates in the foreign jurisdictions in which we operate are less than the domestic tax rate. The effective tax rate for the three months ended June 30, 2014 was positively impacted by profits in certain foreign jurisdictions taxed at lower rates and domestic losses taxed at a higher rate, partially offset by losses in other foreign jurisdictions taxed at lower rates.

The effective tax rate for the three months ended June 30, 2013 was 54.8%. The earnings of our foreign entities for the three months ended June 30, 2013 were \$2.5 million. The tax rates in the foreign jurisdictions in which we operate are less than the domestic tax rate. The effective tax rate for the three months ended June 30, 2013 was positively impacted by foreign profits taxed at lower rates. The effective tax rate for the three months ended June 30, 2013 was negatively impacted by acquisition related expenses that are not deductible for tax purposes.

Our effective tax rate could fluctuate significantly on a quarterly basis and could be negatively affected to the extent earnings are lower in the countries in which we operate that have a lower statutory rate or higher in the countries in which we operate that have a higher statutory rate or the extent we have losses sustained in countries where the future utilization of losses are uncertain. Our effective tax rate could also fluctuate due to changes in the valuation of our deferred tax assets or liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, we are occasionally subject to examination of our income tax returns by tax authorities in the jurisdictions we operate. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Six-Month Period Ended June 30, 2014 Compared to the Six-Month Period Ended June 30, 2013

Revenues

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Revenues:						
Initial license fees (ILFs)	\$ 50,010	10.5%	\$ 809	1.6%	\$ 49,201	13.4%
Monthly license fees (MLFs)	47,069	9.9%	1,200	2.6%	45,869	12.5%
License	97,079	20.4%	2,009	2.1%	95,070	25.8%
Maintenance	124,808	26.2%	8,344	7.2%	116,464	31.7%
Services	47,579	10.0%	(3,314)	-6.5%	50,893	13.8%
Hosting	206,815	43.4%	101,415	96.2%	105,400	28.7%
Total revenues	\$476,281	100.0%	\$108,454	29.5%	\$367,827	100.0%

Total revenue for the six months ended June 30, 2014 increased \$108.5 million, or 30%, as compared to the same period in 2013. The increase is the result of a \$101.4 million, or 96%, increase in hosting revenue, an \$8.4 million, or 7%, increase in maintenance revenue, and a \$2.0 million, or 2% increase in license revenue partially offset by a \$3.3 million, or 7%, decrease in services revenue.

The increase in total revenue for the six months ended June 30, 2014 as compared to the same period in 2013 was due to a \$99.9 million, or 43%, increase in the Americas reportable segment and a \$10.5 million, or 11%, increase in the EMEA reportable segment partially offset by a \$1.9 million, or 5%, decrease in the Asia/Pacific reportable segment.

[Table of Contents](#)

ORCC contributed an incremental \$27.3 million, or 7%, of the increase in total revenue for the six months ended June 30, 2014 compared to the same period in 2013. The addition of OPAY contributed \$72.9 million, or 20%, of the increase in total revenue for the six months ended June 30, 2014. Excluding the impact of the incremental revenue from ORCC and addition of OPAY revenues, total revenue for the six months ended June 30, 2014 increased \$8.3 million, or 2%. The increase in total revenue, excluding the addition of ORCC and OPAY, is primarily due to an increase in maintenance fee revenues recognized during the six months ended June 30, 2014 as compared to the same period in 2013.

Initial License Revenue

Initial license revenue increased by \$0.8 million, or 2%, during the six months ended June 30, 2014, as compared to the same period in 2013. Initial license revenue increased in the EMEA reportable segment by \$5.3 million, partially offset by declines in the Americas and Asia/Pacific reportable segments by \$3.4 million and \$1.1 million, respectively. The increase in initial license revenue was partially offset by a decline in capacity related revenues of \$7.6 million, \$3.2 million and \$0.9 million in the Americas, EMEA and Asia/Pacific reportable segments, respectively. The increase in initial license revenue is primarily due to an increase in sales while the decrease in capacity related revenues is primarily due to the timing and relative size of capacity events during the six months ended June 30, 2014 as compared to the same period in 2013.

Monthly License Revenue

Monthly license revenue increased \$1.2 million, or 3%, during the six months ended June 30, 2014, as compared to the same period in 2013 with the Asia/Pacific reportable segment increasing by \$1.9 million offset by a decline in the Americas and EMEA reportable segments of \$0.4 million and \$0.3 million, respectively.

Maintenance Revenue

Maintenance revenue during the six months ended June 30, 2014, as compared to the same period in 2013 increased \$8.4 million, or 7%. Maintenance revenue increased in the Americas, EMEA and Asia/Pacific reportable segments by \$2.1 million, \$4.4 million and \$1.9 million, respectively. Increases in maintenance revenue are primarily driven by increases in our customer installation base, expanded product usage from existing customers, and increased adoption of our enhanced support services programs.

Services Revenue

Services revenue during the six months ended June 30, 2014 as compared to the same period in 2013 decreased by \$3.3 million, or 7%. Implementation and professional services decreased in the Americas and Asia/Pacific reportable segment by \$1.7 million and \$4.6 million, respectively, partially offset by an increase in the EMEA reportable segment of \$3.0 million. The decrease in services revenue in the Americas reportable segment was partially offset by an increase of \$0.7 million due to incremental ORCC revenues.

Hosting Revenue

Hosting revenue during the six months ended June 30, 2014 as compared to the same period in 2013 increased \$101.4 million, or 96%, of which \$26.2 million and \$72.9 million was due to incremental ORCC revenues and the addition of OPAY, respectively.

Operating Expenses

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Operating expenses:						
Cost of license	\$ 12,633	2.7%	\$ 546	4.5%	\$ 12,087	3.3%
Cost of maintenance, services and hosting	220,482	46.3%	76,038	52.6%	144,444	39.3%
Research and development	76,332	16.0%	792	1.0%	75,540	20.5%
Selling and marketing	55,916	11.7%	3,304	6.3%	52,612	14.3%
General and administrative	49,798	10.5%	(1,386)	-2.7%	51,184	13.9%
Depreciation and amortization	34,088	7.2%	9,641	39.4%	24,447	6.6%
Total operating expenses	<u>\$449,249</u>	<u>94.3%</u>	<u>\$88,935</u>	<u>24.7%</u>	<u>\$360,314</u>	<u>98.0%</u>

Total operating expenses for the six months ended June 30, 2014 increased \$88.9 million, or 25%, as compared to the same period of 2013. For the six months ended June 30, 2014, there were approximately \$88.0 million of incremental operating expenses related to the added operations of ORCC and OPAY. There were approximately \$9.2 million and \$10.5 million of significant transaction related expenses incurred in the six months ended June 30, 2014 and June 30, 2013, respectively. Significant transaction related expenses for the six months ended June 30, 2014 included \$3.5 million of personnel related charges and \$5.7 million of professional and other expenses related to the acquisition of ORCC and OPAY. Excluding these expenses, total operating expenses increased \$2.2 million in the six months ended June 30, 2014 compared to the same period in 2013 primarily due to an increase in personnel related expenses.

[Table of Contents](#)

Cost of License

Cost of software license fees increased \$0.5 million, or 5%, in the six months ended June 30, 2014 compared to the same period in 2013 primarily due to acquisition related software amortization.

Cost of Maintenance, Services and Hosting

Cost of maintenance, services, and hosting fees increased \$76.0 million, or 53%, in the six months ended June 30, 2014 compared to the same period in 2013. There were \$71.4 million of additional operating expenses from the addition of ORCC and OPAY. Excluding these expenses, the cost of maintenance, services and hosting fees increased \$4.6 million in the six months ended June 30, 2014 compared to the same period in 2013 due to \$1.8 million higher third party contractor expenses and \$2.8 million higher personnel related expenses.

Research and Development

Research and development expense increased \$0.8 million, or 1%, in the six months ended June 30, 2014 compared to the same period in 2013. There were \$4.6 million of additional operating expenses from the addition of ORCC and OPAY. Excluding these expenses, the cost of research and development decreased \$3.8 million in the six months ended June 30, 2014 compared to the same period in 2013 primarily due to a decrease in third party contractor expenses.

Selling and Marketing

Selling and marketing expense increased \$3.3 million, or 6%, in the six months ended June 30, 2014 compared to the same period in 2013. There were \$2.6 million of additional operating expenses from the addition of ORCC and OPAY. Excluding these expenses, the cost of selling and marketing increased \$0.7 million in the six months ended June 30, 2014 compared to the same period in 2013 primarily due to an increase in personnel related expenses.

General and Administrative

General and administrative expense decreased \$1.4 million, or 3%, in the six months ended June 30, 2014. The decrease was due to a decrease in significant transaction related expense incurred of approximately \$9.2 million during the six months ended June 30, 2014 compared to \$10.5 million for the same period in 2013. Significant transaction related expenses included personnel related charges and professional and other expenses related to the acquisitions of ORCC and OPAY.

Depreciation and Amortization

Depreciation and amortization expense increased \$9.6 million, or 39%, in the six months ended June 30, 2014 compared to the same period in 2013 primarily due to depreciation and amortization of acquisition related intangibles and higher capital expenditures.

Other Income and Expense

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Other income (expense):						
Interest expense	\$(18,504)	-3.9%	\$ (8,554)	86.0%	\$(9,950)	-2.7%
Interest income	334	0.1%	(8)	-2.3%	342	0.1%
Other, net	(4,958)	-1.0%	(6,604)	-401.2%	1,646	0.4%
Total other income (expense)	\$(23,128)	-4.9%	\$(15,166)	190.5%	\$(7,962)	-2.2%

Interest expense for the six months ended June 30, 2014 increased \$8.6 million, or 86%, as compared to the same period in 2013 due to the increase in debt obtained in 2013. Interest income for the six months ended June 30, 2014 was flat as compared to the same period in 2013.

Other, net consists of foreign currency losses and other non-operating items. Foreign currency gains (losses) for the six months ended June 30, 2014 and 2013 were losses of \$(4.8) million and gains of \$2.1 million, respectively.

[Table of Contents](#)

Income Taxes

	2014				2013	
	Amount	% of Total Revenue	\$ Change vs 2013	% Change vs 2013	Amount	% of Total Revenue
Income tax benefit	\$(1,558)	-0.3%	\$(1,394)	850.0%	\$ (164)	0.0%
Effective Income tax rate		-39.9%			36.5%	

The Company reported a tax benefit for the six months ended June 30, 2014 while reporting a pretax profit for the same period. The resulting effective tax rate is negative. The earnings of our foreign entities for the six months ended June 30, 2014 were \$24.2 million. The tax rates in the foreign jurisdictions in which we operate are less than the domestic tax rate. The effective tax rate for the six months ended June 30, 2014 was positively impacted by profits in certain foreign jurisdictions taxed at lower rates and domestic losses taxed at a higher rate, partially offset by losses in other foreign jurisdictions taxed at lower rates.

The effective tax rate for the six months ended June 30, 2013 was a benefit of 36.5%. The earnings of our foreign entities for the six months ended June 30, 2013 were \$11.4 million. The tax rates in the foreign jurisdictions in which we operate are less than the domestic tax rate. The effective tax rate for the six months ended June 30, 2013 was positively impacted by foreign profits taxed at lower rates and a domestic loss taxed at a higher rate as well as recognition of \$1.4 million tax benefit as a result of implementing the 2012 American Taxpayer Relief Act. The effective tax rate for the six months ended June 30, 2013 was negatively impacted by acquisition related expenses that are not deductible for tax purposes as well as an increase in the valuation allowance against foreign tax credits as a result of the acquisition of ORCC.

Our effective tax rate could fluctuate significantly on a quarterly basis and could be negatively affected to the extent earnings are lower in the countries in which we operate that have a lower statutory rate or higher in the countries in which we operate that have a higher statutory rate or the extent we have losses sustained in countries where the future utilization of losses are uncertain. Our effective tax rate could also fluctuate due to changes in the valuation of our deferred tax assets or liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, we are occasionally subject to examination of our income tax returns by tax authorities in the jurisdictions we operate. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Segment Results

The following table presents revenues and income (loss) before income taxes for the periods indicated by geographic region (in thousands):

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Americas	\$ 177,745	\$ 138,379	\$ 332,514	\$ 232,692
EMEA	57,350	46,719	104,811	94,290
Asia/Pacific	19,713	20,732	38,956	40,845
	<u>\$ 254,808</u>	<u>\$ 205,830</u>	<u>\$ 476,281</u>	<u>\$ 367,827</u>
Income (loss) before income taxes:				
Americas	\$ 26,074	\$ 30,325	\$ 43,033	\$ 43,292
EMEA	24,669	13,153	42,340	28,208
Asia/Pacific	10,428	3,347	16,082	9,187
Corporate	(47,525)	(42,664)	(97,551)	(81,136)
	<u>\$ 13,646</u>	<u>\$ 4,161</u>	<u>\$ 3,904</u>	<u>\$ (449)</u>

Reportable segment results are impacted by both direct expenses and allocated shared function costs such as global product development, global customer operations and global product management. Shared function costs are allocated to the geographic reportable segments as a percentage of revenue or as a percentage of headcount. All administrative costs that are not directly attributable or able to be allocated to a geographic segment are included in the corporate line item.

[Table of Contents](#)

The increase in revenue for the Americas segment during the three months ended June 30, 2014 is primarily due to the incremental impact of ORCC and the addition of OPAY operations. The EMEA segment's income before income taxes increased as result of increased revenue as well as lower relative personnel related costs. The Asia/Pacific segment's income before income taxes increased primarily as a result of reduced personnel costs. The Company incurred significant transaction related expenses of approximately \$3.5 million and \$3.9 million during the three months ended June 30, 2014 and 2013, respectively. Amortization of intangible assets allocated to the Corporate business segment was approximately \$10.9 million and \$9.3 million during the three months ended June 30, 2014 and 2013, respectively. Interest expense on long term debt allocated to the Corporate segment was approximately \$9.2 million and \$5.9 million during the three months ended June 30, 2014 and 2013, respectively.

The increase in revenue for the Americas segment during the six months ended June 30, 2014 is primarily due to the incremental impact of ORCC and the addition of OPAY operations. The EMEA segment's income before income taxes increased as result of increased revenue as well as lower relative personnel related costs. The Asia/Pacific segment's income before income taxes increased primarily as a result of reduced personnel costs. The Company incurred significant transaction related expenses of approximately \$9.2 million and \$10.5 million during the six months ended June 30, 2014 and 2013, respectively. Amortization of intangible assets allocated to the Corporate business segment was approximately \$22.6 million and \$16.0 million during the six months ended June 30, 2014 and 2013, respectively. Interest expense on long term debt allocated to the Corporate segment was approximately \$18.4 million and \$9.8 million during the six months ended June 30, 2014 and 2013, respectively.

Liquidity and Capital Resources

General

Our primary liquidity needs are: (i) to fund normal operating expenses; (ii) to meet the interest and principal requirements of our outstanding indebtedness; and (iii) to fund acquisitions, capital expenditures and lease payments. We believe these needs will be satisfied using cash flow generated by our operations, our cash and cash equivalents and available borrowings under our Credit Agreement.

As of June 30, 2014, we had \$55.0 million in cash and cash equivalents. Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

As of June 30, 2014, \$37.6 million of the \$55.0 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds were needed for our operations in the U.S. we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

The following table sets forth summary cash flow data for the periods indicated.

	Six Months Ended	
	June 30,	
	2014	2013
	(amounts in thousands)	
Net cash provided by (used by):		
Operating activities	\$ 48,323	\$ 57,631
Investing activities	(16,810)	(277,830)
Financing activities	(75,679)	256,182

Net cash flows provided by operating activities for the six months ended June 30, 2014 amounted to \$48.3 million as compared to \$57.6 million during the same period in 2013. The comparative period decrease was primarily due to a reduction in cash received from customers due to the timing of billings and receipts. This was partially offset by stronger earnings during the second quarter of 2014 when compared to the same period in 2013. Our current policy is to use our operating cash flow primarily for funding capital expenditures, lease payments, stock repurchases and acquisitions.

During the first six months of 2014, we used cash of \$16.8 million to purchase software, property and equipment and other investments. During the six months ended June 30, 2013, we paid \$250.2 million, net of \$9.9 million in cash acquired, to acquire ORCC. In addition, we paid \$14.0 million, net of \$0.2 million in cash acquired, to acquire PTESA during the first six months of 2013.

[Table of Contents](#)

During the six months ended June 30, 2014, we used \$70.0 million to repurchase common stock. We received net proceeds of \$15.0 million from the Revolving Credit Facility and we repaid \$17.7 million of the Term Credit Facility during the six months ended June 30, 2014. In addition, during the first six months of 2014, we received proceeds of \$9.8 million, including corresponding excess tax benefits, from the exercises of stock options and the issuance of common stock under our 1999 Employee Stock Purchase Plan, as amended, and used \$4.5 million for the repurchase of restricted stock and performance shares for tax withholdings. In the first six months of 2013, we received proceeds of \$300.0 million from our Term Credit Facility to fund our purchase of ORCC.

We may decide to use cash to acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies.

We believe that our existing sources of liquidity, including cash on hand and cash provided by operating activities, will satisfy our projected liquidity requirements, which primarily consists of working capital requirements, for the next twelve months and foreseeable future.

Debt

As of June 30, 2014, we had \$15.0 million and \$437.6 million outstanding under our Revolving and Term Credit Facilities, with up to \$235.0 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended. The amount of unused borrowings actually available varies in accordance with the terms of the agreement. The Credit Agreement contains certain affirmative and negative covenants, including limitations on the incurrence of indebtedness, asset dispositions, acquisitions, investments, dividends and other restricted payments, liens and transactions with affiliates. The Credit Agreement also contains financial covenants relating to maximum permitted leverage ratio and the minimum fixed charge coverage ratio. The Revolving Credit Facility does not contain any subjective acceleration features and does not have any required payment or principal reduction schedule and is included as a long-term liability in our consolidated balance sheet. At June 30, 2014 (and at all times during this period) we were in compliance with our debt covenants. The interest rate in effect on our Credit Agreement at June 30, 2014 was 2.40%.

On August 20, 2013, the Company completed a \$300 million offering of 6.375% Senior Notes due in 2020 (the "Notes") at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The Notes bear an interest rate of 6.375% per annum, payable semi-annually in arrears on August 15 and February 15 of each year, commencing on February 15, 2014. Interest will accrue from August 20, 2013. The Notes will mature on August 15, 2020.

Stock Repurchase Program

As of December 31, 2011, our Board of Directors had approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to \$210 million of our common stock. In February 2012, our Board of Directors approved an increase of \$52.1 million to our current stock repurchase authorization, bringing the total authorization to \$262.1 million.

On September 13, 2012, our Board of Directors approved the repurchase of up to 7,500,000 shares of our common stock, or up to \$113.0 million in place of the remaining repurchase amounts previously authorized. In July 2013, our Board of Directors approved an additional \$100 million for the stock repurchase program. In February 2014, our Board of Directors approved an additional \$100 million for the stock repurchase program.

We repurchased 3,578,427 shares for \$70.0 million under the program during the six months ended June 30, 2014. Under the program to date, we have purchased 37,108,467 shares for approximately \$395.8 million. The maximum remaining authorized for purchase under the stock repurchase program was approximately \$138.3 million as of June 30, 2014.

There is no guarantee as to the exact number of shares that will be repurchased by us. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan, we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows us, through the independent broker, to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period three business days following our quarterly earnings release.

[Table of Contents](#)

Contractual Obligations and Commercial Commitments

For the six months ended June 30, 2014, other than as discussed below, there have been no material changes to the contractual obligations and commercial commitments disclosed in Item 7 of our Form 10-K for the fiscal year ended December 31, 2013.

Contractual Obligations	Total	Payments due by Period (amounts in thousands)			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
Revolving Credit Facility	\$15,000	\$ —	\$ —	\$15,000	\$ —
Revolving Credit Facility interest (1)	1,500	360	720	420	—
Total	<u>\$16,500</u>	<u>\$ 360</u>	<u>\$ 720</u>	<u>\$15,420</u>	<u>\$ —</u>

(1) Based upon the debt outstanding and interest rate in effect at June 30, 2014 of 2.40%.

We are unable to reasonably estimate the ultimate amount or timing of settlement of our reserves for income taxes under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Tax*. The liability for unrecognized tax benefits at June 30, 2014 is \$14.7 million.

Critical Accounting Estimates

The preparation of the condensed consolidated financial statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be proper and reasonable under the circumstances. We continually evaluate the appropriateness of estimates and assumptions used in the preparation of our condensed consolidated financial statements. Actual results could differ from those estimates.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue Recognition
- Allowance for Doubtful Accounts
- Business Combinations
- Intangible Assets and Goodwill
- Stock-Based Compensation
- Accounting for Income Taxes

During the six months ended June 30, 2014, there were no significant changes to our critical accounting policies and estimates other than as disclosed in Note 1, *Condensed Consolidated Financial Statements*. Please refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2013, filed on February 28, 2014, for a more complete discussion of our critical accounting policies and estimates.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk for the six months ended June 30, 2014. We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which our revenue contracts are denominated. Thus, any decline in the value of local foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer, and in those instances where our goods and services have already been sold, may result in the receivables being more difficult to collect. Additionally, any decline in the value of the U.S. dollar in jurisdictions where the revenue contracts are denominated in U.S. dollars and operating expenses are incurred in local currency will have an unfavorable impact to operating margins. We at times enter into revenue contracts that are denominated in the country’s local currency, principally in South Africa, Australia, Canada, the United Kingdom and other European countries. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for the purpose of speculation or arbitrage.

[Table of Contents](#)

The primary objective of our cash investment policy is to preserve principal without significantly increasing risk. Based on our cash investments and interest rates on these investments at June 30, 2014, and if we maintained this level of similar cash investments for a period of one year, a hypothetical 10 percent increase or decrease in effective interest rates would increase or decrease interest income by less than \$0.1 million annually.

We had approximately \$752.6 million of debt outstanding at June 30, 2014 with \$300.0 million in Senior Notes and \$452.6 million outstanding under our Credit Facility. Our Senior Notes are fixed-rate long-term debt obligations with a 6.375% interest rate. Our Credit Facility has a floating rate which was 2.40% at June 30, 2014. The potential increase (decrease) in interest expense for the Credit Facility from a hypothetical ten percent increase (decrease) in effective interest rates would be approximately \$1.1 million.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this report, June 30, 2014. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2014.

Changes in Internal Control over Financial Reporting

On November 5, 2013, the Company completed its acquisition of OPAY. The Company considers the transaction material to its results of operations, cash flows and financial position from the date of the acquisition through June 30, 2014 and believes the internal controls and procedures of OPAY have had a material effect on the Company's internal control over financial reporting. See Note 3, *Business Combination*, to the Condensed Consolidated Financial Statements included in Item 1 for discussion of the acquisition and related financial data.

The Company is currently in the process of integrating OPAY operations. The Company anticipates a successful integration of operations and internal controls over financial reporting. Management will continue to evaluate its internal control over financial reporting as it executes integration activities.

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer evaluated any change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the Company's quarter ended June 30, 2014, and determined that except for the changes discussed above, there were no other changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. We are not currently a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, we believe would be likely to have a material effect on our financial condition or results of operations.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of our Form 10-K for the fiscal year ended December 31, 2013. Additional risks and uncertainties, including risks and uncertainties not presently known to us, or that we currently deem immaterial, could also have an adverse effect on our business, financial condition and/or results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table provides information regarding the Company's repurchases of its common stock during the three months ended June 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1, 2014 through April 30, 2014	—	\$ —	—	\$ 138,325,000
May 1, 2014 through May 31, 2014	—	—	—	138,325,000
June 1, 2014 through June 30, 2014	1,533(1)	18.88	—	138,325,000
Total	1,533	\$ 18.88	—	

- (1) Pursuant to our 2005 Incentive Plan, we granted restricted share awards ("RSAs"). These awards have requisite service periods of either three or four years and vest in increments of either 33% or 25% on the anniversary dates of the grants. Under each arrangement, stock is issued without direct cost to the employee. During the three months ended June 30, 2014, 4,800 shares of RSAs vested. We withheld 1,533 of those shares, respectively, to pay the employees' portion of applicable payroll taxes.

In fiscal 2005, we announced that our Board of Directors approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to \$80 million of our common stock, and that we intend to use existing cash and cash equivalents to fund these repurchases. In May 2006, our Board of Directors approved an increase of \$30 million to the stock repurchase program, bringing the total of the approved program to \$110 million. In March 2007, our Board of Directors approved an increase of \$100 million to its current repurchase authorization, bringing the total authorization to \$210 million. In February 2012, our Board of Directors approved an increase of \$52.1 million to its current stock repurchase authorization, bringing the total authorization to \$262.1 million. On September 13, 2012, our Board of Directors approved the repurchase of up to 7,500,000 shares of the Company's common stock, or up to \$113.0 million, in place of the remaining repurchase amounts previously authorized. In July, 2013, our Board of Directors approved an additional \$100 million for stock repurchases. In February, 2014, our Board of Directors again approved an additional \$100 million for stock repurchases. Approximately \$138.3 million remains available at June 30, 2014. There is no guarantee as to the exact number of shares that will be repurchased by us. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan, we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows us, through the independent broker, to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period three business days following our quarterly earnings release.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

[Table of Contents](#)

Item 6. EXHIBITS

The following lists exhibits filed as part of this quarterly report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description</u>
2.04	Share Purchase Agreement dated July 21, 2014, by and among ACI Worldwide Corp., Applied Communications Inc. U.K. Holding Limited, Retail Decisions Limited and Cardcast Limited
3.01 (1)	Amended and Restated Certificate of Incorporation of the Company
3.02 (2)	Amended and Restated Bylaws of the Company
4.01 (3)	Form of Common Stock Certificate
10.05	ACI Worldwide, Inc. 1999 Employee Stock Purchase Plan, as amended
10.07	ACI Worldwide, Inc. 2005 Equity and Performance Incentive Plan, as amended
10.28	Form of Restricted Share Award Agreement – Non-Employee Director for the Company’s 2005 Equity and Performance Incentive Plan, as amended
31.01	Certification of Principal Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.02*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

(1) Incorporated herein by reference to Exhibit 3.1 to the registrant’s current report on Form 8-K filed June 24, 2014.

(2) Incorporated herein by reference to Exhibit 3.2 to the registrant’s current report on Form 8-K filed December 18, 2008.

(3) Incorporated herein by reference to Exhibit 4.01 to the registrant’s Registration Statement No. 33-88292 on Form S-1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACI WORLDWIDE, INC.
(Registrant)

Date: July 31, 2014

By: _____ /s/ SCOTT W. BEHRENS
Scott W. Behrens
*Senior Executive Vice President, Chief Financial
Officer and Chief Accounting Officer
(Principal Financial Officer)*

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.04	Share Purchase Agreement dated July 21, 2014, by and among ACI Worldwide Corp., Applied Communications Inc. U.K. Holding Limited, Retail Decisions Limited and Cardcast Limited
3.01 (1)	Amended and Restated Certificate of Incorporation of the Company
3.02 (2)	Amended and Restated Bylaws of the Company
4.01 (3)	Form of Common Stock Certificate
10.05	ACI Worldwide, Inc. 1999 Employee Stock Purchase Plan, as amended
10.07	ACI Worldwide, Inc. 2005 Equity and Performance Incentive Plan, as amended
10.28	Form of Restricted Share Award Agreement – Non-Employee Director for the Company’s 2005 Equity and Performance Incentive Plan, as amended
31.01	Certification of Principal Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.02*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

- (1) Incorporated herein by reference to Exhibit 3.1 to the registrant’s current report on Form 8-K filed June 24, 2014.
- (2) Incorporated herein by reference to Exhibit 3.2 to the registrant’s current report on Form 8-K filed December 18, 2008.
- (3) Incorporated herein by reference to Exhibit 4.01 to the registrant’s Registration Statement No. 33-88292 on Form S-1.

EXECUTION VERSION

DATED 21 JULY 2014

RETAIL DECISIONS LIMITED

and

CARDCAST LIMITED

and

ACI WORLDWIDE CORP.

and

APPLIED COMMUNICATIONS INC. U.K. HOLDING LIMITED

SHARE PURCHASE AGREEMENT

relating to the sale and purchase of the entire issued share capital of
Retail Decisions Europe Limited and Retail Decisions, Inc.

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(DAW/SXQB)
522801497

TABLE OF CONTENTS

1. <u>Interpretation</u>	2
2. <u>Sale and purchase</u>	14
3. <u>Consideration</u>	19
4. <u>Completion</u>	21
5. <u>Pre-Completion Undertakings</u>	21
6. <u>No Leakage Undertakings</u>	22
7. <u>RDL's Warranties and Sellers' undertakings</u>	24
8. <u>Purchasers' warranties and undertakings</u>	26
9. <u>Access</u>	28
10. <u>Remedies and waivers; limitations on Sellers' liability</u>	29
11. <u>No Shop</u>	29
12. <u>Assignment</u>	30
13. <u>Entire agreement</u>	30
14. <u>Notices</u>	31
15. <u>Announcements</u>	32
16. <u>Confidentiality</u>	33
17. <u>Costs and expenses</u>	35
18. <u>No set-off or withholdings</u>	35
19. <u>Counterparts</u>	35
20. <u>Invalidity</u>	35
21. <u>Further Assurance</u>	36
22. <u>Rights of Third Parties</u>	36
23. <u>Choice of governing law</u>	36
24. <u>Jurisdiction</u>	37
25. <u>Financing</u>	37

SCHEDULES

Schedule 1 (Completion arrangements)

Part A (RDL's obligations)

Part B (Purchasers' obligations)

Part C (General)

Schedule 2 (Permitted Leakage)

Schedule 3 (Warranties)

Schedule 4 (Limitations on the Sellers' liability)

Schedule 5 (Restricted Actions)

ATTACHMENTS

Part A (Basic information about RD Europe)

Part B (Basic information about RD Europe's subsidiaries)

Attachment 2 (Basic information about RD Inc. and its subsidiary)

Part A (Basic information about RD Inc.)

Part B (Basic information about RD Inc.'s subsidiary)

Attachment 3 (Properties)

Attachment 4 (Permitted Payments)

Attachment 5 (Bonus Schedule)

Attachment 6 (Waivers and consents)

Attachment 7 (Funds flow memorandum)

Attachment 8 (Certain disclosure)

AGREED FORM DOCUMENTS

Document 1 (Warranty Insurance Policies)

Document 2 (Transfer for RD Inc. Target Shares)

Document 3 (Transfer for RD Europe Target Shares)

Document 4 (Indemnity for lost share certificate)

Document 5 (Resignation letter)

Document 6 (Resignation letter)

Document 7 (Irrevocable power of attorney)

Document 8 (Acknowledgement)

Document 9 (Agreed form press announcements)

Document 10 (Certificate)

Document 11 (Indemnity for lost share certificate)

EXECUTION VERSION

THIS AGREEMENT is made on 21 July 2014

BETWEEN:

1. **RETAIL DECISIONS LIMITED** whose registered office is at Red House, Brookwood, Woking, Surrey GU24 0BL (registered in England and Wales, No. 3885583) (“**RDL**”);
2. **CARDCAST LIMITED** whose registered office is at Red House, Brookwood, Woking, Surrey GU24 0BL (registered in England and Wales, No. 3119366) (“**Cardcast**”),
(each a **Seller**, and together the “**Sellers**”); and
3. **ACI WORLDWIDE CORP.** whose registered office is at 6060 Coventry Drive, Elkhorn, Nebraska 68002 (incorporated in Nebraska) (“**ACI US**”);
and
4. **APPLIED COMMUNICATIONS INC. U.K. HOLDING LIMITED** whose registered office is at 55/57 Clarendon Road, Watford, Hertfordshire, WD17 1FQ (registered in England and Wales, No. 2874853) (“**ACI UK**”)
(each a “**Purchaser**”, and together, the “**Purchasers**”).

BACKGROUND:

- (A) RDL is the legal and beneficial owner of the Target Shares in Retail Decisions Europe Limited (“**RD Europe**”). Cardcast is a wholly-owned subsidiary of RDL and is the legal and beneficial owner of the Target Shares in Retail Decisions, Inc. (“**RD Inc.**”, RD Europe and RD Inc. each being a “**Company**”, and together the “**Companies**”).
- (B) RD Europe is a private company limited by shares, incorporated in England and Wales with registered number 3142903. Particulars of RD Europe and its subsidiaries are set out in Attachment 1 (Basic information about RD Europe and its subsidiaries).
- (C) RD Inc. is a New Jersey corporation with registered number 0100248518. Particulars of RD Inc. and its subsidiary are set out in Attachment 2 (Basic information about RD Inc. and its subsidiary).
- (D) RDL has agreed to sell its RD Europe Target Shares to ACI UK and procure the sale of Cardcast’s RD Inc. Target Shares to ACI US, Cardcast has agreed to sell its RD Inc. Target Shares to ACI US, and the Purchasers have agreed to purchase and pay for the RD Europe Target Shares and the RD Inc. Target Shares, in each case on the terms and subject to the conditions of this Agreement.

NOW IT IS HEREBY AGREED as follows:

1. Interpretation

1.1 In this Agreement, the Schedules and the Attachments to it:

- “Accounts”** means the audited financial statements of each Company for the accounting reference period ended on the Accounts Date, prepared in accordance with applicable legislation as in force in respect of such accounting reference period, comprising in each case, the balance sheet, the profit and loss account and the notes to such financial statements, together with, where provided, the auditor’s and directors’ reports;
- “Accounts Date”** means 31 December 2013;
- “Agency Litigation”** has the meaning given in sub-clause 2.5(B);
- “Anti-Trust Condition”** has the meaning given in sub-clause 2.3(A);
- “Assets”** means, with respect to any person, all land, buildings, improvements, leasehold improvements, furniture, furnishings, fixtures, facilities, machinery and equipment and other assets, real or personal, tangible or intangible, owned or leased by such person or any of its subsidiaries;
- “Books and Records”** has its common law meaning and includes, without limitation, all notices, correspondence, orders, inquiries, drawings, plans, books of account and other documents and all computer disks, discs or tapes or other machine legible programs or other records (excluding software);
- “Bonus Amounts”** means the amounts referred to in Attachment 5 (Bonus Schedule);
- “Budget”** has the meaning given in paragraph (B) of Schedule 5 (Restricted Actions);
- “Business Day”** means a day (other than a Saturday or a Sunday) on which commercial banks are open for general banking business in London;
- “Business Warranties”** means the Warranties set out in paragraphs 4 to 20 of Schedule 3 (Warranties);
- “Code”** means the United States Internal Revenue Code of 1986, as amended through the date hereof;
- “Company” or “Companies”** have the meaning given to them in Recital A;
- “Competition Laws”** means any law or regulation governing monopolies, agreements in restraint of trade or the lessening of competition through merger or acquisition, including but not limited to merger control or foreign investment laws, statutes or regulations;

“Completion”	means completion of the sale and purchase of the Target Shares to be sold under this Agreement;
“Completion Date”	means the fifth Business Day following the day on which the Anti-Trust Condition shall have been satisfied or waived in accordance with this Agreement or such other date as the parties may agree;
“Conditions”	has the meaning given in <u>sub-clause 2.3</u> ;
“Consideration”	has the meaning given in <u>sub-clause 3.1</u> ;
“Contract”	means any contract, purchase order, sales order, license, lease and other agreement, commitment, arrangement and understanding which, in each case, is legally binding on any member of the Target Group;
“Coverage Amount”	means USD 205,000,000 (two hundred and five million dollars);
“Data Room”	means the Project Jupiter electronic data room (which can be found at https://login.bmcgroup.com/Login.aspx (which, for the avoidance of doubt, is not incorporated by reference in this Agreement or any other Share Purchase Document), as of 2 Business Days prior to the date hereof (unless otherwise agreed by RDL and ACI US in writing), a copy of which has been placed on a disc, by the data room provider on behalf of RDL, and provided to the Purchasers;
“Debt Commitment Letter”	has the meaning given in <u>sub-clause 25.1</u> ;
“Disclosure Bundle”	has the meaning given in the Disclosure Letter;
“Disclosure Letter”	means the letter dated the date hereof written by RDL to the Purchasers for the purposes of <u>paragraph 8</u> of <u>Schedule 4</u> (Limitations on the Sellers’ liability) and delivered to the Purchasers before the execution of this Agreement;
“Documents”	means <u>Document 1</u> through <u>Document 11</u> ;
“DOJ”	has the meaning given in <u>sub-clause 2.4(A)</u> ;

“Employee Bonuses”	means the payments or accruals made or to be made after the Lock Box Date to certain employees as set out in <u>Attachment 5</u> (Bonus Schedule), the aggregate amount of which payments or accruals shall not exceed the aggregate Bonus Amounts;
“Encumbrances”	means any lien, pledge, charge (whether fixed or floating), mortgage, option, guarantee, right of pre-emption, power of sale, right of first refusal or first offer or other third party right, right to acquire, transfer restriction, assignment (including assignment by way of security), usufruct, hypothecation, retention of title, trust arrangement for the purpose of providing security or other security interest or arrangement of any kind and any agreement to create any of the foregoing;
“ERISA”	means the United States Employee Retirement Income Security Act of 1974, as amended;
“Fairly Disclosed”	means, as disclosed at the date of this Agreement, disclosed in sufficient detail to enable a reasonably advised purchaser to determine the nature, scope and effect of such disclosure, provided that a matter will only be deemed “Fairly Disclosed” if and only to the extent that disclosure in respect of such matter is accurate in all material respects, provided further that nothing disclosed in the Supplemental Disclosure Letter shall be deemed or treated to be “Fairly Disclosed” for the purposes of the use of this definition;
“Financing Sources”	has the meaning given in <u>sub-clause 25.1</u> ;
“FTC”	has the meaning given in <u>sub-clause 2.4(A)</u> ;
“Hardware”	means any and all (i) computers, telecommunications and network equipment, communications networks, telephone switchboards, microprocessors and firmware and other information technology equipment and any other items that connect with any or all of them which in each case are owned or used by the Companies; (ii) operation user manuals relating to items in <u>paragraph (i)</u> of this definition; (iii) maintenance manuals relating to items in <u>paragraph (i)</u> of this definition; and (iv) documentation associated with any of the foregoing (but not including Software);

“HSR Act”	has the meaning given in sub-clause 2.3;
“HSR Filing”	has the meaning given in <u>sub-clause 2.4(A)</u> ;
“Indebtedness”	means outstanding principal amount of, accrued and unpaid interest on, and other payment obligations (including, without limitation, any prepayment premiums, commissions, fees, costs, penalties or expenses) arising under, or any obligations of any member of the Target Group consisting of (i) indebtedness for borrowed money or indebtedness issued in substitution or exchange for borrowed money or for the deferred purchase price of property or services (including any related interest accruals and payments in kind), as well as indebtedness owing to any affiliate of any member of the Target Group (which affiliate is not a member of the Target Group), and any guarantee of the foregoing of another person, (ii) indebtedness evidenced by any note, bond, debenture or other debt security (including any related interest accruals and payments in kind), (iii) all net payments required to be made in the event of an early termination of outstanding interest rate, currency and other hedging agreements, (iv) liabilities relating to unfunded obligations with respect to defined benefit retirement and supplemental benefit plans of any member of the Target Group, (v) finance lease obligations, (vi) all obligations issued or assumed as the deferred purchase price of property or services, (vii) all outstanding liabilities relating to reorganisation or restructuring activities; (viii) all severance payments and liabilities resulting from the consummation of the transactions contemplated by this Agreement, (ix) all payments resulting from the consummation of the transactions contemplated by this Agreement pursuant to any employee bonus plan liabilities and other liabilities relating to retention payments initiated by the Sellers subsequent to the date of this Agreement; and (x) all obligations as an account party, guarantor or surety with respect to the obligations of a type described in <u>paragraphs (i) through (ix)</u> above of any person;
“Information Technology”	means Hardware and Software;
“Injunction”	has the meaning given in <u>sub-clause 2.6</u> ;
“Insurers”	means together, Beazley Furlonge Limited and Lloyd’s ANV Syndicate 1861;

“Intellectual Property”	means patents (including all re-issues, divisionals, continuations, continuations-in-part and extensions and re-examinations thereof), petty patents, trademark and service marks, trade and business names, design rights, works of authorship, whether or not subject to copyright protection, semi-conductor chip topography rights, , copyrights, moral rights, database rights, rights in inventions and invention disclosures, and any other similar intellectual property rights which may subsist in any part of the world and whether registered or issued or not, including any registration of such rights, pending applications for such rights, and rights to apply for such registrations;
“Interim Period”	means the period from (and including) the date of this Agreement up to (and including) Completion or, if earlier, the termination or rescission of this Agreement in accordance with its terms;
“Intra-Group Loan”	has the meaning given in <u>sub-clause 3.3</u> ;
“Intra-Group Loan Amount”	has the meaning given in <u>sub-clause 3.3</u> ;
“IRS”	means the Internal Revenue Service of the United States;
“Law” or “Laws”	means any applicable statute, law, legislation, decision, decree, order, instrument, by-law, ordinance, rule or regulation and other legislative measures or decisions having the force of law, treaties, conventions, rules of common law and all other laws of, or having effect in, or judgment in, any applicable jurisdiction, in each case which is legally binding from time to time on the relevant person or in respect of the relevant matter as the context requires;
“Leakage”	means the occurrence of one or more of the events set out in <u>sub-clause 6.2</u> ;
“Lock Box Date”	means 1 January 2014;
“Long Stop Date”	means 5.30 p.m. on 14 November 2014 or such later time and date as may be agreed in writing by ACI US and RDL;

“Losses”	means any costs, damages, expenses, liabilities or losses but excluding any and all of the foregoing to the extent they comprise amounts in respect of indirect or consequential losses including loss of profit, loss of reputation, lost management or employee time or lost opportunity costs;
“Material Contract”	means any written contract to which a member of the Target Group is a party and under which it has (or in the case of the financial year 1 January 2014 to 31 December 2014, it is expected to have) ongoing obligations (other than confidentiality or similar obligations) calling for payments by any party thereto in excess of £250,000 (or the equivalent of that amount in any other currency), individually or in aggregate, (i) in the financial year 1 January 2013 to 31 December 2013; or (ii) the financial year 1 January 2014 to 31 December 2014;
“Management Accounts”	means the unaudited management accounts of each subsidiary of each Company for the financial year from 1 January 2013 to the Accounts Date, comprising in each case, the balance sheet and, where applicable, the profit and loss account, copies of which are provided in folder 2.3.13 in the Data Room;
“No Leakage Undertakings”	has the meaning given in <u>sub-clause 6.1</u> ;
“Non-US Employee”	means an employee of any member of the Target Group, save for any employee of RD Inc. or ReD Consulting, Inc.;
“Palamon Group”	means Palamon European Equity II, LP, Palamon European Equity II “BOA”, LP, Palamon Capital Partners, LP, Palamon Capital Partners, LLP, and Palamon Capital Partners Limited (and “ member of the Palamon Group ” shall mean any one of the above);
“Permitted Leakage”	has the meaning given in <u>Schedule 2</u> (Permitted Leakage);
“Permitted Payments”	means the amounts set out in <u>Attachment 4</u> (Permitted Payments);
“Plans”	has the meaning given in <u>sub-paragraph 13.2 of Schedule 3</u> (Warranties);

“Policies”	has the meaning given in <u>sub-paragraph 15.1</u> of <u>Schedule 3</u> (Warranties);
“Pre-Completion Undertakings”	has the meaning given in <u>sub-clause 5.1</u> ;
“pre-contractual statement”	has the meaning given in <u>sub-clause 13.3</u> ;
“Proceedings”	means any proceeding, suit or action arising out of or in connection with this Agreement or the negotiation, existence, validity or enforceability of this Agreement, whether contractual or non-contractual;
“Property” or “Properties”	means freehold, leasehold or other immovable property in any part of the world owned, leased or licensed by members of the Target Group, details of which are set out in <u>Attachment 3</u> (Properties);
“Purchasers’ Group”	means the Purchasers, their subsidiaries and subsidiary undertakings, any holding company of the Purchasers and all other subsidiaries of any such holding company from time to time (including, after Completion, to the extent applicable, the Target Group from time to time) (and “member of the Purchasers’ Group” shall mean any one of the above);
“RD Europe”	has the meaning given in <u>Recital A</u> ;
“RD Inc.”	has the meaning given in <u>Recital A</u> ;
“Relevant Authority”	means any federal, state or local government, political subdivision, governmental, regulatory or administrative authority, agency, body or commission, self-regulatory organisation or any court, tribunal or judicial body;

“Relevant Indebtedness”	means outstanding principal amount of, accrued and unpaid interest on, and other payment obligations (including, without limitation, any prepayment premiums, commissions, fees, costs, penalties or expenses) arising under, or any obligations of any member of the Target Group to National Westminster Bank plc, Royal Bank of Scotland plc or any other bank or any other person (other than a member of the Target Group) consisting of (i) indebtedness for borrowed money or indebtedness issued in substitution or exchange for borrowed money or for the deferred purchase price of property or services (including any related interest accruals and payments in kind), as well as indebtedness owing to any affiliate of any member of the Target Group (which affiliate is not a member of the Target Group) (other than trade credit in the ordinary course of business consistent with past practice), and any guarantee of the foregoing of another person, (ii) indebtedness evidenced by any note, bond, debenture or other debt security (including any related interest accruals and payments in kind), (iii) all net payments required to be made in the event of an early termination of outstanding interest rate, currency and other hedging agreements, (iv) liabilities relating to unfunded obligations with respect to defined benefit retirement and supplemental benefit plans of any member of the Target Group, (v) all obligations issued or assumed as the deferred purchase price of property or services (other than trade credit in the ordinary course of business consistent with past practice), (vi) all payments resulting from the consummation of the transactions contemplated by this Agreement pursuant to any employee bonus plan liabilities and other liabilities relating to retention payments initiated by the Sellers subsequent to the date of this Agreement; and (vii) all obligations as an account party, guarantor or surety with respect to the obligations of a type described in <u>paragraphs (i) through (vii)</u> above of any person;
“Restricted Actions”	has the meaning given in <u>Schedule 5</u> (Restricted Actions);
“Retained Group”	means each Seller, its subsidiaries and subsidiary undertakings from time to time, any holding company and all other subsidiaries or subsidiary undertakings of any such holding company (except members of the Target Group) (and “member of the Retained Group” shall mean any one of the above);
“Second Request”	has the meaning given in <u>sub-clause 2.5(B)</u> ;
“Seller Related Persons”	means any member of the Retained Group, any member of the Palamon Group or any of their directors, officers, shareholders, partners, managers and employees;
“Sellers’ Solicitors”	means Slaughter and May;
“Senior Employee”	has the meaning given in <u>sub-paragraph 13.1 of Schedule 3</u> (Warranties);

“Service Document”	means a claim form, application notice, order, judgment or other document relating to any Proceedings;
“Share Purchase Documents”	means this Agreement, the Disclosure Letter, the Supplemental Disclosure Letter and any other agreements entered into pursuant to this Agreement;
“Software”	means any and all computer programs in both source and object code form, including all modules, routines and subroutines thereof and all related source and other related preparatory materials including user requirements, functional specifications and programming specifications, ideas, principles, programming languages, algorithms, flow charts, logic, logic diagrams, orthographic representations, file structures, coding sheets, coding and including any manuals or other documentation relating thereto;
“Substantial Customer or Supplier”	has the meaning given to it in <u>sub-paragraph 19.1 of Schedule 3</u> (Warranties);
“Supplemental Disclosure Letter”	means the supplement to the Disclosure Letter prepared by RDL in accordance with <u>sub-clause 7.9</u> , and if required, to be delivered by RDL to the Purchasers at Completion;
“Target Group”	means each Company and all of its subsidiaries (and “ member of the Target Group ” shall mean any one of the above);
“Target Shares”	means all of the issued shares in the capital of RD Europe (the “ RD Europe Target Shares ”) and all of the issued shares in the capital of RD Inc. (the “ RD Inc. Target Shares ”);
“Tax”	means all taxes, levies, duties, tax imposts, national insurance contributions, tax charges and tax withholdings of any nature whatsoever and any charge of a similar nature, wheresoever due, including (without limitation) taxes on gross or net income, profits or gains and taxes on receipts, sales, use, occupation, franchise, value added and personal property, together with all penalties, fines, charges and interest relating to any of them;
“Tax Authority”	means any taxing, revenue or other authority (whether within or outside the United Kingdom) competent to impose any liability to, or assess or collect, any Tax;

“Tax Legislation”	means any directive, statute, enactment, law, regulation or similar measure, wherever enacted or issued, coming into force or entered into providing for or imposing any Tax and shall include orders, regulations, instruments, bye-laws or other subordinate legislation made under the relevant directive, statute, enactment, law, regulation or similar measure, in each case as amended, modified or re-enacted from time to time;
“Tax Return”	means any return, declaration, report, estimate, claim for refund or other similar statement filed or required to be filed with any Tax Authority in connection with, any Taxes, including any schedule, form, attachment thereto or amendment thereof;
“Tax Warranties”	means the Warranties set out in <u>paragraph 14</u> of <u>Schedule 3</u> (Warranties);
“Third Party”	has the meaning given in <u>sub-clause 22.1</u> ;
“Third Party Claim”	has the meaning given in <u>paragraph 5</u> of <u>Schedule 4</u> (Limitations on the Sellers’ Liability);
“Third Party Rights Clauses”	has the meaning given in <u>sub-clause 22.1</u> ;
“Transaction”	means the sale and purchase of the Target Shares contemplated by this Agreement;
“Transaction Expenses”	means all costs in relation to the transactions contemplated by this Agreement including (a) all fees, costs and expenses of external advisers (including but not limited to investment bankers, attorneys and accountants) engaged by the Retained Group or a member of the Target Group in relation to the Transaction, including but not limited to running the Data Room; (b) all Transaction-related bonuses or accelerated benefits payable to any officer, director, employee or shareholder of any member of the Target Group as a result of the Transaction; and (c) all amounts payable to any officer, director, employee, shareholder or affiliate of any member of the Target Group in respect of share capital owned (including restricted share capital) in any member of the Target Group or the Retained Group by, and options to purchase share capital in any member of the Target Group or the Retained Group granted to, any officer, director, employee, shareholder or affiliate of any member of the Target Group as a result of the Transaction;

“US Senior Employee”	means an employee of RD Inc. or ReD Consulting, Inc. who is entitled to basic salary at a rate, or (in the case of fluctuating amounts) an average annual basic salary over the last three financial years, in excess of £100,000 (or the equivalent of that amount in any other currency);
“VAT”	means (i) within the European Union, any tax imposed by any Member State in conformity with the Council Directive on the common system of value added tax (2006/112/EC); and (ii) outside the European Union, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in <u>paragraph (i)</u> of this definition;
“Warranties”	means the warranties given by RDL pursuant to <u>clause 7</u> (RDL’s Warranties and Sellers’ undertakings) and set out in <u>Schedule 3</u> (Warranties) and “Warranty” shall be construed accordingly;
“Warranty Claim”	means any claim in respect of any breach of, or inaccuracy in, any Warranty;
“Warranty Insurance Policies”	means the policies attached to this Agreement in agreed form at <u>Document 1</u> (being <u>Document 1(a)</u> (Warranty Insurance Policy (Beazley)) and <u>Document 1(b)</u> (Warranty Insurance Policy (ANV))); and
“Working Hours”	means 9.30 a.m. to 5.30 p.m. on a Business Day.

1.2 In this Agreement, unless otherwise specified:

- (A) references to clauses, sub-clauses, paragraphs, sub-paragraphs, Schedules, Documents and Attachments are to clauses, sub-clauses, paragraphs, sub-paragraphs of and Schedules, Attachments and Documents to this Agreement;
- (B) references to any document in the **“agreed form”** means that document in a form agreed by ACI US and RDL and either (i) initialled for the purposes of identification by them; or (ii) attached to this Agreement as a Document;
- (C) use of any gender includes the other gender;

- (D) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted except to the extent that any amendment or modification made or coming into effect of any statute or statutory provision after the date of this Agreement would increase or alter the liability of one or both of the Sellers under this Agreement;
- (E) a reference to a “**party**” shall include that party’s successors and permitted assigns;
- (F) references to a “**company**” shall be construed so as to include any corporation or other body corporate, wherever and however incorporated or established;
- (G) references to a “**person**” shall be construed so as to include any individual, firm, company, corporation, body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);
- (H) the expressions “**accounting reference period**”, “**allotment**”, “**body corporate**”, “**holding company**”, “**profit and loss account**”, “**subsidiary**”, “**subsidiary undertaking**” and “**wholly-owned subsidiary**” shall have the meaning given in the Companies Act 2006;
- (I) a person shall be deemed to be connected with another if that person is connected with another within the meaning of sections 1122 and 1123 Corporation Tax Act 2010;
- (J) references to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (K) any reference to a “**day**” (including the phrase “**Business Day**”) shall mean a period of 24 hours running from midnight to midnight;
- (L) references to times are to London time;
- (M)
 - (i) references to the knowledge, belief or awareness of a Seller (or similar phrases) shall be limited to actual knowledge of the following persons, in each case after each of such person has made reasonable enquiries; provided that, solely in relation to the Warranties set out in paragraph 16 of Schedule 3 (Warranties), each of such person shall have made careful enquiries (including review of their own records and making enquiries of the persons with primary responsibility for compliance with anti-bribery and anti-corruption Laws):
 - (a) Paul Stanley and Neshia Batchasingh in relation to the Warranties set out in paragraphs 1 to 20 of Schedule 3 (Warranties);

- (b) Yassaman Mahdavi in relation to the Warranties set out in paragraphs 1 to 3, 7 to 10, 15, 16 and 18 of Schedule 3 (Warranties);
 - (c) Steve Bailey, Felicity O'Brien, Richard Rezek, Philip Stothard and Steve Watson in relation to the Warranties set out in paragraphs 6, 8 to 11 and 19 of Schedule 3 (Warranties);
 - (d) Kieron Abernethy, Paul Avery, Erika Gallo, and Manish Patel in relation to the Warranties set out in paragraphs 6, 8 to 11, 16 and 19 of Schedule 3 (Warranties); and
 - (e) Frances Armes in relation to paragraph 13 of Schedule 3 (Warranties);
- (ii) provided, further, that for the purposes of sub-clause 7.8, Fabio Giuseppetti and Ricardo Caupers shall have the same obligations as those of the persons listed in sub-paragraph (i) above;
- (N) any words following the terms including, include, in particular, for example or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms;
- (O) any obligation on RDL or Cardcast not to do something includes an obligation not to allow or permit that thing to be done by, prior to Completion, the Target Group and the Retained Group; and, at or after Completion, the Retained Group;
- (P) references to equivalent amounts in other currencies are references to amounts in those currencies converted at the exchange rate published in the Financial Times on the date of this Agreement;
- (Q) headings to clauses and Schedules are for convenience only and do not affect the interpretation of this Agreement; and
- (R) the Schedules, Attachments and Documents form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the Schedules, Attachments and Documents.

2. Sale and purchase

- 2.1 RDL shall sell the RD Europe Target Shares to ACI UK and Cardcast shall sell the RD Inc. Target Shares to ACI US, in each case with full title guarantee, and the relevant Purchasers shall purchase the relevant Target Shares free from all charges and encumbrances and from all other rights exercisable by third parties, together with all rights attached or accruing to them at Completion.

- 2.2 RDL waives all its rights of pre-emption over the RD Europe Target Shares and Cardcast waives all its rights of pre-emption over the RD Inc. Target Shares. RDL undertakes to take all steps necessary to ensure that any other rights of pre-emption over any of the RD Europe Target Shares are waived prior to Completion. Cardcast undertakes to take all steps necessary to ensure that any other rights of pre-emption over any of the RD Inc. Target Shares are waived prior to Completion.
- 2.3 The sale and purchase of the Target Shares pursuant to this Agreement is in all respects conditional upon:
- (A) all applicable filings required pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) of the United States of America and the regulations made thereunder (collectively, the “**HSR Act**”) having been made and all applicable waiting periods under the HSR Act having expired or been terminated in relation to the Transaction (the “**Anti-Trust Condition**”);
 - (B) no enforcement order having been issued or made by the Competition and Markets Authority or other UK Relevant Authority under section 72 of the UK Enterprise Act 2002 and notified to any of the parties prior to Completion, and remaining in force at Completion, which has the effect of making unlawful or otherwise prohibiting pre-emptive action, including the sale and purchase of the Target Shares;
 - (C) no material adverse change having occurred between the date of this Agreement and Completion to the business or prospects of the Target Group as a whole, other than such a material adverse change that has arisen as a result of a change in general economic conditions in the United States of America and/or the United Kingdom. It is acknowledged that, without limitation, there will be such a material adverse change and that such change will not have arisen as a result of general economic conditions if:
 - (i) the amount of “X” is greater than an amount equal to 20 per cent. of the Target Group’s revenues over the last 12 months prior to the date of this Agreement where $X = Y - Z$, where:
 - (a) “Y” equals the total of, with respect to customer contracts which exist at the date of this Agreement and are terminated (or in respect of which a termination notice is given) by the relevant customer prior to Completion, the expected revenue of the Target Group in the year ended 31 December 2014 for such contracts; and
 - (b) “Z” equals the total of, with respect to new customer contracts of the Target Group entered into between the date of this Agreement and Completion, the expected revenue of those contracts in the first 12 months of those contracts; or

- (ii) the Purchasers shall before Completion become aware of any matter which is a material breach of any of the Warranties set out at the following paragraphs of Schedule 3 (Warranties): paragraph 1 (Ownership of Target Shares), paragraph 2 (Capacity of the Sellers), paragraph 3 (Group Structure) and/or sub-paragraphs 10.1 to 10.6 (Intellectual Property and Information Technology). For the purposes of this sub-paragraph (ii), material in relation to sub-paragraphs 10.1 to 10.6 shall mean that the effect of the breach will be that the Target Group will not be able to operate lawfully its business in substantially the manner in which the business had been operated prior to the date hereof; and
 - (iii) there is a material breach of the Warranties given at Completion that is adverse to the business of the Target Group (for the purposes of this sub-paragraph (iii) only, it is deemed that the Warranties are given at Completion without the disclosures in the Supplemental Disclosure Letter and sub-paragraph 8.2 of Schedule 4 (Limitations of Sellers' liability) does not apply),
- (D) there being no material breach of the Pre-Completion Undertakings and the No-Leakage Undertakings which has not been remedied by RDL prior to Completion or waived in writing by a Purchaser,
- (paragraphs (A), (B), (C) and (D) being together the “**Conditions**”).

2.4 RDL agrees to procure that RD Inc. (and if required, RD Europe), and the Purchasers agree to,

- (A) duly file with the United States Federal Trade Commission (the “**FTC**”) and the Antitrust Division of the United States Department of Justice (the “**DOJ**”) the notification and report form (the “**HSR Filing**”) (prepared and made in substantial compliance with the requirements of the HSR Act and other applicable Competition Laws) required under the HSR Act, no later than 10 Business Days from the date of this Agreement;
- (B) request early termination of the waiting period under the HSR Act upon making the HSR Filing; and
- (C) respond as promptly as practicable to any request for additional information and documentary material (other than pursuant to a Second Request or Agency Litigation, provision for which is made in sub-clauses 2.5 and 2.6), that may be requested by any Relevant Authority pursuant to the HSR Act.

2.5 RDL and the Purchasers will:

- (A) furnish to each other's counsel such necessary information and reasonable assistance as such other counsel may request in good faith in connection with its preparation of any filing or submission to any Relevant Authority under the HSR Act (including the HSR Filing);
- (B) give each other prompt notice of any so-called “second request” for information by the DOJ pursuant to 16 C.F.R. §§ 801, et seq. (a “**Second Request**”) or any legal or other proceeding by or before any Relevant Authority pursuant to the HSR Act with respect to the Transaction (“**Agency Litigation**”), and respond as promptly as practicable thereto with the objective of causing Completion to occur as promptly as practicable;

- (C) promptly inform each other of any communication with any Relevant Authority regarding any Second Request, Agency Litigation or the Transaction and keep each other informed on a current basis as to the status of any such matter;
- (D) consult and cooperate with each other in connection with any analysis, appearance, discussion, presentation, memorandum, brief, argument, opinion or proposal made or submitted to any Relevant Authority in connection with any proceeding or communication relating to the HSR Act (including the HSR Filing); and
- (E) to the extent practicable, except as may be prohibited by any Relevant Authority or by any Laws, permit each other's authorised representative to be present at each meeting or conference or telephone call with any representative of a Relevant Authority relating to any proceeding relating to the HSR Act and to have access to any document, opinion or proposal made or submitted to any Relevant Authority in connection with any such proceeding.

2.6 In the event that any administrative or judicial action or proceeding (including Agency Litigation) is instituted (or threatened to be instituted) by a Relevant Authority or private party challenging the Transaction, RDL and the Purchaser will cooperate in all material respects with each other and use their respective reasonable best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Transaction or delays Completion past the Long Stop Date (collectively, an "Injunction"); provided, however, that notwithstanding any other provision of this Agreement, (i) the Purchaser will be entitled to direct the defence of any legal, administrative or judicial action or proceeding in respect of the Transaction, or negotiations with any Relevant Authority or other person relating thereto, (ii) RDL will not make any offer, acceptance or counter-offer to or otherwise engage in negotiations or discussions with any Relevant Authority or other person with respect to any proposed settlement, stay, toll, extension of any waiting period, consent decree, commitment or remedy, or, in the event of litigation, discovery, admissibility of evidence, timing or scheduling in relation to clearance under the HSR Act, except as specifically requested by or agreed with the Purchaser or its counsel, and (iii) RDL will use its commercially reasonable efforts to provide full and effective support of the Purchasers and its counsel in all such negotiations and discussions with representatives of any Relevant Authority or other person to the extent requested by counsel to the Company. RDL and the Purchasers may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other pursuant to clause 2 as "Outside Counsel Only Material" and may redact from any information provided to each other and their counsel any references to its valuation of the Target Group or each other.

2.7 RDL and the Purchasers will:

- (A) use their respective reasonable best efforts to obtain promptly (and in any event no later than the Long Stop Date) any clearance required under the HSR Act for the consummation of the Transaction;
 - (B) use their respective reasonable best efforts to avoid or eliminate any impediment under any applicable law, rule or regulation that may be asserted by any Relevant Authority, or any other person, with respect to the Transaction so as to enable Completion to occur expeditiously (and in any event no later than the Long Stop Date);
 - (C) use their respective reasonable best efforts to defend through Agency Litigation (or, if applicable, other litigation) on the merits any claim asserted in any court, administrative tribunal or hearing that the Transaction would violate under any applicable law, rule or regulation of any Relevant Authority in order to avoid entry of, or to have vacated or terminated, any Injunction; and
 - (D) cause their respective inside and outside counsel to cooperate in good faith with the other's counsel and other representatives and use their respective reasonable best efforts to facilitate and expedite the identification and resolution of any such issues and, consequently, the expiration of the applicable HSR Act waiting period at the earliest practicable dates (and in any event no later than the Long Stop Date).
- 2.8 Neither RDL nor the Purchasers shall, and shall procure that their respective affiliates (which in the case of (i) the Purchasers, shall mean each member of the Purchasers' Group and (ii) RDL, shall mean each member of the Target Group) do not agree to, or take any other action which leads to, any voluntary extension or delay of the waiting periods under the HSR Act or the withdrawal of its "Notification and Report Form" pursuant to the HSR Act unless both RDL and ACI US have given their prior written consent to such extension, delay or withdrawal, except that, upon notice to RDL, the Purchasers may withdraw its HSR Filing in the event that counsel to the Purchasers recommends that such action be taken to avoid a Second Request or the initiation of Agency Litigation, in which event the Purchasers will refile their HSR Filing within two Business Days of its withdrawal; provided, however, that the Purchasers may not voluntarily withdraw and refile its HSR Filing more than two times without the prior consent of RDL.
- 2.9 Notwithstanding anything to the contrary contained in this Agreement, including any statement in this clause 2 (Sale and purchase), the Purchasers and members of the Purchasers' Group shall not be required to commit to any divestiture, license, hold separate or other commitment, undertaking or arrangement, and RDL may not commit or offer to commit to any divestiture, license, hold separate or other commitment, undertaking or agreement, with respect to assets or conduct of business arrangements (whether in respect of the Purchasers, the Purchasers' Group, RDL, or the Target Group) as a condition to obtaining any approval from any Relevant Authority for any reason. For the avoidance of doubt, the covenants in this clause 2 (Sale and purchase) will constitute the parties' sole obligations with respect to efforts to obtain approvals of Relevant Authorities.

- 2.10 In the event that, prior to Completion, an enquiry letter is sent to any of the parties to this Agreement by any relevant authority about the Transaction pursuant to other applicable competition laws (other than the HSR Act), RDL (and if required, RD Inc. and/or RD Europe) and the Purchasers will cooperate with each other and use their respective reasonable best efforts to respond as promptly as practicable to any such enquiry in a manner that is reasonably satisfactory to the Purchasers, and, without limitation, RDL shall (and shall procure that RD Inc. and RD Europe shall) provide the Purchasers and their counsel, and the Purchasers shall provide RDL, with a level of cooperation that is at least equivalent to that envisaged in sub-clauses 2.4 to 2.9, inclusive.
- 2.11 If the Conditions are not fulfilled in accordance with sub-clause 2.3 (or waived by the Purchasers agreeing to proceed to Completion notwithstanding such non-fulfilment) on or before the Long Stop Date (provided, for the avoidance of doubt, that Completion has not taken place), then, subject to sub-clause 2.12, each of the Sellers and the Purchasers may terminate this Agreement by written notice to the other party.
- 2.12 If this Agreement is terminated in accordance with sub-clause 2.11, all obligations of the Sellers and the Purchasers under this Agreement shall end (except for the provisions of this sub-clause 2.12, clause 15 (Announcements), clause 16 (Confidentiality) and sub-clause 17.4) including (for the avoidance of doubt) all rights, remedies, obligations and liabilities of the parties which have accrued up to and including the date of termination (save for rights, remedies, obligations and liabilities of the parties accrued up to and including the date of termination pursuant to (i) a breach of such parties' obligations set forth in sub-clauses 2.4 to 2.10 and clause 11 (No Shop); and (ii) fraud or fraudulent misrepresentation by a party, which shall continue to exist.
- 2.13 The Purchasers may, to such extent as they think fit (in their absolute discretion) and are legally entitled to do so, waive any of RDL's obligations set forth in Part A of Schedule 1 (Completion arrangements) by notice in writing to RDL.

3. Consideration

- 3.1 At Completion, the total consideration ("**Consideration**") payable by the Purchasers for the sale of the Target Shares shall be an amount in cash equal to:
- (A) the sum of USD 205,000,000 (two hundred and five million dollars) in cash; *minus*
 - (B) an amount equal to the Intra-Group Loan Amount discharged by the Purchasers pursuant to sub-clause 3.3.
- payable in accordance with clause 4 (Completion), in the manner described in Attachment 7 (Funds Flow Memorandum).
- 3.2 The parties to this Agreement agree that the Consideration shall be allocated and apportioned between the Target Shares as follows:
- (A) USD 112,750,000 (one hundred and twelve million, seven hundred and fifty thousand dollars) for the RD Europe Target Shares; and

- (B) USD 92,250,000 (ninety two million, two hundred and fifty thousand dollars) for the RD Inc. Target Shares (minus, if any, the amount referred to in sub-clause 3.1(B)).
- 3.3 In addition, in accordance with clause 4 (Completion), the Purchasers agree to discharge the debt owed by RD Inc. to RDL (“**Intra-Group Loan**”) by paying to RDL at Completion, to the extent the same is still outstanding, the sum of £1,237,000 (one million, two hundred and thirty seven thousand pounds) plus the amount of interest accrued on the Intra-Group Loan daily at a rate of 6.75 per cent. per annum from 31 July 2014 to and including Completion in pounds in cash, in accordance with clause 4 (Completion) (such aggregate sum that is payable being the “**Intra-Group Loan Amount**”). For the avoidance of doubt, it is hereby clarified that upon discharge of the Intra-Group Loan Amount at Completion, no member of the Target Group shall have any Relevant Indebtedness. RDL hereby undertakes to pay to the Purchasers (or, if so directed by the Purchasers, to a member of the Target Group) in immediately available funds, within 15 Business Days of receipt of a written notice from the Purchasers setting out in reasonable detail the nature of any such Relevant Indebtedness (referred to in the previous sentence) of any member of the Target Group in excess of the Intra Group Loan Amount, an amount equal to the amount of that Relevant Indebtedness.
- 3.4 Except for a payment made pursuant to sub-clause 3.3, any payment made by any of the parties pursuant to this Agreement shall (so far as possible) be treated as an adjustment to the Consideration for the Target Shares to the extent of the payment. Any such adjustment to the Consideration shall (so far as possible) be allocated and apportioned to the Target Shares to which the matter giving rise to the adjustment relates and, to the extent that the adjustment cannot properly be so allocated or apportioned, pro rata to the allocation and apportionment of the Consideration in sub-clause 3.2. Any payment made pursuant to sub-clause 3.3 shall be treated as a payment to RDL from RD Inc.
- 3.5 Notwithstanding anything in this Agreement to the contrary:
- (A) RD Inc. shall be entitled to repay some or all of the Intra-Group Loan (including accrued interest) by making a payment in cash to RDL in the Interim Period, and to the extent of such repayment the Intra-Group Loan Amount shall be reduced accordingly;
- (B) RD Europe shall be entitled to pay a cash distribution to RDL of an amount equal to £1,918,000 (one million, nine hundred and eighteen thousand pounds) less the amount paid pursuant to sub-clause 3.5(A);
- (C) any member of the Target Group can transfer funds (by way of distribution or otherwise) to RD Inc. and RD Europe to facilitate the payments referred to in this sub-clause 3.5; and
- (D) the total amount that may be paid by RD Inc. and RD Europe pursuant to sub-clause 3.5(A) and (B) shall not exceed £1,918,000 (one million, nine hundred and eighteen thousand pounds).

4. Completion

- 4.1 Completion shall take place at 10 a.m. or such other time as RDL and ACI US shall agree on the Completion Date at the offices of the Sellers' Solicitors at One Bunhill Row, London EC1Y 8YY or such other venue as may be agreed between RDL and ACI US.
- 4.2 At Completion, RDL shall do, and shall procure that Cardcast does, those things listed in Part A of Schedule 1 (Completion arrangements) and the Purchasers shall do those things listed in Part B of Schedule 1 (Completion arrangements). Completion shall take place in accordance with Part C of Schedule 1 (Completion arrangements).
- 4.3 None of the parties to this Agreement shall complete the sale and purchase of any of the Target Shares to be sold pursuant to this Agreement unless the sale and purchase of all of the Target Shares is completed simultaneously.
- 4.4 Without any limitation on sub-clause 2.11, no party shall be entitled to rescind or terminate this Agreement (whether before or after Completion) for breach of any of the warranties or other obligations set out in this Agreement, other than pursuant to any such rights which arise in respect of fraudulent misrepresentation.
- 4.5 If the respective obligations of RDL and/or the Purchasers under sub-clause 4.2 and Part A and Part B of Schedule 1 (Completion arrangements) are not complied with in any material respect, the Purchasers (in the case of non-compliance by RDL) or, as the case may be, RDL (in the case of non-compliance by any of the Purchasers) may:
- (A) defer Completion (so that the provisions of this clause 4 shall apply to Completion as so deferred);
 - (B) proceed to Completion as far as practicable (without limiting the Purchasers' or, as the case may be, the Sellers' rights under this Agreement); or
 - (C) terminate this Agreement by notice in writing to the party who has not complied in the event that the relevant non-compliance has continued unremedied for 10 Business Days.
- 4.6 If this Agreement is terminated in accordance with sub-clause 4.5 (and without limiting any party's right to claim damages), all obligations of the Sellers and the Purchasers under this Agreement shall end (except for the provisions of this sub-clause 4.6, clause 15 (Announcements) and clause 16 (Confidentiality)) but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.
- 4.7 Any provision of this Agreement which is capable of being performed after but which has not been performed at or before Completion and all warranties and covenants and other undertakings contained in or entered into pursuant to this Agreement, shall remain in full force and effect notwithstanding Completion.

5. Pre-Completion Undertakings

- 5.1 Subject to sub-clause 5.2, at all times during the Interim Period, RDL shall procure that:

- (A) the business of the Target Group as a whole shall continue to be carried on in the ordinary course in compliance in all material respects with all Laws applicable to them and in substantially the same manner as such business was carried on at the date of this Agreement (unless one of the Purchasers gives its written consent otherwise);
 - (B) each member of the Target Group shall pay all premiums due on, and use all reasonable endeavours to maintain in effect, each insurance policy of each member of the Target Group in effect as of the date of this Agreement; and
 - (C) no member of the Target Group shall take any Restricted Action,
- (sub-paragraphs (A), (B) and (C) above, together, the “**Pre-Completion Undertakings**”).

5.2 Sub-clause 5.1 and Schedule 5 (Restricted Actions) shall not operate so as to restrict or prevent:

- (A) any commercially reasonable action reasonably undertaken by any member of the Target Group in an emergency or disaster situation with the intention of minimising any adverse effect thereof, but only for so long as such emergency or disaster situation continues and solely to the extent necessary to mitigate its effects, and provided that Sellers shall, to the extent practicable, consult with the Purchasers in advance of any such action and in any event provide prompt written notice to the Purchasers of any action so undertaken;
- (B) any matter contemplated in this Agreement (including but not limited to the matters set out in Schedule 2 (Permitted Leakage)) or the other Share Purchase Documents;
- (C) any act permitted by sub-clause 3.5;
- (D) the restoration of Retail Decisions IS Limited, the return of the dividend paid by Retail Decisions IS Limited to RD Europe or the subsequent payment of a distribution to RD Europe from the distributable profits of Retail Decisions IS Limited;
- (E) any matter undertaken at the written request of a Purchaser;
- (F) any act or conduct which any member of the Target Group is required to take, or omit to take, as a result of, or in order to comply with law or regulation; or
- (G) any matters necessary to be undertaken in order to comply with the requirements of any Relevant Authority.

6. No Leakage Undertakings

- 6.1 RDL warrants and undertakes to the Purchasers that, in the period from and including the Lock Box Date until (and including) the date of this Agreement, there has not been any Leakage, and at all times during the Interim Period, there shall not be any Leakage, in each case, other than Permitted Leakage (together, the “**No Leakage Undertakings**”).

6.2 For the purposes of this Agreement, the term “Leakage” means:

- (A) any interest payment or any dividend or distribution (cash or non-cash) declared, paid, made or agreed or obligated to be made by any member of the Target Group to any Seller Related Persons;
- (B) any payments made or agreed to be made by any member of the Target Group to any Seller Related Persons for the purchase, redemption, repurchase, repayment or acquisition of any share capital or other securities of any Seller Related Persons or any other return of capital to any Seller Related Persons;
- (C) any issuance or sale of any securities of any member of the Target Group to any Seller Related Persons;
- (D) any transfer of its assets by any member of the Target Group to, or for the benefit of, any Seller Related Persons, or assumption, indemnification or incurrence by any member of the Target Group of any liability of, or for the benefit of, any Seller Related Persons or any repayment of Indebtedness by any member of the Target Group to any of the Seller Related Persons or payment by any member of the Target Group of Tax due by the Seller Related Persons, or any agreement or obligation to take such action;
- (E) any waiver, release, or agreement to waive or release, by any member of the Target Group in favour of any of the Seller Related Persons, or any failure by any Seller Related Persons to pay when due, any sum or obligation due by it to any member of the Target Group;
- (F) any waiver, release, or agreement to waive or release, by any member of the Target Group in favour of any of the Seller Related Persons any claims in respect of any Contract with any of the Seller Related Persons;
- (G) any other payment paid, made or agreed to be made (including a management charge or fee, monitoring fee, service or directors’ fees, bonuses or other compensation of any kind or of any nature) by any member of the Target Group to, or for the benefit of, any Seller Related Persons;
- (H) any Transaction Expenses to the extent paid, payable, assumed, indemnified or incurred by any member of the Target Group but not including any amounts paid prior to the Lock Box Date; or
- (I) the payment or agreement to pay by any member of the Target Group of any fees, costs or Tax or other amounts as a result of any of the matters referred to in sub-paragraphs (A) to (H) above.

6.3 If there is a breach of any of the No Leakage Undertakings by any Seller Related Persons, RDL covenants to pay to the Purchasers (or, if so directed by the Purchasers, to a member of the Target Group) in immediately available funds, within 15 Business Days of receipt of a written notice from the Purchasers setting out in reasonable detail the nature of any Leakage received by any member of the Retained Group or member of the Palamon Group in breach of the No Leakage Undertakings, an amount equal to the amount which, if received by a member of the Target Group, would put the Purchasers into the financial position which would have existed, had there been no breach of the No Leakage Undertakings by any Seller Related Persons.

7. RDL's Warranties and Sellers' undertakings

- 7.1 RDL warrants to the Purchasers in the terms of the Warranties as at the date of this Agreement and at Completion.
- 7.2 Each Warranty shall be construed as a separate and independent warranty and shall not be limited or restricted by reference to or inference from the terms of any other Warranty.
- 7.3 RDL's liability under or in respect of the Warranties or any Warranty Claim shall be subject to the limitations set out in Schedule 4 (Limitations on the Sellers' liability) (including, in particular sub-paragraphs 1.1 and 1.2 of such Schedule 4).
- 7.4 Each Seller undertakes to deliver to one of the Purchasers at the same time as the execution of this Agreement a copy (certified by a director or the secretary of the relevant Seller to be a true copy of a resolution then in force) of the resolution of the directors of the relevant Seller authorising the execution by that Seller of each of the Share Purchase Documents to which it is a party and the performance of its obligations under those Share Purchase Documents when they fall due.
- 7.5 The Sellers undertake, if any claim is made against any of the Sellers in connection with the sale of the Target Shares to the Purchasers, (except in the case of fraud or dishonesty by the relevant person) not to make any claim against any member of the Target Group or any director, employee, agent or adviser of any member of the Target Group on whom it may have relied before agreeing to any term of the Share Purchase Documents, delivering any certificate pursuant to any Share Purchase Document or authorising any statement in the Disclosure Letter or the Supplemental Disclosure Letter.
- 7.6 RDL shall pay to the Purchasers an amount equal to the premium and any insurance premium tax payable in respect of that amount to the Insurers in respect of, and in accordance with the terms of, the Warranty Insurance Policies as set out in Document 1 (Warranty Insurance Policies) (save for any additional premium and insurance premium tax payable as a result of extending coverage under the Warranty Insurance Policies from 18 months to 36 months, such additional premium and insurance premium tax being Purchasers' responsibility), such obligation to pay being conditional on the Purchaser providing RDL at the date of this Agreement with a fully executed copy of the Warranty Insurance Policies. For the avoidance of doubt, RDL will have no liability under this sub-clause 7.6 to pay any sum which is not set out in Document 1 and/or which arises as a result of amendments made to the Warranty Insurance Policies after the date of this Agreement.

- 7.7 Any obligation of RDL to make a payment to the Purchasers pursuant to sub-clause 7.6 shall be satisfied and discharged in full by way of set-off against the Consideration payable by the Purchasers at Completion, which set-off shall constitute satisfaction and discharge of RDL's obligation to make such payment and the Purchasers' obligation to pay an amount of the Consideration (to RDL) equal to such payment.
- 7.8 If, prior to Completion, a member of the board of RDL (being Fabio Giuseppetti, Ricardo Caupers, Paul Stanley and Neshia Batchasingh) becomes aware that a breach of the Warranties given at the date of this Agreement has occurred or could reasonably be expected to occur, RDL shall notify ACI US of that breach as promptly as practicable of that board member becoming so aware.
- 7.9 Without prejudice to the Purchasers' rights under sub-clause 2.11 or RDL's obligation under sub-clause 7.8, for the purposes of sub-clause 7.1:
- (A) all Warranties which are given by reference to RDL's knowledge, awareness or belief will be repeated by RDL at Completion by reference to RDL's knowledge, awareness or belief as at the Completion Date. However, if RDL knows, becomes aware of or believes any fact, matter or circumstance after the date of this Agreement which would cause any such Warranty to be untrue when repeated at Completion, they may disclose such fact, matter or circumstance in the Supplemental Disclosure Letter;
 - (B) for the purposes of repeating at Completion each of the Warranties which refers to information disclosed, RDL shall be entitled to update the Disclosure Letter provided that any such updates shall only be permitted in respect of information relating to events or matters occurring after the date of this Agreement and before Completion, such updates to be included in the Supplemental Disclosure Letter;
 - (C) without prejudice to the Sellers' right to make further supplemental disclosures thereafter in the Supplemental Disclosure Letter, the Supplemental Disclosure Letter shall be sent in draft form to the Purchasers no later than three (3) clear Business Days prior to the Completion Date; and
 - (D) all references to "Disclosure Letter" in the Warranties shall be references to the Disclosure Letter in respect of Warranties given at the date of this Agreement and the Disclosure Letter and Supplemental Disclosure Letter in respect of Warranties given at Completion. For the avoidance of doubt, nothing in this sub-paragraph 7.9(D) is intended to limit the provisions of sub-clause 7.10.
- 7.10 For the avoidance of doubt, nothing contained in the Supplemental Disclosure Letter shall operate to reduce or limit the liability of RDL for breach of any of the Warranties given at the date of this Agreement or to reduce or limit the operation of sub-clause 2.3(C).
- 7.11 It is acknowledged that RDL is giving the Warranties under sub-clause 7.1 of this Agreement and RDL acknowledges that it will not be entitled to claim that it has not given or is not liable under the Warranties (including in respect of a Warranty Claim) because it is not the direct holder and Seller of the RD Inc. Target Shares and Cardcast is not giving the Warranties.

- 7.12 RDL shall take all reasonable endeavours to have obtained, prior to Completion, a waiver of each of the counterparties' right to terminate the applicable agreement identified in Data Room at item 3.1.13.9, 3.1.3.2, 3.1.2.1, 3.1.22.1, 2.10.1.10.1 and 3.11.2.6 (each of which counterparty is listed on Attachment 6) upon a change of control of applicable member of the Target Group.
- 7.13 RDL undertakes that (i) the members of the Retained Group shall, collectively, surrender sufficient losses, relief, allowance, credit, deduction, exemption or set-offs in respect of any Tax to RD Europe so as to permit RD Europe to fully offset any liability to Tax on income in respect of the year ending December 31, 2013 in making its Tax Return for that period, provided that RDL's maximum liability under this sub-clause 7.13(i) shall be capped at an amount equal to the Tax payable by RD Europe on its taxable income for such year, and (ii) without the prior written consent of ACI UK, no member of the Retained Group shall file an amendment to any Tax Return that has been filed that adversely affects the losses, relief, allowance, credit, deduction, exemption or set-off in respect of any Tax utilised by RD Europe in making any Tax Return for the years ending 31 December 2011, 31 December 2012 and 31 December 2013. The Purchasers' Group shall reasonably co-operate with RDL and reasonably assist RDL in its compliance with sub-clause 7.13 (including, without limitation, accepting a valid surrender of losses, relief, allowance, credit, deduction, exemption or set-offs as contemplated by paragraph (i) of this sub-clause 7.13 and informing RDL of the amount of Tax payable by RD Europe on its taxable income for that year) provided, however, that a failure by the Purchasers' Group to so cooperate and assist RDL shall in no way limit RDL's undertaking pursuant to this sub-clause 7.13.
- 7.14 RDL undertakes to pay a member of the Purchasers' Group, on demand, an amount equal to any Losses suffered by any member of the Purchasers' Group as a result of any breach of, or inaccuracy in, the Warranty set forth in paragraph 16 of Schedule 3 (Warranties), such amount not to exceed USD 2,000,000 (two million dollars). For the avoidance of doubt, sub-paragraphs 1.2, 1.3 and 1.7 of Schedule 4 (Limitation of Liability) shall not apply to this sub-clause 7.14.
- 7.15 RDL undertakes that members of the Retained Group shall co-operate with, and reasonably assist, the members of the Purchasers' Group in obtaining appropriate relief in respect of the subject matter of Attachment 8.

8. Purchasers' warranties and undertakings

8.1 Except in the case of fraud or dishonesty, the Purchasers acknowledge that:

- (A) they do not rely on and have not been induced to enter into this Agreement on the basis of any warranties, representations, covenants, undertakings, indemnities or other statements whatsoever, other than the Warranties and representations, covenants, undertakings, indemnities or other statements made in the Share Purchase Documents; and

(B) none of the Sellers, members of the Target Group, members of the Retained Group or members of the Palamon Group, nor any of their agents, officers, advisers or employees have given any such warranties, representations, covenants, undertakings, indemnities or other statements other than the Warranties and representations, covenants, undertakings, indemnities or other statements made in the Share Purchase Documents.

8.2 Each of the Purchasers severally (and not jointly or jointly and severally) warrants to each of the Sellers that:

- (A) it is a company duly incorporated under the laws of, in the case of ACI US, Nebraska, and in the case of ACI UK, England and Wales;
- (B) it has the requisite capacity, power and authority to enter into and perform this Agreement and the other Share Purchase Documents to which it is a party;
- (C) its obligations under this Agreement constitute, and its obligations under the other Share Purchase Documents will, when executed and delivered, constitute its valid and binding obligations in accordance with their respective terms;
- (D) it has available cash or available loan facilities which will at Completion provide in immediately available funds the necessary cash resources to pay the Consideration and meet its other obligations under this Agreement and they involve no material pre-conditions and it will be able to satisfy all conditions of drawdown to any relevant equity subscriptions and loan facilities at or prior to Completion; and
- (E) the execution and delivery of, and the performance by it of its obligations under, this Agreement and the other Share Purchase Documents will not:
 - (i) result in a breach of any provision of the constitutional documents of the relevant Purchaser;
 - (ii) result in a breach of, or constitute a default under, any instrument to which the relevant Purchaser is a party or by which that Purchaser is bound;
 - (iii) result in a breach of any order, judgment or decree of any court or governmental agency or regulatory body by which the relevant Purchaser is bound; or
 - (iv) require the consent of its shareholders or of any other person which has not been obtained in writing at the date of this Agreement, or require it to obtain any consent or approval of, or give any notice to or make any registration with, any governmental or other authority which has not been obtained or made at the date of this Agreement both on an unconditional basis and on a basis which cannot be revoked.

- 8.3 Each Purchaser undertakes to deliver to RDL at the same time as the execution of this Agreement a copy (certified by a director or the secretary of the relevant Purchaser to be a true copy of a resolution then in force) of the resolution of the directors of the relevant Purchaser authorising the execution by the relevant Purchaser of each of the Share Purchase Documents to which it is a party and the performance of its obligations under the Share Purchase Documents when they fall due.
- 8.4 Without any limitation on any other provision of this Agreement, including sub-clause 7.6, the Purchasers undertake to:
- (A) pay the premium and any insurance premium tax payable in respect of, and in accordance with the terms of, the Warranty Insurance Policies (save for any additional premium and insurance premium tax payable as a result of extending coverage under the Warranty Insurance Policies from 18 months to 36 months, such additional premium and insurance premium tax being Purchasers' responsibility) to the Insurers (and provide proof of payment to RDL no later than 10 Business Days after such payment has been made); and
 - (B) enter into the Warranty Insurance Policies with the Insurers on or before the date of this Agreement.
- 8.5 The Purchasers shall procure that, subject to RD Card Cayman One Limited paying the amounts set out in Box (B) of Attachment 5 (Bonus Schedule) to a Target Group member, the Target Group pays the amounts to the employees as set out in Box (B) of Attachment 5 (Bonus Schedule) in accordance with the provisions of Attachment 5 (Bonus Schedule).
- 8.6 The Purchasers shall permit RD Card Cayman One Limited to use the payroll services (whether internally or externally provided) of any member of the Target Group to pay bonuses to the Target Group's employees, directors and officers after Completion and will provide RD Card Cayman One Limited with all information and access to personnel that RD Card Cayman One Limited reasonably requires in order to make such payments. For the avoidance of doubt, RD Card Cayman One Limited shall at all times be responsible for the cost of such payroll services and shall provide the funds to make such bonus payments.
- 8.7 The Purchasers undertake to use reasonable best efforts to procure the absolute and unconditional release and discharge as soon as reasonably practicable following Completion of the guarantees provided at item 2.11.2 and 2.8.1.3 in the Data Room (the "**Remaining Guarantees**") and, prior to such release, the Purchasers undertake to pay RDL on demand an amount calculated on an after-Tax basis equal to any Losses suffered by the Sellers or any member of the Retained Group arising under the Remaining Guarantees after Completion (save to the extent the same results from circumstances which also would reasonably be expected to give rise to a breach of, or inaccuracy in, a Warranty).

9. Access

For a period of two years from Completion, the Purchasers shall make available to any of the Sellers the Books and Records of each member of the Target Group which are reasonably required by such Seller for the purpose of dealing with its tax, accounting and insurance affairs and/or compliance with any regulatory or statutory duty and/or obligations under any of the Share Purchase Documents and, accordingly, the Purchasers shall, upon being given reasonable notice by such Seller and subject to such Seller giving such undertaking as to confidentiality as the Purchasers shall reasonably require, procure that such Books and Records are made available to such Seller for inspection (during Working Hours) and copying (at such Seller's expense) for and only to the extent reasonably necessary for such purpose.

10. Remedies and waivers; limitations on Sellers' liability

- 10.1 The obligations and liabilities of the Sellers pursuant to this Agreement are several (and not joint or joint and several).
- 10.2 Each Seller's undertakings, warranties and other obligations under this Agreement are made subject to Schedule 4 (Limitations on the Sellers' liability) and such Schedule shall apply in respect of any claim under this Agreement (including, without limitation, any claim relating to a breach of any of the Pre-Completion Undertakings, No Leakage Undertakings and Warranties).
- 10.3 Except as provided in Schedule 4 (Limitations on the Sellers' liability):
- (A) no delay or omission by any party to this Agreement in exercising any right, power or remedy provided by law or under this Agreement or any other Share Purchase Documents shall:
 - (i) affect that right, power or remedy; or
 - (ii) operate as a waiver thereof; and
 - (B) the single or partial exercise of any right, power or remedy provided by law or under this Agreement or any other Share Purchase Documents shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 10.4 Except as otherwise expressly provided in this Agreement, the rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

11. No Shop

In consideration of the substantial expenditure of time, effort and expense undertaken by the Purchasers in connection with their due diligence review and the preparation and execution of this Agreement, and the Purchasers agreeing to purchase the Target Shares from the Sellers on the terms set out in this Agreement, RDL undertakes for itself, the Sellers and the Seller Related Persons and any of its or their respective directors, officers, employees, agents or representatives that none of such persons shall solicit, initiate, encourage, induce, endorse, accept or respond to any enquiries, proposals or offers, including, without limitation, unsolicited offers, from any person, or participating in any discussions, conversations, negotiations or other communications with, or providing any confidential information to, any person, regarding or relating to any sale, assignment, transfer, encumbrance or distribution of all or any portion of the Target Shares, assets or contracts of any member of the Target Group or any interests therein (other than in the ordinary course of the Target Group's business, consistent with past practice), whether by way of disposal, listing, spin-off, demerger, merger, consolidation, share issuance, share sale, asset sale or otherwise, during the period between the date of this Agreement and Completion or earlier termination of this Agreement, and to terminate promptly any such work which may not before have been terminated. RDL undertakes for itself, the Sellers and the Seller Related Persons to promptly notify the Purchasers of any offer, proposal, inquiry or contact, the identity of the person making such an offer, and the terms thereof received on or after the date of this Agreement.

12. Assignment

- 12.1 Subject to sub-clause 12.2, no party may (i) assign, or purport to assign, all or any part of the benefit of, or its rights or benefits under, this Agreement or the other Share Purchase Documents (together with any causes of action arising in connection with any of them) or (ii) make a declaration of trust in respect of, or enter into any arrangement whereby it agrees to hold in trust for any other person all or any part of the benefit of, or its rights or benefits under, this Agreement or the other Share Purchase Documents, without the prior written consent of, in the case of the Purchasers, RDL, and, in the case of the Sellers, ACI US.
- 12.2 The Purchasers may assign without the prior written consent of the Sellers by way of security or grant any charge or other security interest over its rights under this Agreement and the Share Purchase Documents in favour of any person who has agreed at any time to provide financing to the Purchasers or any member of the Purchasers' Group and/or to any agent or trustee of such person, provided that any such assignment or grant shall not increase the liability of any Seller beyond that which it would otherwise have had pursuant to this Agreement and the Share Purchase Documents.
- 12.3 No party shall sub-contract or enter into any arrangement whereby another person is to perform any or all of its obligations under this Agreement or the other Share Purchase Documents.

13. Entire agreement

- 13.1 The Share Purchase Documents constitute the whole and only agreement between the parties relating to the sale and purchase of the Target Shares. In entering into the Share Purchase Documents, each party to this Agreement acknowledges that it is not relying upon any pre-contractual statement which is not expressly set out in them.
- 13.2 Except in the case of fraud or dishonesty, no party shall have any right of action against any person (whether or not a party to this Agreement, and including each of the parties' advisers, directors, officers, employees and any person connected to any of the foregoing) arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in any Share Purchase Document.

13.3 For the purposes of this clause 13 (Entire agreement), “**pre-contractual statement**” means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of the Share Purchase Documents made or given by any person at any time prior to the date of this Agreement.

13.4 This Agreement may only be varied in writing signed by RDL, Cardcast and the Purchasers.

14. Notices

14.1 A notice under this Agreement shall only be effective if it is in writing. Faxes and emails are permitted, provided the notice is sent also by courier to the address set out in sub-clause 14.2.

14.2 Notices under this Agreement shall be sent to a party at its address and number and for the attention of the individual set out below:

<u>Party</u>	<u>Address</u>	<u>Fax No.</u>	<u>E-mail address</u>
Retail Decisions Limited F.A.O. Ricardo Caupers, Director	Its registered office from time to time (with a copy to Palamon Capital Partners, Cleveland House, 33 King Street London SW1Y 6RT)	+44(0)207 777 2002	caupers@palamon.com
Cardcast Limited F.A.O. Ricardo Caupers, Director	Its registered office from time to time (with a copy to Palamon Capital Partners, Cleveland House, 33 King Street London SW1Y 6RT)	+44(0)207 777 2002	caupers@palamon.com
ACI Worldwide Corp.	Its registered office from time to time	+1(402)778 2567	dennis.byrcnes@aciworldwide.com
Applied Communications Inc. U.K. Holding Limited	Its registered office from time to time	+1(402)778 2567	dennis.byrcnes@aciworldwide.com

14.3 Each of the parties may change its notice details on giving notice to the other parties in accordance with this clause 14 (Notices).

- 14.4 Any notice given under this Agreement shall, in the absence of earlier receipt, be deemed to have been duly given as follows:
- (A) if delivered personally by hand or courier, on delivery;
 - (B) if sent by facsimile, when confirmation of its successful transmission has been recorded by the sender's fax machine; and
 - (C) if sent by e-mail, upon delivery.
- 14.5 Any notice given under this Agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Working Hours in such place.
- 14.6 The provisions of this clause 14 shall not apply to the service of Service Documents.

15. Announcements

- 15.1 No announcement concerning the sale of the Target Shares or any ancillary matter shall be made by any party without the prior written approval of ACI US and RDL. This sub-clause 15.1 does not apply in the circumstances described in sub-clauses 15.2 and 15.3.
- 15.2 Each party shall be entitled to refer to the existence and/or the subject matter of the Share Purchase Documents:
- (A) in the press announcements to be issued on or about the date of this Agreement in connection with the Transaction in the agreed form at Document 9;
 - (B) in other announcements or communications which are substantially consistent (so far as relevant) with the agreed form press announcements;
 - (C) in marketing literature issued or circulated by or on behalf of a Seller, any other member of the Retained Group or any member of the Purchasers' Group; and
 - (D) when providing information or advice to any investors (or potential investors) in funds managed or advised by any member of the Palamon Group or of which any Palamon Group member is a general partner.

In the case of any disclosure being made pursuant to sub-paragraphs (C) and (D) above, no further material details of the subject matter of the Share Purchase Documents may be disclosed other than (i) those details contained in or substantially consistent with those contained in the agreed form press announcements; and (ii) information reasonably required to be disclosed by the relevant member of the Palamon Group in the context of any fundraising exercise being undertaken by any such person (including disclosures reasonably required to be made in the context of any subsequent syndication of such fundraising) or pursuant to the terms of any limited partnership agreements (or related documents) to which the relevant member of the Palamon Group is a party.

- 15.3 Each party may make an announcement concerning the sale of the Target Shares or any ancillary matter if required by:
- (A) Law;
 - (B) any securities exchange or regulatory or governmental body or any Tax Authority to which that party is subject, whether or not the requirement has the force of law; or
 - (C) judicial or arbitral proceedings,
- in which case the party concerned shall take all such steps as may be reasonable and practicable in the circumstances to agree to the contents of such announcement with ACI US and RDL before making such announcement.
- 15.4 The restrictions contained in this clause 15 (Announcements) shall continue to apply after Completion or the termination of this Agreement without limit in time.

16. Confidentiality

- 16.1 Subject to clause 15 (Announcements) and sub-clause 16.2, each party shall treat as confidential all information which relates to:
- (A) the provisions of the Share Purchase Documents;
 - (B) the negotiations relating to the Share Purchase Documents;
 - (C) the subject matter of the Share Purchase Documents; and
 - (D) in the case of the Purchasers, the Sellers and any member of the Retained Group or member of the Palamon Group and was received from one of them (or an agent acting on behalf of one of them); and in the case of each Seller, the Purchasers and was received from either of the Purchasers (or an agent acting on behalf of one of them).
- 16.2 Notwithstanding the other provisions of this clause 16 (Confidentiality), a party may disclose any such confidential information:
- (A) to the extent required by Law or for the purpose of any Proceedings;
 - (B) if and to the extent required by any securities exchange or regulatory or governmental body or any Tax Authority to which that party is subject;
 - (C) to the extent required to vest the full benefit of this Agreement in that party;
 - (D) to, (in the case of the Sellers), members of the Retained Group or members of the Palamon Group, and (in the case of the Purchasers), members of the Purchasers' Group on a confidential basis;

- (E) to its and any of the persons' referred to in sub-paragraph (D) above respective professional advisers, auditors and bankers provided they are obliged to keep such information confidential;
- (F) in the case of the Palamon Group, to its investors and potential investors in funds in or of which any Palamon Group member is the general partner, manager or adviser;
- (G) if and to the extent the information has come into the public domain through no fault of that party or any of its affiliates (which, in the case of the Sellers, means the Retained Group, and, in the case of the Purchasers, means the Purchasers' Group) or representatives (which means that party's agents, directors, officers or advisers); and
- (H) if and to the extent that, in the case of disclosure by the Sellers, the Purchasers, and in the case of disclosure by the Purchasers, RDL has given prior written consent to the disclosure, such consent not to be unreasonably conditioned, withheld or delayed.

Any information to be disclosed pursuant to sub-paragraphs (A) or (B) above shall, to the extent it is lawful and reasonably practicable, be disclosed only after notice, in the case of disclosure by the Purchasers, to RDL, and in the case of disclosure by the Sellers, to ACI US.

- 16.3 The restrictions contained in this clause 16 (Confidentiality) shall continue to apply for 3 years after Completion or the termination of this Agreement.
- 16.4 The Sellers acknowledge that ACI US may be required by Law to file this Agreement with the SEC, pursuant to which this Agreement will become publicly available, and ACI US may file other Share Purchase Documents with the SEC, pursuant to which such Share Purchase Documents will become publicly available. ACI US shall take all reasonable steps to obtain permission from the SEC to redact as much of the version of any Share Purchase Document filed with the SEC that is going to be made publicly available and, to the extent it is lawful, will notify and consult with the Sellers before submitting any Share Purchase Document to the SEC.
- 16.5 Without prejudice to any other rights or remedies that the Purchasers, may have, the Sellers acknowledge and agree that damages alone may not be an adequate remedy for any breach of the terms of this clause 16 (Confidentiality) by the Sellers. Accordingly, the Purchasers would be entitled to the remedies of injunction, specific performance or other equitable relief for any such threatened or actual breach.
- 16.6 Without prejudice to any other rights or remedies that a Seller may have, the Purchasers acknowledge and agree that damages alone may not be an adequate remedy for any breach of the terms of this clause 16 (Confidentiality) by the Purchasers. Accordingly, the Sellers may be entitled to the remedies of injunction, specific performance or other equitable relief for any such threatened or actual breach.

17. Costs and expenses

- 17.1 Subject to sub-clauses 17.2, 17.3 and 17.4, each party shall pay its own costs and expenses in relation to the negotiations leading up to the sale and purchase of the Target Shares and the preparation, execution and carrying into effect of this Agreement, the other Share Purchase Documents and all other documents referred to in this Agreement.
- 17.2 The Purchasers shall bear and pay the cost of all stamp duty, stamp duty reserve tax and any similar Taxes and all notarial or registration fees which may result in any jurisdiction from the execution and performance of this Agreement and the other Share Purchase Documents as well as the transactions contemplated thereby (other than the Pre-Completion Undertakings).
- 17.3 The Purchasers shall bear and pay the cost of the filing fees associated with the HSR Act filings contemplated in sub-clause 2.4.
- 17.4 If Completion does not occur for any reason, RDL and the Purchasers shall each bear the cost of half of the break fee payable by the Purchasers to the Insurers in such circumstances and to the extent that the Purchasers pay the full amount of such break fee to the Insurers, RDL will indemnify the Purchasers for half of that amount. For the avoidance of doubt, “**break fee**”, for the purposes of this sub-clause 17.4, shall be the break fee set forth in the Warranty Insurance Policies plus any insurance premium tax paid by the Purchasers to the Insurers that is not reimbursed by the Insurers to the Purchasers; provided that the “break fee” shall not include the portion of the break fee payable in respect of any additional premium and insurance premium tax payable as a result of extending coverage under the Warranty Insurance Policies from 18 months to 36 months, such portion of the break fee being Purchasers’ responsibility).

18. No set-off or withholdings

Except as required by law or as expressly provided in this Agreement, all payments made pursuant to this Agreement will be made without any set-off, restriction or condition and shall be made free and clear of any deduction or withholding whether in respect of Tax or otherwise.

19. Counterparts

- 19.1 This Agreement may be executed in any number of counterparts, and by the parties to it on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- 19.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

20. Invalidity

- 20.1 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, then such provision shall not affect or impair:

- (A) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (B) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement.

20.2 The parties shall use all reasonable endeavours to replace such a provision with a valid and enforceable substitute provision which carries out, as closely as possible, the intentions of the parties under this Agreement.

21. Further Assurance

- 21.1 The Sellers shall, at their own cost, from time to time, on request, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the Purchasers which the Purchasers may reasonably consider necessary to give effect to the terms of the Share Purchase Documents.
- 21.2 The Purchasers shall, at their own cost, from time to time, on request, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the Sellers which the Sellers may reasonably consider necessary to give effect to the terms of the Share Purchase Documents.

22. Rights of Third Parties

- 22.1 Sub-clauses 8.1, 8.6, 8.7 and 13.2, clause 25 and paragraph 3 of Schedule 1 (Completion arrangements) (the “**Third Party Rights Clauses**”) confer a benefit on certain persons named therein who are not a party to this Agreement (each for the purposes of this clause a “**Third Party**”) and, subject to the remaining provisions of this clause 22 (Rights of Third Parties), are intended to be enforceable by the Third Parties by virtue of the Contracts (Rights of Third Parties) Act 1999. For the avoidance of doubt, rights of any Third Party pursuant to sub-clause 8.6 shall be, at all times, subject to each of the persons named in sub-clause 8.5 (save for the Purchasers and, after Completion, the members of the Target Group) fulfilling its respective obligations.
- 22.2 The parties to this Agreement do not intend that any term of this Agreement, apart from the Third Party Rights Clauses, should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.
- 22.3 Notwithstanding the provisions of sub-clause 22.1, this Agreement may be varied in any way and at any time by the parties to this Agreement without the consent of any Third Party.

23. Choice of governing law

This Agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

24. Jurisdiction

- 24.1 The courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, arising out of or in connection with this Agreement. Any Proceedings shall be brought only in the courts of England.
- 24.2 Each party waives (and agrees not to raise) any objection, on the ground of *forum non conveniens* or on any other ground, to the taking of Proceedings in the courts of England. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction.
- 24.3 Each party irrevocably submits and agrees to submit to the jurisdiction of the courts of England.

25. Financing

- 25.1 Notwithstanding any other provision of this Agreement to the contrary,
- (A) none of the financial institutions named in that certain debt commitment letter dated the date hereof among ACI Worldwide, Inc. and Merrill Lynch, Pierce, Fenner and Smith Incorporated and Bank of America, N.A. (the “**Debt Commitment Letter**”) (being Merrill Lynch, Pierce, Fenner and Smith Incorporated and Bank of America, N.A. and together with their respective affiliates and their respective former, current and future direct or indirect officers, employees, directors, general or limited partners, members, controlling parties, advisors, agents and representatives and the respective successors and assigns of any of the foregoing, but excluding for the avoidance of doubt, the Purchasers) (the “**Financing Sources**”) and the Financing Sources shall have any liability for any obligations or liabilities of any party hereto under this Agreement and the Sellers agree that the Financing Sources shall have no liability to the Sellers or their affiliates for any claim (whether in contract, tort or otherwise) based on, in respect of, or by reason of (or in any way relating to), the transactions contemplated hereby, including, but not limited to, any dispute arising out of or relating in any way to the Debt Commitment Letter, the transactions contemplated thereby or the performance thereof and the Sellers agree not to assert or support any such claim or bring or support any action, suit or proceeding against any Financing Source in connection with any such claim; and
- (B) each of the Sellers (i) agrees that it will not bring or support any claim or cause of action, whether at law or in equity, whether in contract or in tort or otherwise, against any of the Financing Sources in any way relating to the Debt Commitment Letter or the performance thereof or the financings contemplated thereby, in any forum other than the federal and New York State courts located in the Borough of Manhattan within the City of New York, that all such claims and causes of action shall be subject to the exclusive jurisdiction of such courts and shall be exclusively governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of laws of another jurisdiction and (ii) hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation against the Financing Sources, whether at law or in equity, whether in contract or in tort or otherwise, directly or indirectly arising out of or relating in any way to the Debt Commitment Letter or the performance thereof or the financings contemplated thereby.

- 25.2 The Financing Sources are intended third-party beneficiaries of this clause 25, which may not be amended, supplemented, waived or modified without their prior written consent.
- 25.3 This clause 25 shall apply only as between the Sellers and the Financing Sources, shall not constitute an agreement between the Sellers and the Purchasers and the Purchasers shall have no rights under this clause 25 and this clause 25 shall not affect or amend in any way the agreement between the Sellers and the Purchasers provided for by the rest of this Agreement and the Share Purchase Documents.

IN WITNESS whereof the parties hereto or their duly authorised representatives have executed this agreement the day and year first-above mentioned.

Signed by)
)
For and on behalf of **RETAIL DECISIONS**)
LIMITED)
) /s/ Fabio Giuseppetti
)

Signed by)
)
For and on behalf of **CARDCAST LIMITED**)
)
) /s/ Fabio Giuseppetti
)

Signed by)
)
For and on behalf of **ACI WORLDWIDE**)
CORP.)
) /s/ Dennis P. Byrnes
)

Signed by)
)
For and on behalf of **APPLIED**)
COMMUNICATIONS INC. U.K. HOLDING)
LIMITED)
) /s/ Dennis P. Byrnes
)

ACI WORLDWIDE, INC.

1999 EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated by the Stockholders on February 20, 2001 and on March 9, 2004, as amended by the Compensation Committee on March 8, 2005, as amended and restated by the Stockholders on July 24, 2007 and as amended by the Compensation and Leadership Development Committee on March 17, 2010 and further revised to reflect the 3 for 1 stock split effective July 10, 2014)

ACI WORLDWIDE, INC.

1999 Employee Stock Purchase Plan

(as amended and restated by the Stockholders on February 20, 2001 and on March 9, 2004, as amended by the Compensation Committee on March 8, 2005, as amended and restated by the Stockholders on July 24, 2007 and as amended by the Compensation and Leadership Development Committee on March 17, 2010, and further revised to reflect the 3 for 1 stock split effective July 10, 2014)

Section 1. *Purpose.* The purpose of the ACI Worldwide, Inc. Employee Stock Purchase Plan (the “Plan”) is to provide an opportunity to current employees of ACI Worldwide, Inc. (the “Company”), or any Participating Subsidiary of the Company to purchase its Common Stock. By encouraging such stock ownership, the Company seeks to attract, retain and motivate such employees to devote their best efforts to the financial success of the Company. It is intended that the Plan qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, the Plan authorizes the grant of Options and issuance of Common Stock which do not qualify under Section 423 of the Code pursuant to sub-plans adopted by the Committee designed to achieve desired tax or other objectives in particular locations outside the United States.

Section 2. *Definitions.* For purposes of the Plan, the following terms used herein shall have the following meanings, unless a different meaning is clearly required by the context.

2.01. “*Base Pay*” shall mean the monthly pay rate of a salaried Employee or the hourly pay rate of an hourly Employee. Base Pay shall not include payments for overtime, allowances, bonuses and other special payments, commissions and other marketing incentive payments.

2.02. “*Board of Directors*” shall mean the Board of Directors of the Company.

2.03. “*Committee*” shall mean the committee of the Board of Directors referred to in Section 5 hereof.

2.04. “*Common Stock*” shall mean the Common Stock of the Company.

2.05. “*Employee*” shall mean any person, including any officer or employee-director of the Company or any Participating Subsidiary of the Company, who is actively and customarily employed for 20 hours or more per week by the Company or a Participating Subsidiary of the Company.

2.06. “*Fair Market Value*” shall mean the closing price (last trade) on the date in question, as such price is reported by the National Association of Securities Dealers on the NASDAQ National Market or any successor system for a share of Common Stock.

2.07. “*Offering*” shall have the meaning described in Section 4.01.

2.08. “*Option*” shall mean any option to purchase Common Stock granted to an Employee pursuant to this Plan.

2.09. “*Participant*” shall mean any Employee that is eligible to participate in the Plan in accordance with Section 3 and who elects to participate in the Plan.

2.10. “*Participating Subsidiary of the Company*” means any Subsidiary of the Company that has been designated by the Board of Directors as eligible to participate in the Plan with respect to its Employees.

2.11. “*Participation Period*” shall mean the period beginning on May 1, 2008 and ending on April 30, 2018 and each three-month period thereafter during the term of the Plan. There shall be forty Participation Periods during the term of the Plan.

2.12. “*Subsidiary of the Company*” means any foreign or U.S. domestic corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 3. *Eligibility and Participation.* The following provisions shall govern the eligibility of Employees to participate in the Plan.

3.01. *Eligibility.* Any Employee who shall have completed three months of employment with the Company or any Participating Subsidiary of the Company shall be eligible to participate in the Offering as of the first day of the next Participation Period. The Committee may also determine that a designated group of highly compensated Employees are ineligible to participate in the Plan so long as the excluded category fits within the definition of “highly compensated employee” in Code Section 414(q). The Committee may impose restrictions on eligibility and participation of Employees who are officers or directors to facilitate compliance with federal or state securities laws or foreign laws.

3.02. *Restrictions on Participation.* Notwithstanding any provisions of the Plan to the contrary, no Employee shall be granted an Option under the Plan:

(a) if, immediately after such grant, such Employee would own stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary of the Company, such ownership to be determined by applying the rules of Section 424(d) of the Code and treating stock which the Employee may purchase under outstanding options as stock owned by the Employee; or

(b) which would permit his or her rights to purchase stock under the Plan (and under any other plans of the Company or any Subsidiary of the Company qualifying under Section 423 of the Code) to accrue at a rate which exceeds the lesser of (i) 10% of the Employee’s Base Pay or (ii) \$25,000 of fair market value of the stock (determined on the basis of the fair market value of the stock at the time such Option is granted) for each calendar year in which such Option is outstanding.

3.03. *Commencement of Participation.* A Participant may elect to participate by executing the enrollment form prescribed for such purpose by the Committee which enrollment form may include an application for an account with the Company’s designated broker. The enrollment form shall be filed with the Committee at any time prior to the first day of the next Participation Period. The Participant shall designate on the enrollment form the percentage of his or her Base Pay which he or she elects to have withheld for the purchase of Common Stock, which may be any whole percentage from 1% to 10%. Once enrolled, a Participant will continue to participate in the Plan for each succeeding Participation Period until he or she terminates participation or ceases to qualify as an Employee.

Section 4. *Common Stock Subject to the Plan.*

4.01. *Number of Shares.* The total number of shares of Common Stock for which Options may be granted under this Plan shall not exceed in the aggregate 4,500,000 (four million five hundred thousand) shares of Common Stock. The Plan, as amended by the stockholders on July 24, 2007, will be implemented by an Offering of shares of Common Stock (the “Offering”). The Offering under the Plan, as amended, shall begin on May 1, 2008 and shall terminate on April 30, 2018.

4.02. *Reissuance.* The shares of Common Stock that may be subject to Options granted under this Plan may be either authorized and unissued shares of Common Stock or shares of Common Stock reacquired at any time and now or hereafter held as treasury stock of the Company as the Committee may determine. In the event that any outstanding Option expires or is terminated for any reason, the shares allocable to the unexercised portion of such Option may again be subject to an Option granted under this Plan.

Section 5. *Administration of the Plan.*

5.01. *Committee.* The Plan shall be administered by the Compensation Committee of the Board of Directors, or such other committee established by the Board of Directors (the “Committee”) consisting of no less than two persons. The Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

5.02. *Interpretation.* The Committee shall be authorized (i) to interpret the Plan and decide any matters arising thereunder, and (ii) to adopt such rules, regulations and procedures, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the purpose of this Plan.

5.03. *Finality.* The interpretation and construction by the Committee of any provision of the Plan, any Option granted hereunder or any agreement evidencing any such Option shall be final, conclusive and binding upon all parties.

5.04. *Voting by Committee Members.* Only members of the Committee shall vote on any matter affecting the administration of the Plan or the granting of Options under the Plan.

5.05. *Expenses.* All expenses and liabilities incurred by the Committee in the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants or other persons in connection with the administration of the Plan. The Company, and its officers and directors, shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Board of Directors or the Committee shall be liable for any action, determination or interpretation taken or made in good faith with respect to the Plan or any Option granted hereunder.

5.06. *Non-U.S. Participation.* The Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest, conversion of local currency, payroll tax and withholding procedures which vary with local requirements. With respect to any Participating Subsidiary which employs Participants who reside outside of the United States, and notwithstanding anything herein to the contrary, the Committee may in its sole discretion amend or vary the terms of the Plan in order to conform such terms with the requirements of local law or to meet the objectives and purpose of the Plan, and the Committee may, where appropriate, establish one or more sub-plans to reflect such amended or varied provisions which sub-plans may be designed to be outside the scope of Code Section 423. The provisions of such sub-plans may take precedence over other provisions of the Plan, with the exception of Section 4.01, but unless otherwise superseded by the terms of such sub-plan, the provisions of the Plan shall govern the operation of such sub-plan.

5.07 *Changing of Percentage.* The percentage (i.e. 85%) provided for within Subsections 7.02(iii) and 7.03 herein may be changed by and at the sole discretion of the Committee, without further approval of the Company's Stockholders, to any whole percentage that is not less than 85% and not greater than 100%; provided, however, that the Committee shall provide all Participants with written notice of any such change in advance of the Participation Period in which such change is to first take effect.

Section 6. *Payroll Deductions.*

6.01. *Amount of Deduction.* At the time a Participant files his or her enrollment form authorizing payroll deductions pursuant to Section 3.03, he or she shall elect to have deductions made from his or her Base Pay on each payday during the time he or she is a Participant in the Offering.

6.02. *Participant's Account; No Interest.* All payroll deductions made for a Participant shall be credited to his or her account under the Plan. A Participant may not make any separate cash payment into such account. No interest shall accrue on amounts credited to a Participant's account under the Plan, regardless of whether or not the funds in such account are ultimately used to acquire shares of Common Stock, unless required under local law.

6.03. *Changes in Payroll Deductions.* A Participant may change the rate of payroll deductions, effective for the next Participation Period, by filing a new enrollment form with the Committee at any time prior to the first day of the Participation Period for which such change is to be effective. A Participant may also discontinue his or her participation in the Plan by notifying the Committee in accordance with the procedures established by the Committee for such purpose.

6.04. *Use of Funds.* All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions unless required under local law.

Section 7. *Grant of Option.*

7.01. *Terms and Conditions.* A description of the terms and conditions of the Plan shall be made available to Participants in such form and manner as the Committee shall approve.

7.02. *Number of Option Shares.* On the first business day of each Participation Period during the term of the Plan, each Participant shall be deemed to have been granted an Option, subject to the limitations of Section 3.02, to purchase a maximum number of shares of Common Stock during the Participation Period equal to the number obtained by multiplying (i) the percentage of the Employee's Base Pay for that Participation Period which he or she has elected to have withheld pursuant to Section 6.01 by (ii) the Employee's Base Pay for that Participation Period and dividing the resulting product by (iii) 85% of the Fair Market Value of one share of Common Stock of the Company on the last business day of that Participation Period; provided; however, such number shall in no event exceed 3,000 shares of Common Stock for any Participant during any Participation Period, and provided, further, that in no event shall the total number of shares of Common Stock for which Options are granted exceed the number of shares set forth in Section 4.01. If the total number of shares of Common Stock for which Options would have been granted to Participants pursuant to the preceding sentence would have exceeded the number of shares set forth in Section 4.01 (absent the proviso in the preceding sentence), the Committee shall make a pro rata allocation of the shares of Common Stock available for grant to Participants' Options in such manner as it shall determine, in its sole discretion, to be reasonably practicable, uniform and equitable.

7.03. *Option Price.* The Option price per share of the Common Stock subject to an Option shall be 85% of the Fair Market Value of one share of Common Stock on the last business day of the applicable Participation Period.

7.04. *Interest in Option Stock.* A Participant shall have no interest in shares of Common Stock covered by his or her Option until such Option has been exercised.

7.05. *Transferability.* Neither payroll deductions credited to a Participant's account nor Options granted to a Participant shall be transferable other than by will or the laws of descent and distribution and, during a Participant's lifetime, an Option shall be exercisable only by the Participant.

7.06. *Tax Withholding.* In the event that the Company or any Subsidiary of the Company is required to withhold any Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant as a result of any "disqualifying disposition" of any shares of Common Stock acquired upon exercise of an Option granted hereunder, the Company or such Subsidiary of the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, such Participant will be required to pay to the Company or such Subsidiary of the Company, or make other arrangements satisfactory to the Company or such Subsidiary of the Company regarding payment to the Company or such Subsidiary of the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion. Subject to approval by the Committee, a Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Common Stock to be acquired upon exercise of an Option, a number of shares of Common Stock with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Common Stock owned by the Participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

Section 8. *Exercise of Options.*

8.01. *Automatic Exercise.* Unless a Participant gives written notice to the Company of withdrawal pursuant to Section 9.01, his or her Option to acquire Common Stock with payroll deductions credited to his or her account for any Participation Period will be deemed to have been exercised automatically on the last business day of the applicable Participation Period for the purchase of the number of full shares of Common Stock which the accumulated payroll deductions credited to his or her account at that time will purchase at the applicable Option price (but not in excess of the number of shares of Common Stock for which Options have been granted to the Employee pursuant to Section 7.02), and any excess credited to his or her account at that time will be carried forward to the next Participation Period.

8.02. *Fractional Shares.* Fractional shares will not be issued under the Plan and any accumulated payroll deductions which would have been used to purchase fractional shares will be carried over to the next following Participation Period.

8.03. *Delivery of Stock.* As soon as reasonably practicable after each Participation Period, the Company will deliver to the Participant's account with the Company's designated broker, in such Participant's name, the shares of Common Stock purchased upon exercise of such Participant's Option. It is a condition of participation in the Plan that each Participant maintain an account with the broker designated by the Company. The Company reserves the right to change its designated broker from time to time in its sole discretion.

Section 9. *Withdrawal.*

9.01. *In General.* A Participant may withdraw payroll deductions credited to his or her account for a Participation Period under the Plan at any time prior to the last business day of such Participation Period by giving written notice to the Committee. As soon as reasonably practicable after receipt by the Committee of his or her notice of withdrawal, the payroll deductions credited to the Participant's account for such Participation Period will be paid to him or her without interest (except to the extent required by local law), and no further payroll deductions will be made from his or her Base Pay for such Participation Period.

9.02. *Cessation of Employee Status.* In the event a Participant shall cease to be an Employee during a Participation Period for any reason, other than as a result of his or her death, the payroll deductions credited to his or her account for such Participation Period will be returned to him or her without interest (except to the extent required by local law) as soon as reasonably practicable thereafter.

9.03. *Termination Due to Death.* In the event a Participant shall cease to be an Employee during a Participation Period by reason of his or her death, his or her legal representative shall have the right to elect, by written notice to the Committee prior to the last business day of the Participation Period:

(a) to withdraw all of the payroll deductions credited to the Participant's account under the Plan for such Participation Period without interest (except to the extent required by local law), or

(b) to exercise the Participant's Option for such Participation Period with any excess in the Participant's account after exercise of the Option to be returned to the Participant's legal representative.

In the event that no such written notice of election is duly and timely received by the Committee, the Participant's legal representative shall automatically be deemed to have elected, pursuant to clause (b) above, to exercise the Participant's Option.

Section 10. *Adjustments.*

10.01. *Changes In Capitalization.* In the event that the outstanding shares of the Company's Common Stock shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, effected without the receipt of consideration by the Company, through reorganization, merger or consolidation, recapitalization, reclassification, stock split, reverse stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors shall appropriately adjust, subject to any required action by the stockholders of the Company, (i) the number of shares of Common Stock (and the Option price per share) subject to the unexercised portion of any outstanding Option (to the nearest possible full share), provided, however, that the limitations of Section 424 of the Code shall apply with respect to such adjustments and (ii) the number of shares of Common Stock for which Options may be granted under the Plan, as set forth in Section 4.01 hereof, and such adjustments shall be final, conclusive and binding for all purposes of the Plan. Except as expressly provided herein, no issuance by the Company of shares of stock of any class shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

10.02. *Acquisition, Merger, Sale of Assets, Dissolution or Liquidation.* Notwithstanding the foregoing, in the event of (i) any offer or proposal to holders of the Company's Common Stock relating to the acquisition of their shares, including, without limitation, through purchase, merger or otherwise, or (ii) any transaction generally relating to the acquisition of substantially all of the assets or business of the Company, or (iii) the dissolution or liquidation of the Company, the Board of Directors may make such adjustment as it deems equitable in respect of outstanding Options (and in respect of the shares of Common Stock for which Options may be granted under the Plan), including, without limitation, the revision, cancellation, or termination of any outstanding Options, or the change, conversion or exchange of the shares of the Company's Common Stock under outstanding Options (and of the shares of the Company's Common Stock for which Options may be granted under the Plan) into or for securities or other property of another corporation. Any such adjustments by the Board of Directors shall be final, conclusive and binding for all purposes of the Plan.

Section 11. *Effect of the Plan on Employment Relationship.* Neither this Plan nor any Option granted hereunder to a Participant shall be construed as conferring upon such Participant any right to continue in the employ of the Company or any Subsidiary of the Company as the case may be, or limit in any respect the right of the Company or any Subsidiary of the Company to terminate such Participant's employment with the Company or any Subsidiary of the Company, as the case may be, at any time.

Section 12. *Amendment of the Plan.* The Board of Directors may amend the Plan from time to time as it deems desirable in its sole discretion without approval of the stockholders of the Company, except to the extent stockholder approval is required by Rule 16b-3 of the Securities Exchange Act of 1934, as amended, applicable NASDAQ National Market or stock exchange rules, applicable provisions of the Code, or other applicable laws or regulations.

Section 13. *Termination of the Plan.* The Board of Directors may terminate the Plan at any time in its sole discretion. No Option may be granted hereunder after termination of the Plan. The termination or amendment of the Plan shall not alter or impair any rights or obligations under any Option theretofore granted under the Plan in any material adverse way without the consent of the affected Participant.

Section 14. *Governing Law.* The Plan and any and all Option agreements executed in connection with the Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles.

Section 15. *No Strict Construction.* No rule of strict construction shall be applied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Option agreement, any Option granted under the Plan, or any rule, regulation or procedure established by the Committee.

Section 16. *Successors.* This Plan is binding on and will inure to the benefit of any successor to the Company, whether by way of merger, consolidation, purchase, or otherwise.

Section 17. *Severability.* If any provision of the Plan or an Option agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan or such agreement, and the Plan and such agreement shall each be construed and enforced as if the invalid provisions had never been set forth therein.

Section 18. *Plan Provisions Control.* Except as otherwise provided in Section 5.06, the terms of the Plan govern all Options granted under the Plan, and in no event will any Option be granted under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Option granted under the Plan shall conflict with any term in the Plan as constituted on the grant date of such Option, the term in the Plan as constituted on the grant date of such Option shall control except as otherwise provided in Section 5.06.

Section 19. *Headings.* The headings used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize, or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions had been used in the Plan.

Section 20. *Effective Date of the Plan.* The Plan shall be submitted to the stockholders of the Company for approval and ratification at the next regular or special meeting thereof to be held after January 1, 1999. Unless at such meeting the Plan is approved and ratified by the stockholders of the Company, in the manner provided by the Company's By-Laws, then and in such event, the Plan shall become null and void and of no further force and effect. The Plan, as amended by the stockholders on July 24, 2007, shall be effective as of May 1, 2008 and shall continue in effect until April 30, 2018 unless sooner terminated under Section 13.

ACI WORLDWIDE, INC.

2005 Equity and Performance Incentive Plan
(Amended by the Stockholders June 14, 2012 and further revised to reflect the 3 for 1 stock split effective July 10, 2014)

1. **PURPOSE.** The purpose of the 2005 Equity and Performance Incentive Plan is to attract and retain directors, officers and other employees for ACI Worldwide, Inc., a Delaware corporation, and its Subsidiaries and to provide to such persons incentives and rewards for superior performance.

2. **DEFINITIONS.** As used in this Plan,

(a) **“Appreciation Right”** means a right granted pursuant to Section 5 of this Plan, and will include both Tandem Appreciation Rights and Free-Standing Appreciation Rights.

(b) **“Award”** means any Option, Appreciation Right, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards granted under this Plan.

(c) **“Award Agreement”** means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Board that sets forth the terms and conditions of the Awards granted. An Award Agreement may be in an electronic medium, may be limited to notation on the books and records of the Company and, with the approval of the Board, need not be signed by a representative of the Company or a Participant.

(d) **“Base Price”** means the price to be used as the basis for determining the Spread upon the exercise of a Free-Standing Appreciation Right and a Tandem Appreciation Right.

(e) **“Board”** means the Board of Directors of the Company and, to the extent of any delegation by the Board to a committee (or subcommittee thereof) pursuant to Section 16 of this Plan, such committee (or subcommittee).

(f) **“Code”** means the Internal Revenue Code of 1986, as amended from time to time, and includes a reference to the underlying final regulations. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(g) **“Common Shares”** means the shares of Class A Common Stock, par value \$.005 per share, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 12 of this Plan.

(h) **“Company”** means ACI Worldwide, Inc., a Delaware corporation formerly known as Transaction Systems Architects, Inc.

(i) **“Covered Employee”** means a Participant who is, or is determined by the Board to be likely to become, a “covered employee” within the meaning of Section 162(m) of the Code or any successor provision.

(j) **“Date of Grant”** means the date specified by the Board on which a grant of any Award under this Plan will become effective (which date will not be earlier than the date on which the Board takes action with respect thereto).

(k) “**Director**” means a member of the Board of Directors of the Company.

(l) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

(m) “**Free-Standing Appreciation Right**” means an Appreciation Right granted pursuant to Section 5 of this Plan that is not granted in tandem with an Option.

(n) “**Incentive Stock Options**” means Options that are intended to qualify as “incentive stock options” under Section 422 of the Code or any successor provision.

(o) “**Management Objectives**” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares or Performance Units or, when so determined by the Board, Options, Appreciation Rights, Restricted Stock, Restricted Stock Units, dividend credits and Other Awards pursuant to this Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, region or function within the Company or Subsidiary in which the Participant is employed. The Management Objectives may be made relative to the performance of other companies. The Management Objectives applicable to any Award to a Covered Employee will be based on specified levels of, or growth in, one or more of the following criteria:

1. cash flow/net assets ratio;
2. debt/capital ratio;
3. return on total capital;
4. return on equity;
5. earnings per share;
6. revenue;
7. total return to stockholders (which may be measured by stock price);
8. backlog;
9. contribution margins;
10. sales;
11. operating income; and
12. earnings before interest, taxes, depreciation and amortization.

If the Board determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Board may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Board deems appropriate and equitable, except in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code. In such case, the Board will not make any modification of the Management Objectives or minimum acceptable level of achievement with respect to such Covered Employee.

(p) “**Non-Employee Director**” means a person who is a “non-employee director” of the Company within the meaning of Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act.

(q) **“Market Value per Share”** means, as of any particular date, (i) the closing sale price (price for last trade) per Common Share as reported on the principal exchange on which Common Shares are then trading, if any, or, if applicable and provided that the Common Shares are not then-traded on such principal exchange, the NASDAQ Global Select Stock Market, or if there are no sales on such day, on the next preceding trading day during which a sale occurred, or (ii) if clause (i) does not apply, the fair market value of the Common Shares as determined by the Board.

(r) **“Nonqualified Stock Option”** means an Option that is not an Incentive Stock Option.

(s) **“Optionee”** means the optionee named in an Award Agreement evidencing an outstanding Option.

(t) **“Option Price”** means the purchase price payable on exercise of an Option.

(u) **“Option”** means the right to purchase Common Shares upon exercise of an option granted pursuant to Section 4 or Section 9 of this Plan. An Option may be either an Incentive Stock Option or a Nonqualified Stock Option.

(v) **“Other Award”** means an award or bonus granted under Section 10 of this Plan.

(w) **“Participant”** means a person who is selected by the Board to receive benefits under this Plan and who is at the time an officer, or other key employee of the Company or any one or more of its Subsidiaries, or who has agreed to commence serving in any of such capacities within 90 days of the Date of Grant, and will also include each Non-Employee Director who receives an Award under this Plan.

(x) **“Performance Period”** means, in respect of a Performance Share or Performance Unit or Qualified Performance-Based Award, a period of time established pursuant to Section 8 or Section 9, respectively, of this Plan within which the Management Objectives relating to such Performance Share, Performance Unit or Qualified Performance-Based Award are to be achieved.

(y) **“Performance Share”** means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to Section 8 or Section 9 of this Plan.

(z) **“Performance Unit”** means a bookkeeping entry that records a unit equivalent to \$1.00 awarded pursuant to Section 8 or Section 9 of this Plan.

(aa) **“Plan”** means this ACI Worldwide, Inc. 2005 Equity and Performance Incentive Plan, as amended.

(bb) **“Qualified Performance-Based Award”** means an Award that is either (i) intended to qualify for a Section 162(m) Exemption, and is made subject to the performance of certain Management Objectives, or (ii) an Option or Appreciation Right.

(cc) **“Restricted Stock”** means Common Shares granted or sold pursuant to Section 6 or Section 9 of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.

(dd) **“Restriction Period”** means the period of time during which Restricted Stock Units are subject to deferral, a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Board, in its discretion) and other restrictions on transfer, as provided in Section 7 or Section 9 of this Plan.

(ee) “**Restricted Stock Unit**” means an award made pursuant to Section 7 or Section 9 of this Plan of the right to receive Common Shares or cash at the end of a specified period.

(ff) “**Section 162(m) Exemption**” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code or any successor provision thereto.

(gg) “**Spread**” means the excess of the Market Value per Share on the date when an Appreciation Right is exercised, or on the date when Options are surrendered in payment of the Option Price of other Options, over the Option Price or Base Price provided for in the related Option or Appreciation Right, respectively.

(hh) “**Subsidiary**” means a corporation, company or other entity (i) more than 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company; except that, for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “**Subsidiary**” means any corporation in which at the time the Company owns or controls, directly or indirectly, more than 50 percent of the total combined voting power represented by all classes of stock issued by such corporation.

(ii) “**Tandem Appreciation Right**” means an Appreciation Right granted pursuant to Section 5 of this Plan that is granted in tandem with an Option.

3. SHARES AVAILABLE UNDER THE PLAN.

(a) **Number of Shares.** Subject to adjustment as provided in Section 3(b) and Section 12 of this Plan, the maximum number of Common Shares that may be issued or transferred to Participants and their beneficiaries in connection with Awards granted under the Plan shall be equal to the sum of:

(i) 23,250,000 Common Shares plus any shares described in Section 3(b), and (ii) any Common Shares that are represented by options granted under the following Company plans which are forfeited, expire or are canceled without delivery of Common Shares or which result in the forfeiture or relinquishment of Common Shares back to the Company: (A) the 1994 Stock Option Plan, as amended, (B) the 1996 Stock Option Plan, (C) the 1997 Management Stock Option Plan, (D) the 2000 Non-Employee Director Stock Option, (E) the MessagingDirect Ltd. Amended and Restated Employee Share Option Plan and (F) the 2002 Non-Employee Director Stock Option Plan, as amended (collectively the “Prior Plans”). Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(b) Share Calculation.

(i) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued Common Shares subject to the Award will again be available for issuance pursuant to Awards granted under this Plan.

(ii) Common Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under this Plan.

(iii) Shares surrendered or relinquished upon the payment of any Option Price for Options granted under this Plan or any of the Prior Plans by transfer to the Company of Common Shares or upon satisfaction of any withholding amount will again be available for issuance pursuant to Awards granted under this Plan.

(iv) The number of shares available in Section 3(a) shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Common Shares or credited as additional Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units.

(v) If, under this Plan, a Participant has given up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the number of shares available in Section 3(a) above.

(c) **Individual Limits.** Notwithstanding anything in this Section 3, or elsewhere in this Plan to the contrary and subject to adjustment as provided in Section 12 of this Plan:

(i) the aggregate number of Common Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 9,000,000 Common Shares;

(ii) no Participant will be granted Options, Appreciation Rights, Restricted Stock, Restricted Stock Units, or Other Awards this Plan during the life of the Plan, in the aggregate, for more than 3,000,000 Common Shares during any calendar year; and

(iii) notwithstanding any other provision of this Plan to the contrary, in no event will any Participant in any calendar year receive an award of Performance Shares or Performance Units having an aggregate maximum value as of their respective Dates of Grant in excess of \$7,500,000.

4. **OPTIONS.** The Board may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Options to purchase Common Shares. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) **Type of Options and Eligibility.** Options granted under this Plan may be (i) Incentive Stock Options (ii) Nonqualified Stock Options, or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of “employees” under Section 3401(c) of the Code.

(b) **Number of Shares.** Each grant will specify the number of Common Shares to which it pertains subject to the limitations set forth in Section 3 of this Plan.

(c) **Exercise Price.** Each grant will specify an Option Price per share, which may not be less than the Market Value per Share on the Date of Grant.

(d) **Exercise Terms and Expiration.** An Option will be exercisable in accordance with such terms and conditions and during such periods established by the Board and set forth in the Award Agreement; provided, however, no Option will be exercisable more than 10 years from the Date of Grant.

(e) **Special Terms for Incentive Stock Options.**

(i) Notwithstanding anything contained herein to the contrary, the aggregate Market Value per Share with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all incentive stock option plans of the Company or any Subsidiary) shall not exceed \$100,000 or such other limit set forth in the Code, as amended.

(ii) No Incentive Stock Option shall be granted to an employee who, at the time the Incentive Stock Option is granted, owns (actually or constructively under the provisions of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary, unless the Option Price is at least 110% of the Market Value per Share (determined as of the time the Incentive Stock Option is granted) of Common Shares subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable more than five (5) years from the Date of Grant.

(iii) To the extent that any provision of this Plan would prevent any Option that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option. Such provision, however, will remain in effect for other Options and there will be no further effect on any provision of this Plan.

(f) Payment.

(i) Each grant will specify whether the Option Price will be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of Common Shares owned by the Optionee for at least 6 months (or other consideration authorized pursuant to Section 4(f)(ii)) having a value at the time of exercise equal to the total Option Price, or (iii) by a combination of such methods of payment.

(ii) The Board may determine, at or after the Date of Grant, that payment of the Option Price of any Nonqualified Stock Option may also be made in whole or in part in the form of Restricted Stock or other Common Shares that are forfeitable or subject to restrictions on transfer, or in the form of Restricted Stock Units, Performance Shares (based, in each case, on the Market Value per Share on the date of exercise), other Options (based on the Spread on the date of exercise) or Performance Units. Unless otherwise determined by the Board at or after the Date of Grant, whenever any Option Price is paid in whole or in part by means of any of the forms of consideration specified in this Section 4(f)(ii), the Common Shares received upon the exercise of the Options will be subject to such risks of forfeiture or restrictions on transfer as may correspond to any that apply to the consideration surrendered, but only to the extent, determined with respect to the consideration surrendered, of (A) the number of shares or Performance Shares, (B) the Spread of any unexercisable portion of Options, or (C) the stated value of Performance Units.

(iii) The Board reserves the discretion at or after the Date of Grant to provide for (a) the payment of a cash bonus at the time of exercise; (b) the availability of a loan at exercise; and (c) the right to tender in satisfaction of the Option Price nonforfeitable, unrestricted Common Shares, which are already owned by the Optionee and have a value at the time of exercise that is equal to the Option Price.

(iv) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the shares to which such exercise relates.

(g) General.

(i) Successive grants may be made to the same Participant whether or not any Options previously granted to such Participant remain unexercised.

(ii) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary that is necessary before the Options or installments thereof will become exercisable and may provide for the earlier exercise of such Options in the event of the termination of the Optionee's employment for any reason or a change in control of the Company, as may be defined in an Award Agreement.

(iii) The exercise of an Option will result in the cancellation on a share- for-share basis of any Tandem Appreciation Right authorized under Section 5 of this Plan.

(iv) Any grant of Options may specify Management Objectives that must be achieved as a condition to the exercise of such rights.

(h) **Award Agreement.** Each grant of Options will be evidenced by an Award Agreement and will contain such terms and provisions, consistent with this Plan, as the Board may approve.

5. APPRECIATION RIGHTS.

(a) **Types of Appreciation Rights.** The Board may authorize the granting of (i) Tandem Appreciation Rights in respect of Options granted hereunder to any Optionee, and (ii) Free-Standing Appreciation Rights to any Participant. Each grant of Appreciation Rights may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions.

(b) **Tandem Appreciation Rights.** A "**Tandem Appreciation Right**" will be a right of the Optionee, exercisable by surrender of the related Option, to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise. Tandem Appreciation Rights may be granted at any time prior to the exercise or termination of the related Options; provided, however, that a Tandem Appreciation Right awarded in relation to an Incentive Stock Option must be granted concurrently with such Incentive Stock Option.

(i) Any grant of Tandem Appreciation Rights will provide that such Tandem Appreciation Rights may be exercised only at a time when the related Option is also exercisable and at a time when the Spread is positive, and by surrender of the related Option for cancellation.

(c) **Free-Standing Appreciation Rights.** A "**Free-Standing Appreciation Right**" will be a right of the Participant to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100 percent) at the time of exercise.

(i) Each grant will specify in respect of each Free-Standing Appreciation Right a Base Price, which will be equal to or greater than the Market Value per Share on the day immediately preceding the Date of Grant;

(ii) Successive grants may be made to the same Participant regardless of whether any Free-Standing Appreciation Rights previously granted to the Participant remain unexercised; and

(iii) No Free-Standing Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant.

(d) Payment.

(i) Any grant may specify that the amount payable on exercise of an Appreciation Right may be paid by the Company in cash, in Common Shares or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.

(ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Board at the Date of Grant.

(e) General.

(i) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.

(ii) Any grant may specify that such Appreciation Right may be exercised only in the event of, or earlier in the event of, a change in control of the Company, as may be defined in an Award Agreement.

(iii) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the exercise of such Appreciation Rights.

(f) **Award Agreement.** Each grant of Appreciation Rights will be evidenced by an Award Agreement, which Award Agreement will describe such Appreciation Rights, identify the related Options (if applicable), and contain such other terms and provisions, consistent with this Plan, as the Board may approve.

6. RESTRICTED STOCK. The Board may also authorize the grant or sale of Restricted Stock to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions.

(a) **Ownership.** Each such grant or sale will constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

(b) **Consideration.** Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.

(c) Substantial Risk of Forfeiture.

(i) Each such grant or sale will provide that the Restricted Stock covered by such grant or sale will be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code for a period of not less than one year to be determined by the Board at the Date of Grant and may provide for the earlier lapse of such substantial risk of forfeiture in the event of a change in control of the Company, as may be defined in an Award Agreement.

(ii) Each such grant or sale will provide that during the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Stock will be prohibited or restricted in the manner and to the extent prescribed by the Board at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture in the hands of any transferee).

(d) General.

(i) Any grant of Restricted Stock may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Stock. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of shares of Restricted Stock on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives.

(ii) Unless otherwise directed by the Board, all certificates representing shares of Restricted Stock will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such Shares.

(e) **Award Agreement.** Each grant or sale of Restricted Stock will be evidenced by an Award Agreement and will contain such terms and provisions, consistent with this Plan, as the Board may approve.

7. RESTRICTED STOCK UNITS. The Board may also authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions.

(a) Payment.

(i) Each such grant or sale will constitute the agreement by the Company to deliver Common Shares or cash to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the Restriction Period as the Board may specify.

(ii) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.

(b) Restriction Period.

(i) Each such grant or sale will be subject to a Restriction Period of not less than one year, as determined by the Board at the Date of Grant, and may provide for the earlier lapse or other modification of such Restriction Period in the event of a change in control of the Company, as may be defined in an Award Agreement.

(ii) During the Restriction Period, the Participant will have no right to transfer any rights under his or her Award and will have no rights of ownership in the Restricted Stock Units and will have no right to vote them.

(c) **Award Agreement.** Each grant or sale of Restricted Stock Units will be evidenced by an Award Agreement and will contain such terms and provisions, consistent with this Plan, as the Board may approve.

8. PERFORMANCE SHARES AND PERFORMANCE UNITS. The Board may also authorize the granting of Performance Shares and Performance Units that will become payable to a Participant upon achievement of specified Management Objectives during the Performance Period. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions.

(a) **Shares and Units.** Each grant will specify the number of Performance Shares or Performance Units to which it pertains, which number may be subject to adjustment to reflect changes in compensation or other factors; provided, however, that no such adjustment will be made in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code.

(b) **Performance Period.** The Performance Period with respect to each Performance Share or Performance Unit will be such period of time (not less than one year), commencing with the Date of Grant as will be determined by the Board at the time of grant, which may be subject to earlier lapse or other modification in the event of a change in control of the Company, as may be defined in an Award Agreement.

(c) **Achievement of Management Objectives.** Any grant of Performance Shares or Performance Units will specify Management Objectives which, if achieved, will result in payment or early payment of the Award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level of achievement and will set forth a formula for determining the number of Performance Shares or Performance Units that will be earned if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of Performance Shares or Performance Units will specify that, before the Performance Shares or Performance Units will be earned and paid, the Board must certify that the Management Objectives have been satisfied.

(d) **Payment.**

(i) Each grant will specify the time and manner of payment of Performance Shares or Performance Units that have been earned.

(ii) Any grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in Common Shares or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.

(iii) Any grant of Performance Shares or Performance Units may specify that the amount payable or the number of Common Shares issued with respect thereto may not exceed a maximum specified by the Board at the Date of Grant.

(e) **Award Agreement.** Each grant of Performance Shares or Performance Units will be evidenced by an Award Agreement and will contain such other terms and provisions, consistent with this Plan, as the Board may approve.

9. AWARDS TO NON-EMPLOYEE DIRECTORS. The Board may authorize the grant or sale of any Award available under this Plan to Non-Employee Directors, from time to time, upon such terms and conditions as it may determine and subject to the terms and conditions pertaining to the type of Award granted, as described in this Plan.

(a) **Payment for Options.** Options may be exercised by a Non-Employee Director only upon payment to the Company in full of the Option Price of the Common Shares to be delivered. Such payment will be made in cash or in Common Shares then owned by the Optionee for at least six months, or in a combination of cash and such Common Shares.

(b) **Employee Status.** If a Non-Employee Director subsequently becomes an employee of the Company or a Subsidiary while remaining a member of the Board, any Options held under the Plan by such individual at the time of such commencement of employment will not be affected thereby.

(c) **Director Compensation Substitution.** Non-Employee Directors, pursuant to this Section 9, may be awarded, or may be permitted to elect to receive, pursuant to procedures established by the Board, all or any portion of their annual retainer, meeting fees or other fees in Common Shares in lieu of cash.

(d) **Award Agreement.** Each grant of Awards pursuant to this Section 9 will be evidenced by an Award Agreement and will contain such other terms and provisions, consistent with this Plan, as the Board may approve.

10. OTHER AWARDS.

(a) **Other Awards.** The Board may, subject to limitations under applicable law, grant to any Participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Common Shares, purchase rights for Common Shares, Awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Board, and Awards valued by reference to the book value of Common Shares or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Board shall determine the terms and conditions of such Other Awards. Common Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 10 shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, Common Shares, other awards, notes or other property, as the Board shall determine.

(b) **Cash Awards.** Cash awards, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this Section 10.

(c) **Share Bonus.** The Board may grant Common Shares as a bonus, or may grant other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Board.

11. TRANSFERABILITY.

(a) **Limits on Transferability.** Except for transfers of Awards to the Company pursuant to Section 4(f)(ii), or as provided in Section 11(b) below, no Option, Appreciation Right or other derivative security granted under the Plan shall be transferable by the Participant except by will or the laws of descent and distribution or, except with respect to an Incentive Stock Option, pursuant to a domestic relations order (within the meaning of Rule 16a-12 promulgated under the Exchange Act). Except as otherwise determined by the Board, Options and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law and / or court supervision.

(b) Beneficiary Designations.

(i) Notwithstanding Section 11(a) above, an Option, Appreciation Right or other derivative security granted under the Plan may be transferable upon the death of the Participant, without payment of consideration therefor, to any one or more family members (as defined in the General Instructions to Form S-8 under the Securities Act of 1933) of the Participant, as may have been designated in writing by the Participant by means of a form of beneficiary designation approved by the Company. Such beneficiary designation may be made at any time by the Participant and shall be effective when it is filed, prior to the death of the Participant, with the Company. Any beneficiary designation may be changed by the filing of a new beneficiary designation, which will cancel any beneficiary designation previously filed with the Company.

(ii) Notwithstanding Section 11(a) above, an Option, Appreciation Right or other derivative security granted under the Plan may be transferable by the Participant without payment of consideration therefor, to any one or more family members (as defined in the General Instructions to Form S-8 under the Securities Act of 1933) of the Participant; provided, however, that such transfer will not be effective until notice of such transfer is delivered to the Company; and provided, further, however, that any such transferee is subject to the same terms and conditions hereunder as the Participant.

(c) **Additional Restrictions on Transfer.** The Board may specify at the Date of Grant that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Options or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6 of this Plan, will be subject to further restrictions on transfer.

12. ADJUSTMENTS.

(a) **Outstanding Awards.** The Board may make or provide for such adjustments in the number of Common Shares covered by outstanding Options, Appreciation Rights, Restricted Stock Units, and Performance Shares granted hereunder and, if applicable, in the number of Common Shares covered by Other Awards, in the Option Price and Base Price provided in outstanding Options and Appreciation Rights, and in the kind of shares covered thereby, as the Board, in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization, reclassification or other change in the capital structure of the Company, or (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Board, in its discretion, may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced.

(b) **Share Limitations.** The Board may also make or provide for such adjustments in the number and kind of Common Shares specified in Section 3 of this Plan as the Board in its sole discretion, exercised in good faith, may determine is appropriate to reflect any transaction or event described in this Section 12; provided, however, that any such adjustment to the number specified in Section 3(c)(i) will be made only if and to the extent that such adjustment would not cause any Option intended to qualify as an Incentive Stock Option to fail so to qualify.

13. **FRACTIONAL SHARES.** The Company will not be required to issue any fractional Common Shares pursuant to this Plan. The Board may provide for the elimination of fractions or for the settlement of fractions in cash.

14. **WITHHOLDING TAXES.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Board) may include relinquishment of a portion of such benefit.

15. **FOREIGN EMPLOYEES.** In order to facilitate the making of any grant or combination of grants under this Plan, the Board may provide for such special terms for Awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Board may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Board may approve such supplements to or amendments, restatements or alternative versions of this Plan as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

16. **ADMINISTRATION OF THE PLAN.**

(a) **Board or Committee.** This Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Plan to the Compensation Committee of the Board (or a subcommittee thereof), as constituted from time to time; provided, however, such committee shall consist of two or more members of the Board, all of whom shall qualify as an “outside director” pursuant to Section 162(m) of the Code and a “Non-Employee Director.” To the extent of any such delegation, references in this Plan to the Board will be deemed to be references to such committee or subcommittee. A majority of the committee (or subcommittee) will constitute a quorum, and the action of the members of the committee (or subcommittee) present at any meeting at which a quorum is present, or acts unanimously approved in writing, will be the acts of the committee (or subcommittee).

(b) **Interpretation and Construction.** The interpretation and construction by the Board of any provision of this Plan or of any agreement, notification or document evidencing the grant of Options, Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards and any determination by the Board pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive. No member of the Board will be liable for any such action or determination made in good faith.

(c) **Delegation.** The Board or, to the extent of any delegation as provided in Section 16(a), the committee, may delegate to one or more of its members or to one or more officers of the Company, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Board, the committee, or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Board, the committee or such person may have under the Plan. The Board or the committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as the Board or the committee: (i) designate employees to be recipients of Awards under this Plan; and (b) determine the size of any such Awards; provided, however, that (A) the Board or the Committee shall not delegate such responsibilities to any such officer for Awards granted to an employee who is an officer, Director, or more than 10% beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 11 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act; (B) the resolution providing for such authorization sets forth the total number of Common Shares such officer(s) may grant; and (iii) the officer(s) shall report periodically to the Board or the committee, as the case may be, regarding the nature and scope of the Awards granted pursuant to the authority delegated.

(d) **No Other Awards.** The terms of the Plan govern all Awards granted under the Plan, and in no event will the Board have the power to grant any Award under the Plan that is contrary to any of the provisions of the Plan.

17. AMENDMENTS.

(a) **Right to Amend the Plan.** The Board may at any time and from time to time amend the Plan in whole or in part; provided, however, that any amendment which must be approved by the stockholders of the Company in order to comply with applicable law or the rules of the NASDAQ Stock Market's National Market or, if the Common Shares are not traded on the NASDAQ Stock Market's National Market, the principal national securities exchange upon which the Common Shares are traded or quoted, will not be effective unless and until such approval has been obtained.

(b) **No Re-Pricing of Options or Appreciation Rights.** The Board will not, without the further approval of the stockholders of the Company, authorize the amendment of any outstanding Option to reduce the Option Price or any outstanding Appreciation Right to reduce the Base Price. Furthermore, no Option or Appreciation Right will be cancelled and replaced with Awards having a lower Option Price or Base Price, as applicable, without further approval of the stockholders of the Company. This Section 17(b) is intended to prohibit the repricing of "underwater" Options and Appreciation Rights and will not be construed to prohibit the adjustments provided for in Section 12 of this Plan.

(c) **Amendments to Awards.** The Board may amend the terms of any Award theretofore granted under this Plan prospectively or retroactively, but subject to Section 12 above, no such amendment shall impair the rights of any holder without his or her consent.

18. **ACCELERATION OF VESTING UPON TERMINATION OF EMPLOYMENT.** In case of termination of employment by reason of death, disability or normal or early retirement, or in the case of an unforeseeable emergency or other special circumstances, of a Participant who holds an Option or Appreciation Right not immediately exercisable in full, or any shares of Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or any Other Awards subject to any vesting schedule or transfer restriction, or who holds Common Shares subject to any transfer restriction imposed pursuant to Section 11(b) of this Plan, the Board may, in its sole discretion, accelerate the time at which such Option, Appreciation Right or Other Award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such Award.

19. **GOVERNING LAW.** The Plan and all Awards, grants and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware.

20. **TERMINATION OF THE PLAN.** The Plan shall be effective as of the date it is approved by both the Board and the stockholders of the Company. The Board may, in its discretion, terminate this Plan at any time. No grant will be made under this Plan more than 10 years after the date on which this Plan is first approved by the stockholders of the Company, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan. Termination of this Plan will not affect the rights of Participants or their successors under any Awards outstanding hereunder and not exercised in full on the date of termination.

21. **PROVISIONS APPLICABLE TO ALL AWARDS.**

(a) **Dividends and Dividend Equivalents.**

(i) The Board may, at or after the Date of Grant of an Award (other than Incentive Stock Options), provide the Participant the right to receive dividends or dividend equivalents which may be either paid on a current, deferred or contingent basis or credited to an account for the Participant.

(ii) With respect to Restricted Stock, the Board may require that any or all dividends or other distributions paid thereon during the period of time for which such Restricted Stock is subject to substantial risk of forfeiture or other transfer restriction be automatically deferred and reinvested in additional shares of Restricted Stock, which may be subject to the same restrictions as the underlying Restricted Stock.

(iii) Any dividends or dividend equivalents may be settled in cash, Common Shares or a combination of both as determined in the Board's sole discretion.

(b) **Deferrals.** The Board may permit Participants to elect to defer the issuance of Common Shares or the settlement of Awards in cash under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan. The Board also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts.

(c) **Surrender or Deferral of Compensation.** The Board may condition the grant of any Award or combination of Awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.

(d) Qualified Performance-Based Awards.

(i) The provisions of the Plan are intended to ensure that all Options and Appreciation Rights granted hereunder to any Covered Employee shall qualify for the Section 162(m) Exemption; provided that the Option Price or Base Price of such Award is not less than the Market Value per Share on the Date of Grant. In addition to Performance Shares and Performance Units, when granting any other Award, the Board may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Board wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Board shall establish Management Objectives for such Award within the time period prescribed by Section 162(m) of the Code.

(ii) Each Qualified Performance-Based Award (other than an Option or Appreciation Right shall be earned, vested and payable (as applicable) only upon the achievement of the Management Objectives established by the Board, together with the satisfaction of any other conditions as the Board may determine to be appropriate.

(iii) The Board may provide, in its sole and absolute discretion, either in connection with the grant thereof or by amendment thereafter, that achievement of the Management Objectives will be waived upon the death or disability of the Participant, or upon a change in control of the Company, as may be defined in the Award Agreement. Performance periods established by the Board for any such Qualified Performance-Based Award may not be less than one year from the Date of Grant.

(iv) Any payment of a Qualified Performance-Based Award granted with Management Objectives pursuant to this Plan shall be conditioned on the written certification of the Board in each case that the Management Objectives and any other material conditions were satisfied.

(v) Sections 3(c)(ii) and (iv) set forth the maximum number of Common Shares or dollar value that may be granted in any one-year period to a Participant in designated forms of Qualified Performance-Based Awards.

(vi) Any grant of an Award intended to qualify as a Qualified Performance-Performance-based Award will specify Management Objectives which, if achieved, will result in payment or early payment of the Award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level of achievement and will set forth a formula for determining the number of shares or units that will be earned if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of a Qualified Performance-based Award will specify that, before the Qualified Performance-based Award will be earned and paid, the Board must certify that the Management Objectives have been satisfied.

(e) **Forfeiture Events.** The Board may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Subsidiary policies, violation of ethical codes or other codes of conduct, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Subsidiary.

22. GENERAL PROVISIONS.

(a) **No Rights to Awards; Non Uniform Awards.** No Participant or any eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Subsidiaries nor the Board is obligated to treat Participants or eligible Participants uniformly, and determinations made under the Plan may be made by the Board selectively among eligible Participants who receive, or are eligible to receive, Awards (whether or not such eligible Participants are similarly situated).

(b) **No Exercises Contrary to Law.** No Award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Board, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.

(c) **No Right to Employment.** This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

(d) **Authorized Leaves.** Absence on leave approved by a duly constituted officer of the Company or any of its Subsidiaries shall not be considered interruption or termination of service of any employee for any purposes of this Plan or Awards granted hereunder, except that no Awards may be granted to an employee while he or she is absent on leave.

(e) **No Rights as a Stockholder.** No Participant shall have any rights as a stockholder with respect to any shares subject to Awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Company.

(f) **Conflicts.** In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan, the term in the Plan shall control.

(g) **Headings.** The headings used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize, or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions had been used in the Plan.

(h) **Successors and Assigns.** The Plan is binding on and will inure to the benefit of any successor to the Company, whether by way of merger, consolidation, purchase, or otherwise.

(i) **Severability.** If any provision of the Plan or any Award Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan or Award Agreement, and the Plan and each Award Agreement shall each be construed and enforced as if the invalid provisions had never been set forth therein.

(j) **No Strict Construction.** No rule of strict construction shall be applied against the Company or any other person in the interpretation of any of the terms of the Plan, any Award Agreement, any Award granted under the Plan, or any rule, regulation or procedure established by the Board.

RESTRICTED SHARE AWARD AGREEMENT
Non-Employee Director

THIS RESTRICTED SHARE AWARD AGREEMENT (this "Agreement") is made and entered into as of the effective date set forth in Schedule A hereto (the "Effective Date" or "Grant Date"), between ACI Worldwide, Inc., a Delaware corporation (the "Corporation"), and the individual identified in Schedule A hereto, a Non-Employee Director of the Corporation or its Subsidiaries (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the ACI Worldwide, Inc. 2005 Equity and Performance Incentive Plan, as amended.

WHEREAS, the Board of Directors of the Corporation (the "Board") has duly adopted, and the stockholders of the Corporation have approved, the 2005 Equity and Performance Incentive Plan, as amended (the "Plan"), which authorizes the Corporation to grant to eligible individuals restricted shares of the Corporation's common stock, par value of \$0.005 per share (the "Common Shares"); and

WHEREAS, the Corporation has determined that it is desirable and in the best interests of the Corporation and its stockholders to grant the Grantee a certain number of restricted shares of the Corporation's Common Shares in order to provide the Grantee with an incentive to advance the interests of the Corporation, all according to the terms and conditions set forth herein and in the Plan.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Shares.

(a) The Corporation hereby grants to the Grantee an award (the "Award") of the number of Common Shares (the "Shares" or the "Restricted Shares") set forth in Schedule A on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) The Grantee's rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the restrictions shall lapse in accordance with Sections 2 and 3 hereof.

2. Terms and Rights as a Stockholder.

(a) Except as provided herein and subject to such other exceptions as may be determined by the Board in its discretion, the Restricted Shares shall vest and the "Restricted Period" for such Restricted Shares shall expire on the earlier to occur of (i) the date which is one year following the Grant Date and (ii) the day immediately prior to the date of the next annual meeting of the stockholders of the Corporation occurring following the Grant Date (in each case as such number may be adjusted in accordance with Section 8 hereof).

(b) The Grantee shall have all rights of a stockholder with respect to the Restricted Shares, including the right to receive dividends and the right to vote such Shares, subject to the following restrictions:

- (i) the Grantee shall not be entitled to delivery of any Shares until the expiration of the Restricted Period as to such Shares;

- (ii) none of the Restricted Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during the Restricted Period as to such Shares; and
- (iii) except as otherwise determined by the Board at or after the grant of the Award hereunder, if the Grantee ceases to be a Non-Employee Director of the Corporation or any Subsidiary at any time for any reason, any of the Restricted Shares as to which the Restricted Period has not expired shall be forfeited, and all rights of the Grantee to such Shares shall terminate, without further obligation on the part of the Corporation and ownership of all such forfeited Restricted Shares shall be transferred back to the Corporation.

Any Shares, any other securities of the Corporation and any other property (except for cash dividends) distributed with respect to the Restricted Shares shall be subject to the same restrictions, terms and conditions as such Restricted Shares.

In order to facilitate the transfer back to the Corporation of any Restricted Shares that are forfeited and cancelled as described herein, including a transfer as payment of required withholding taxes as set forth in Section 10 of this Agreement, Grantee shall, upon the request of the Corporation, provide a stock power or other instrument of assignment (including a power of attorney) endorsed in blank, with a guarantee of signature if deemed necessary or appropriate by the Corporation.

(c) Notwithstanding the foregoing, the Restricted Shares shall vest and the Restricted Period shall automatically terminate as to all Restricted Shares awarded hereunder (as to which such Restricted Period has not previously terminated) if (i) the Grantee ceases to be a Non-Employee Director of the Corporation or a Subsidiary of the Corporation by reason of Disability (as defined in Section 22(e)(3) of the Code); (ii) the Grantee dies while serving as a Non-Employee Director of the Corporation or a subsidiary (or dies within a period of one month after termination of his service as a Non-Employee Director for any reason other than Disability or within a period of one year after his termination of service as a Non-Employee Director by reason of Disability); or (iii) there is a Change in Control (as defined in Section 7) if the Grantee is a Non-Employee Director of the Corporation or a Subsidiary on the date of such Change in Control.

3. Termination of Restrictions.

(a) Upon the expiration or termination of the Restricted Period as to any portion of the Restricted Shares, or at such earlier time as may be determined by the Board, all restrictions set forth in this Agreement or in the Plan relating to such portion of the Restricted Shares shall lapse as to such portion of the Restricted Shares, and the appropriate number of Shares, free of the restrictions and restrictive stock legend or notation, as applicable, shall be delivered to the Grantee or the Grantee's beneficiary or estate, as the case may be, pursuant to the terms of this Agreement.

(b) Notwithstanding the foregoing, the expiration or termination of the Restricted Period as to any portion of Restricted Shares shall be delayed in the event the Corporation reasonably anticipates that the expiration or termination of the Restricted Period, or the delivery of unrestricted Shares would constitute a violation of federal securities laws or other applicable law. If the expiration or termination of the Restricted Period, or the delivery of unrestricted Shares, is delayed by the provisions of this Section 3(b), such expiration, termination and/or delivery shall occur at the earliest date at which the Corporation reasonably anticipates such expiration, termination or delivery will not cause a violation of federal securities laws or other applicable law. For purposes of this Section 3(b), the delivery of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not considered a violation of applicable law.

4. Delivery of Shares.

(a) As of the date hereof, the Restricted Shares shall be registered in the name of the Grantee and held by the Corporation or transferred to a custodian appointed by the Corporation for the account of the Grantee subject to the terms and conditions of the Plan and shall remain in the custody of the Corporation or such custodian until their delivery to the Grantee or Grantee's beneficiary or estate as set forth in Sections 4(b) and (c) hereof or their reversion to the Corporation as set forth in Sections 2(b) and 6 hereof.

(b) The Restricted Shares in respect of which the Restricted Period has lapsed pursuant to this Agreement shall be delivered to the Grantee as soon as practicable following the date on which the restrictions on such Restricted Shares lapse subject to Section 10 below. The Corporation shall issue the Restricted Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee, with legends, or notations, as applicable, referring to the terms, conditions and restrictions applicable to the Award.

(c) Restricted Shares in respect of which the Restricted Period lapsed upon the Grantee's death shall be delivered to the executors or administrators of the Grantee's estate in the manner described in Section 4(b) as soon as practicable following the receipt of proof of the Grantee's death satisfactory to the Corporation subject to Section 10 below.

(d) Any certificate issued representing Restricted Shares shall bear a legend in substantially the following form:

THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE AND RESTRICTIONS AGAINST TRANSFER) CONTAINED IN THE ACI WORLDWIDE, INC. 2005 EQUITY AND PERFORMANCE INCENTIVE PLAN (THE "PLAN") AND THE RESTRICTED SHARE AWARD AGREEMENT (THE "AGREEMENT") BETWEEN THE OWNER OF THE RESTRICTED SHARES REPRESENTED HEREBY AND ACI WORLDWIDE, INC. (THE "CORPORATION"). THE RELEASE OF SUCH SHARES FROM SUCH TERMS AND CONDITIONS SHALL BE MADE ONLY IN ACCORDANCE WITH THE PROVISIONS OF THE PLAN AND THE AGREEMENT, COPIES OF WHICH ARE ON FILE AT THE CORPORATION.

5. Effect of Lapse of Restrictions. To the extent that the Restricted Period applicable to any Restricted Shares shall have lapsed, the Grantee may receive, hold, sell or otherwise dispose of such Shares free and clear of the restrictions imposed under the Plan and this Agreement.

6. [Intentionally Omitted]

7. Change In Control

For purposes of this Agreement, “Change in Control” means:

- (a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then-outstanding shares of common stock of the Corporation (the “Outstanding Corporation Common Stock”) or (2) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the “Outstanding Corporation Voting Securities”); *provided, however*, that, for purposes of this definition of Change in Control, the following acquisitions shall not constitute a Change in Control: (a) any acquisition directly from the Corporation, (a)(b) any acquisition by the Corporation, (b)(c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any company controlled by, controlling or under common control with the Corporation, (c) (d) any acquisition by any Person pursuant to a transaction that complies with 7(c) below; or (d)(e) any acquisition of beneficial ownership of not more than 25% of the Outstanding Corporation Voting Securities by any Person that is entitled to and does report such beneficial ownership on Schedule 13G under the Exchange Act (a “13G Filer”), *provided, however*, that this clause (v) shall cease to apply when a Person who is a Schedule 13G Filer becomes required to file a Schedule 13D under the Exchange Act with respect to beneficial ownership of 20% or more of the Outstanding Corporation Common Stock or Outstanding Corporation Voting Securities. Notwithstanding any other provision hereof, if a Business Combination (as defined below) is completed during the Performance Period and the Outstanding Corporation Voting Securities are converted into voting securities of the Combined Corporation (as defined below), but such Business Combination does not constitute a “Change in Control” under 7(c) below, “Outstanding Corporation Voting Securities” shall thereafter mean voting securities of the Combined Corporation entitled to vote generally in the election of the members of the Combined Corporation Board.
- (b) Any time at which individuals who, as of the date hereof, constitute the Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors other than as a result of a Business Combination that does not constitute a “Change in Control” under Section 7(c) below; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (an “Election Contest”);
- (c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination (the “Combined Corporation”)) beneficially owns, directly or indirectly, such number of the then-Outstanding Corporation Voting Securities as would constitute a “Change in Control” under 7(a) above, and at least one-half of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination (the “Combined Corporation Board”) were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such Business Combination (the “Business Combination Agreement”);
or

(d) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

8. Adjustments. In the event of any change in the number of Shares by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to stockholders (other than normal cash dividends), the Board shall adjust the number and class of shares subject to outstanding Restricted Shares and other value determinations applicable to outstanding Restricted Shares. No adjustment provided for in this Section 8 shall require the Corporation to issue any fractional share.

9. Amendments. Subject to any restrictions contained in the Plan, the Board may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the Award, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination which would adversely affect the rights of the Grantee or any holder or beneficiary of the Award shall not to that extent be effective without the consent of the Grantee, holder or beneficiary affected. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. The terms and conditions of this Agreement may not be modified, amended or waived, except by an instrument in writing signed by a duly authorized executive officer at the Corporation.

10. Withholding of Taxes.

(a) The Grantee shall be liable for any and all taxes, including withholding taxes, arising out of this grant or the vesting of Restricted Shares hereunder. In the event that the Corporation is required to withhold taxes as a result of the grant or vesting or subsequent sale of Shares hereunder, the Grantee shall at the election of the Corporation, in its sole discretion, either (i) surrender a sufficient number of whole Shares for which the Restricted Period has expired or other Common Shares owned by the Grantee, having a fair market value, as determined by the Corporation on the last day of the Restricted Period equal to the amount of such taxes, or (ii) make a cash payment, as necessary to cover all applicable required withholding taxes and required social security/insurance contributions at the time the restrictions on the Restricted Shares lapse, unless the Corporation, in its sole discretion, has established alternative procedures for such payment. If the number of shares required to cover all applicable withholding taxes and required social security/insurance contributions includes a fractional share, then Grantee shall deliver cash in lieu of such fractional share. All matters with respect to the total amount to be withheld shall be determined by the Corporation in its sole discretion.

(b) Regardless of any action the Corporation takes with respect to any or all income tax, social security/insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Grantee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by him is and remains the Grantee's responsibility and that the Corporation (i) makes no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of Restricted Shares, including the grant, vesting or release, the subsequent sale of Shares and receipt of any dividends; and (ii) does not commit to structure the terms or any aspect of this grant of Restricted Shares to reduce or eliminate the Grantee's liability for Tax-Related Items. The Grantee shall pay the Corporation any amount of Tax-Related Items that the Corporation may be required to withhold as a result of the Grantee's participation in the Plan or the Grantee's receipt of Restricted Shares that cannot be satisfied by the means previously described above in Section 10(a). The Corporation may refuse to deliver the Shares related thereto if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items.

(c) Grantee will notify the Corporation in writing if he or she files an election pursuant to Section 83(b) of the Code. The Grantee understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition of the Shares pursuant to this Agreement, the Grant Date. This time period cannot be extended. The Grantee acknowledges that timely filing of a Section 83(b) election is the Grantee's sole responsibility.

11. Plan Governs and Entire Agreement. The Plan is incorporated herein by reference. The Grantee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and provisions thereof. The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof. The terms of this Agreement are subject to, and governed by, in all respects the terms and conditions of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

12. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Board, such provision shall be construed or deemed amended to conform to the applicable laws, or, if it cannot be construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

13. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Corporation under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

14. Non-Assignability. The Restricted Shares are personal to the Grantee and may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the Grantee until the Restricted Period expires or terminates as provided in this Agreement; provided, however, that the Grantee's rights with respect to such Restricted Shares may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 14, shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Restricted Shares.

15. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee.

16. Miscellaneous.

(a) The interpretation and construction by the Board of any provision of the Plan or this Agreement shall be final and conclusive upon the Grantee, the Grantee's estate, executor, administrator, beneficiaries, personal representative and guardian and the Corporation and its successors and assigns.

(b) This Agreement and its validity, interpretation, performance and enforcement shall be governed by the laws of the State of Delaware other than the conflict of laws provisions of such laws.

(c) If the Grantee has received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(d) No rule of strict construction shall be implied against the Corporation, the Board or any other person in the interpretation of any of the terms of the Plan, this Agreement or any rule or procedure established by the Board.

(e) Wherever the word "Grantee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Shares may be transferred by will or the laws of descent and distribution, the word "Grantee" shall be deemed to include such person or persons.

(f) Grantee agrees, upon demand of the Corporation or the Board, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Corporation or the Board, as the case may be, to implement the provisions and purposes of this Agreement and the Plan.

(g) All notices under this Agreement to the Corporation must be delivered personally or mailed to the Corporation at its principal office, addressed to the attention of Stock Plan Administration. The Corporation's address may be changed at any time by written notice of such change to the Grantee. Also, all notices under this Agreement to the Grantee will be delivered personally or mailed to the Grantee at his or her address as shown from time to time in the Corporation's records.

17. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Board. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Corporation for all purposes.

18. Consent To Transfer Personal Data. By accepting this Award, Grantee voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 18. Grantee is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Grantee's ability to participate in the Plan. The Corporation and its Subsidiaries hold certain personal information about Grantee, that may include Grantee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of stock held in the Corporation, or details of any entitlement to shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of implementing, managing and administering the Plan ("Data") The Corporation and/or its Subsidiaries will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Grantee's participation in the Plan, and the Corporation and/or any of its Subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. Grantee authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on Grantee's behalf by a broker or other third party with whom Grantee or the Corporation may elect to deposit any shares of stock acquired pursuant to the Plan. Grantee may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Corporation; however, withdrawing consent may affect Grantee's ability to participate in the Plan.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Restricted Share Award Agreement, or caused this Restricted Share Award Agreement to be duly executed on their behalf, as of the day and year first above written.

ACI Worldwide, Inc.

Grantee:

By: /s/ conforming signature

By: _____

It's: Title

Printed Name: _____

ADDRESS FOR NOTICE TO GRANTEE:

Number Street Apt.

City State Zip Code

SS# Hire Date

After completing this page, please make a copy for your records and return it and the signed Schedule A to Stock Plan Administration, ACI Worldwide, Inc. 6060 Coventry Drive, Elkhorn, NE 68022

Schedule A
(Attached)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Philip G. Heasley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2014

/s/ PHILIP G. HEASLEY

Philip G. Heasley
President, Chief Executive Officer
and Director
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Scott W. Behrens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2014

/s/ SCOTT W. BEHRENS

Scott W. Behrens

*Senior Executive Vice President, Chief Financial
Officer and Chief Accounting Officer
(Principal Financial Officer)*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of ACI Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip G. Heasley, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2014

/s/ PHILIP G. HEASLEY

Philip G. Heasley
*President, Chief Executive Officer
and Director
(Principal Executive Officer)*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of ACI Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott W. Behrens, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2014

/s/ SCOTT W. BEHRENS

Scott W. Behrens

*Senior Executive Vice President, Chief Financial
Officer and Chief Accounting Officer
(Principal Financial Officer)*