

Nuance Communications, Inc.  
Form DEF 14A  
December 17, 2015

(RULE 14a-101)

## SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

## NUANCE COMMUNICATIONS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholders:

The Annual Meeting of Stockholders of Nuance Communications, Inc. (the Company) will be held at the Company's office located at 1198 East Arques Avenue, Sunnyvale, CA 94085, on January 27, 2016 at 2:00 p.m. local time, for the purpose of considering and acting upon the following proposals:

- (1) To elect nine members of the Board of Directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified;
- (2) To approve the Company's Amended and Restated 2000 Stock Plan, as described in the attached Proxy Statement;
- (3) To approve a non-binding advisory resolution regarding the compensation of the Company's named executive officers;
- (4) To ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2016; and

(5) To transact such other business as may properly come before the meeting or any postponement or adjournment thereof. We will be using the U.S. Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders via the Internet. Pursuant to these rules, instead of mailing a printed copy of the Company's proxy materials to each stockholder we have elected to provide access to our proxy materials over the Internet. Accordingly, with the exception of certain requesting stockholders who will receive printed copies of the Company's proxy materials by mail, stockholders of record will receive a Notice of Internet Availability of Proxy Materials and may vote at the Annual Meeting and any postponements or adjournments of the meeting. We expect to mail the Notice of Internet Availability of Proxy Materials on or about December 18, 2015, at least 40 calendar days prior to the Annual Meeting date.

The Board of Directors has fixed the close of business on December 3, 2015 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any postponements or adjournments thereof. A list of stockholders entitled to vote at the Annual Meeting will be available at the meeting being held at 1198 East Arques Avenue, Sunnyvale, CA 94085 and for ten days prior to the Annual Meeting.

The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 accompanies this Notice of Annual Meeting of Stockholders and Proxy Statement. These documents may also be accessed on the Broadridge Financial hosted site [www.proxyvote.com](http://www.proxyvote.com).

Please refer to the Proxy Statement, which forms a part of this Notice and is incorporated herein by reference, for further information with respect to the business to be transacted at the annual meeting.

By Order of the Board of Directors,

Adam Bruce Bowden

*Secretary*

Burlington, Massachusetts

December 18, 2015

**NUANCE COMMUNICATIONS, INC.**

**One Wayside Road**

**Burlington, MA 01803**

**YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING OF STOCKHOLDERS IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE.**

**Important Notice Regarding the Availability of Proxy Materials for**

**the Annual Meeting of Stockholders to be Held on January 27, 2016**

- 1. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.**
- 2. The Company's proxy statement and Annual Report on Form 10-K for the fiscal year ended September 30, 2015 are available at the Broadridge Financial hosted site [www.proxyvote.com](http://www.proxyvote.com). Please have the information that is printed in the box marked by the arrow g and follow the sample instructions to vote.**
- 3. If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before January 13, 2016 to facilitate timely delivery. Shareholders may select one of the following methods:**
  - 1) By Internet: [www.proxyvote.com](http://www.proxyvote.com)**
  - 2) By Telephone: [1-800-579-1639](tel:1-800-579-1639)**
  - 3) By E-Mail\*: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com)**

## PROXY STATEMENT

### ANNUAL MEETING OF STOCKHOLDERS

January 27, 2016

This Proxy Statement is furnished in connection with the solicitation by Nuance Communications, Inc. (the Company) on behalf of the Board of Directors (the Board or the Board of Directors) of proxies for use at the Annual Meeting of Stockholders of the Company to be held on January 27, 2016 at 2:00 p.m., local time, at the Company's office located at 1198 East Arques Avenue, Sunnyvale, CA 94085 (the Annual Meeting). We intend to mail and make available this Proxy Statement and the accompanying form of proxy to stockholders on or about December 18, 2015.

### VOTING RIGHTS

Each share of the Company's common stock (the Common Stock) entitles the holder thereof to one vote on matters to be acted upon at the Annual Meeting, including the election of directors. Votes cast in person or by proxy at the Annual Meeting will be tabulated by Broadridge Financial Solutions, Inc., the Inspector of Elections. Any proxy that is returned using the form of proxy enclosed or voted by Internet according to the instructions included on the proxy card will be voted in accordance with the instructions thereon, and if no instructions are given, will be voted (i) FOR the election of all of the director nominees as provided under Proposal 1 herein, (ii) FOR approval of the Company's Amended and Restated 2000 Stock Plan under Proposal 2 herein, (iii) FOR the nonbinding advisory resolution regarding the compensation of the Company's named executive officers under Proposal 3 herein, (iv) FOR ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm under Proposal 4 herein, and (v) as the proxy holders deem advisable in their sole discretion on any other matters that may properly come before the Annual Meeting. A stockholder may indicate on the enclosed proxy or its substitute that it is abstaining from voting on a particular matter (an abstention). A broker may indicate on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter (a broker non-vote). Abstentions and broker non-votes are each tabulated separately.

The Inspector of Elections will determine whether or not a quorum is present at the Annual Meeting. In general, Delaware law and our bylaws provide that a majority of the shares issued and outstanding and entitled to vote, present in person or represented by proxy, constitutes a quorum. Abstentions and broker non-votes of shares that are entitled to vote are treated as shares that are present in person or represented by proxy for purposes of determining the presence of a quorum.

In determining whether a proposal has been approved, abstentions are treated as present in person or represented by proxy and entitled to vote, but not as voting for such proposal, and hence have the same effect as votes against such proposal, while broker non-votes are not treated as present in person or represented by proxy, and hence have no effect on the vote for such proposal.

### RECORD DATE AND SHARE OWNERSHIP

Holders of record of Common Stock as of the close of business on December 3, 2015 have the right to receive notice of and to vote at the Annual Meeting. On December 3, 2015, the Company had issued and outstanding 310,743,905 shares of Common Stock.

## **PROXIES**

Proxies for use at the Annual Meeting are being solicited by the Company from its stockholders. Any person giving a proxy in the form accompanying this Proxy Statement has the power to revoke it at any time before its exercise by (i) filing with the Secretary of the Company a signed written statement revoking his or her proxy or (ii) submitting an executed proxy bearing a date later than that of the proxy being revoked. A proxy may also be revoked by attendance at the Annual Meeting and the election to vote in person. Attendance at the Annual Meeting will not by itself constitute the revocation of a proxy.

## **STOCKHOLDER PROPOSALS**

Proposals of stockholders that are intended to be presented at the Company's 2017 Annual Meeting of Stockholders must comply with the requirements of SEC Rule 14a-8 and must be received by the Company no later than August 20, 2016 in order to be included in the Company's proxy statement and form of proxy relating to the meeting. A stockholder proposal or a nomination for director for the Company's 2017 Annual Meeting of Stockholders that is not to be included in the Company's proxy statement and form of proxy relating to the meeting must be received by the Company no earlier than September 29, 2016 and no later than October 29, 2016. The Company's bylaws require that certain information and acknowledgements with respect to the proposal or nomination be set forth in the stockholder's notice. A copy of the relevant bylaw provision is available upon written request to Nuance Communications, Inc., One Wayside Road, Burlington, MA 01803, Attention: Investor Relations. Further, our Amended and Restated Bylaws dated as of November 6, 2007 (the "Bylaws") were filed as an exhibit to our Current Report on Form 8-K, filed with the Securities and Exchange Commission (the "SEC") on November 13, 2007.

## **PROXY SOLICITATION COSTS**

The expense of solicitation of proxies will be borne by the Company. In addition to solicitation of proxies by mail, certain officers, directors and Company employees, who will receive no additional compensation for their services, may solicit proxies by telephone, telegraph or in person. The Company is required to request brokers and nominees who hold stock in their name to furnish this proxy material to beneficial owners of the stock and will reimburse such brokers and nominees for their reasonable out-of-pocket expenses in so doing. In addition, we have engaged Alliance Advisors to assist in the solicitation of proxies and provide related advice and informational support for a service fee of \$17,000 plus reimbursement of out-of-pocket expenses.

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**PROPOSAL NUMBER 1**

**ELECTION OF DIRECTORS**

The Nominating Committee of the Board of Directors recommended, and the Board of Directors approved, Paul A. Ricci, Robert J. Finocchio, Robert J. Frankenberg, Brett Icahn, William H. Janeway, Mark R. Laret, Katharine A. Martin, Philip J. Quigley and David S. Schechter as nominees for election at the Annual Meeting. At the Annual Meeting, nine directors will be elected to the Board. Except as set forth below, unless otherwise instructed, the persons appointed in the accompanying form of proxy will vote the proxies received by them for the nominees named below, who are all presently directors of the Company. Messrs. Icahn and Schechter are being nominated for election to our Board pursuant to a Nomination and Standstill Agreement (the "Nomination and Standstill Agreement") dated October 7, 2013 by and among the Company and certain affiliates of Icahn Capital L.P. In the event that any nominee becomes unavailable, the proxy holders will vote in their discretion for a substitute nominee. The term of office of each person elected as a director will continue until the next Annual Meeting of Stockholders or until a successor has been elected and qualified.

**Information Regarding the Nominees for Election as Directors**

The following information with respect to the principal occupation or employment, other affiliations and business experience during the last five years of the nominees has been furnished to the Company by such nominees. Except as indicated, the nominees have had the same principal occupation during the last five years.

*Paul A. Ricci*, 59, has served as our Chairman since March 2, 1999 and our Chief Executive Officer since August 21, 2000. From May 1992 to August 2000, Mr. Ricci held several positions at Xerox including, President, Desktop Systems Division, President, Software Solutions Division, and Vice President, Corporate Business Development. Between June 1997 and March 1999, Mr. Ricci served as Chairman of the Board of Directors of Nuance Communications, Inc. (formerly, ScanSoft Inc.), which was then operating as an indirect wholly-owned subsidiary of Xerox. Mr. Ricci's leadership position at the Company, his management abilities and experience, and his extensive knowledge of our industry qualify him to serve as a member of our Board of Directors.

*Robert J. Finocchio*, 63, was appointed by the Board of Directors on April 29, 2015. Mr. Finocchio has been a Dean's Executive Professor at Santa Clara University's Leavey School of Business since September 2000 and was a former chairman of its Board of Trustees. From July 1997 to September 2000, he served as Chairman of Informix Corporation and from July 1997 to July 1999, he served as its Chief Executive Officer and President where he led the reconstruction and return to growth and profitability of the enterprise database software company. From December 1988 to May 1997, Mr. Finocchio held several positions at 3Com Corporation, including President of 3Com Systems, Executive Vice President of Network Systems Operations and Executive Vice President of Field Operations. He also served in numerous executive and management roles at IBM, Rolm Corporation and Bank of America. Mr. Finocchio also serves on the boards of Broadcom Corporation, Echelon Corporation, JustAnswer.com, Silver Peak Corporation and Vistage International. Mr. Finocchio's experience as chairman and chief executive officer of a technology company, executive leadership positions at various technology companies, and other board memberships qualifies him to be a member of our board of directors.

*Robert J. Frankenberg*, 68, has served as a director since March 13, 2000 and lead director since April 20, 2005. Mr. Frankenberg is owner of NetVentures, a management consulting firm. From December 1999 to July 2006, Mr. Frankenberg served as Chairman of Kinzan, Inc., an Internet Services software platform provider. From May 1997 to July 2000, Mr. Frankenberg served as Chairman, President and Chief Executive Officer of Encanto Networks, Inc., a developer of hardware and software designed to enable the creation of businesses on the Internet. From April 1994 to August 1996, Mr. Frankenberg was Chairman, President and Chief Executive Officer of Novell, Inc., a producer of network and office software. Mr. Frankenberg is a director of Polycom Inc. and Rubicon Project, Inc. Mr. Frankenberg also serves on several boards of privately held companies. Previously, Mr. Frankenberg served as a director of National Semiconductor, Electroglas, Inc., Extended Systems Incorporated, Secure Computing Inc., and Wave Systems, Inc. Mr. Frankenberg serves as Chairman of our Audit and Compensation Committees and also serves on our Governance and Nominating Committees. Mr. Frankenberg's experience as chairman, president and chief executive officer of numerous technology companies and his significant board experience (both with the Company and elsewhere) provides expertise in

technology, business operations, corporate development, strategy, financial reporting, governance and board best practices.

*Brett Icahn*, 36, has served as a director since October 7, 2013. Mr. Icahn is currently responsible for co-executing an investment strategy across all industries as a Portfolio Manager of the Sargon Portfolio for Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds. Prior to April 2010, Mr. Icahn served as an investment analyst for Icahn Capital LP and in a variety of investment advisory roles for Carl Icahn since 2002. Mr. Icahn was previously a director of: Cadus Corporation, a company engaged in the acquisition of real estate for renovation or construction and resale, from January 2010 to February 2014; Voltari Corporation, a mobile data services provider, from January 2010 to August 2014; American Railcar Industries, Inc., a railcar manufacturing company, from January 2007 to June 2014; Take-Two Interactive Software Inc., a publisher of interactive entertainment products, from April 2010 to November 2013; and The Hain Celestial Group, Inc., a natural and organic products company, from July 2010 to November 2013. American Railcar Industries is indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in our Company, Hain Celestial, Take-Two Interactive Software, Cadus, and Voltari through the ownership of securities. Brett Icahn is Carl Icahn's son. Mr. Icahn received a B.A. from Princeton University. Mr. Icahn was appointed to the Board pursuant to the Nomination and Standstill Agreement. Mr. Icahn serves on our Board of Directors as a designee of Carl Icahn and his affiliated entities. Mr. Icahn's experience in investing and service on other boards of directors provides expertise in investing, corporate strategy and corporate governance.

*William H. Janeway*, 72, has served as a director since April 2004. Mr. Janeway is a Senior Advisor at Warburg Pincus LLC and has been employed by Warburg Pincus LLC since July 1988. Prior to joining Warburg Pincus LLC, Mr. Janeway served as Executive Vice President and a director at Eberstadt Fleming Inc. from 1979 to July 1988. Mr. Janeway is a director of several privately held companies. Mr. Janeway holds a B.A. from Princeton University and a Ph.D. from Cambridge University, where he studied as a Marshall Scholar. From 2004 through 2013 affiliates of Warburg Pincus owned more than 10% of the shares of the Company. Mr. Janeway serves on our Nominating Committee. As a private equity investor, Mr. Janeway brings strategic insights and financial experience to the Board. He has evaluated, invested in and served as a board member on numerous companies and is familiar with a full range of corporate and board functions.

*Mark R. Laret*, 61, has served as a director since June 3, 2010. Since April 2000, Mr. Laret has served as CEO of the University of California San Francisco Medical Center. Mr. Laret serves as a director of Varian Medical Systems, Inc. Mr. Laret earned a B.A. from UCLA and a master's degree in political science from the University of Southern California. Mr. Laret serves on our Audit and Governance Committees. Mr. Laret's corporate executive experience in the healthcare industry, his significant professional expertise and background in medical and technical issues qualifies him to be a member of our Board of Directors.

*Katharine A. Martin*, 53, has served as a director since December 17, 1999. Since September 1999, Ms. Martin has served as a Member of Wilson Sonsini Goodrich & Rosati, Professional Corporation. Prior thereto, Ms. Martin was a Partner of Pillsbury Madison & Sutro LLP. Ms. Martin also serves on the board of directors of Wilson Sonsini Goodrich & Rosati, a Professional Corporation, the Wilson Sonsini Goodrich & Rosati Foundation, a nonprofit organization, The Gateway School, a nonprofit organization, and WildAid, a nonprofit organization. In January 2016, Ms. Martin will also serve on the board of YMCA of Silicon Valley, a nonprofit organization. Ms. Martin serves as Chairman of our Governance Committee. Ms. Martin has twenty-eight years' experience practicing corporate and securities law, and has extensive experience representing public companies. Ms. Martin brings to the Board expertise in corporate governance, acquisitions, capital market transactions and securities law.

*Philip J. Quigley*, 73, has served as a director since the consummation of our acquisition of the former Nuance Communications, Inc. in September 2005, and was originally appointed to the Board in accordance with the terms of the Merger Agreement pursuant to which the Company acquired the former Nuance Communications, Inc. Mr. Quigley served as Chairman, President, and Chief Executive Officer of Pacific Telesis Group, a telecommunications holding company in San Francisco, California, from April 1994 until his retirement in December 1997. He also served as a director of Wells Fargo & Company from 1994 to April 2013. Mr. Quigley serves as an advisor or director to several private organizations. Mr. Quigley serves on our Audit Committee.



Mr. Quigley has extensive leadership and business management experience, which he acquired over a 30-year career in the telecommunications industry, including during that time as chairman, president and CEO of Pacific Telesis Group. Mr. Quigley's experience at Pacific Telesis included mergers and acquisitions, and also provided him with extensive financial management experience.

*David S. Schechter*, 40, has served as a director since October 7, 2013. Mr. Schechter is currently responsible for co-executing an investment strategy across all industries as a Portfolio Manager of the Sargon Portfolio for Icahn Capital LP, and High River LP. Prior to April 2010, Mr. Schechter served as a Managing Director for Icahn Capital LP and in a variety of investment advisory roles for Mr. Icahn since 2004, providing investment and strategic advice across multiple industries, asset classes, and geographies. Prior to joining Mr. Icahn in January 2004, Mr. Schechter served as a Vice President of Global Special Situations at Citigroup, a unit responsible for making proprietary investments in distressed situations. Mr. Schechter was previously a director of; Mentor Graphics Corporation, an electronic design automation software company, from October 2013, to March 2015; Hain Celestial Group Inc., a natural and organic food and personal care products company, from July 2010 to November 2013; WebMD Health Corp., an online health information provider, from June 2012 to August 2013; Federal-Mogul Corporation, a supplier of automotive powertrain and safety components, from December 2007 to October 2012; WestPoint Home LLC, a home textiles manufacturer, from November 2007 to December 2011; XO Holdings, a competitive provider of telecom services, from March 2009 to August 2011. Federal-Mogul, WestPoint Home and XO Holdings each are indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in our Company, Mentor Graphics, Hain Celestial, WebMD, WCI Communities and BKF Capital through the ownership of securities. Mr. Schechter received a B.S. in Economics, cum laude, from the Wharton School at the University of Pennsylvania in May 1997. Mr. Schechter was appointed to the Board pursuant to the Nomination and Standstill Agreement. Mr. Schechter serves on our Board of Directors as a designee of Carl Icahn and his affiliated entities. Mr. Schechter's experience in investing and service on other boards of directors provides expertise in investing, corporate strategy and corporate governance.

#### **Required Vote**

The nine nominees receiving the highest number of affirmative votes of the shares of the Company's Common Stock present at the Annual Meeting in person or by proxy and entitled to vote shall be elected as directors. Unless marked to the contrary, proxies received will be voted FOR ALL the Board's nominees. Abstentions and broker non-votes will not affect the outcome of the vote.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR ALL THE ELECTION OF THE FOREGOING NOMINEES TO SERVE AS DIRECTORS UNTIL THE NEXT ANNUAL MEETING OF STOCKHOLDERS.**

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## CORPORATE GOVERNANCE

### Board of Director Meetings and Committees

The Board of Directors held a total of 7 (seven) meetings during the fiscal year ended September 30, 2015. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and the committees of the Board of Directors on which he or she served.

### Board Independence

The Board of Directors has determined that Ms. Martin and each of Messrs. Finocchio, Frankenberg, Icahn, Janeway, Laret, Quigley and Schechter are independent within the meaning of the listing standards of the NASDAQ Stock Market.

### Committees of the Board of Directors

The Board of Directors has Audit, Nominating, Governance and Compensation Committees as standing committees. These committees meet regularly throughout the year and also hold special meetings or act by written consent from time to time as appropriate. The Board has delegated various responsibilities and authority to its committees as generally described below. The committees regularly report on their activities and actions to the Board. Each of these committees has adopted a written charter. All members of the committees are appointed by the Board of Directors, and are non-employee directors.

#### *Audit Committee*

The Audit Committee currently consists of Messrs. Frankenberg, Laret, Myers and Quigley, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable U.S. Securities and Exchange Commission, or SEC, rules and the listing standards of the NASDAQ Stock Market. The Audit Committee held 7 (seven) meetings during the fiscal year ended September 30, 2015. Mr. Frankenberg serves as Chairman of the Audit Committee.

The Board of Directors has determined that Mr. Frankenberg is an audit committee financial expert as defined by Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the Exchange Act). Mr. Frankenberg's relevant experience includes his service as the Chief Executive Officer of Novell, Inc., where he actively supervised that company's principal financial officer, and his service as a member of several other audit committees.

The Audit Committee reviews the engagement of the Company's independent registered public accounting firm, reviews annual financial statements, considers matters relating to accounting policy and internal controls, reviews whether non-audit services provided by the independent registered public accounting firm affect the accountants' independence and reviews the scope of annual audits in accordance with a written Audit Committee Charter.

The Audit Committee Report is included in this Proxy Statement. In addition, the Board of Directors adopted an Amended and Restated Charter for the Audit Committee in March 2015, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/audit-committee/index.htm>

#### *Nominating Committee*

The Nominating Committee currently consists of Messrs. Frankenberg, Myers and Janeway, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable U.S. Securities and Exchange Commission, or SEC, rules and the listing standards of the NASDAQ Stock Market. Mr. Myers serves as the Chairman of the Nominating Committee. The Nominating Committee held 3 (three) meetings during the fiscal year ended September 30, 2015.

The mandate of the Nominating Committee is to ensure that the Board of Directors is properly constituted to meet its fiduciary obligations to stockholders and the Company. The Nominating Committee was formed to

consider and periodically report on matters relating to the identification, selection and qualification of the Board of Directors and candidates nominated to the Board of Directors and its committees.

The Board of Directors adopted a written charter for the Nominating Committee in April 2004, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/nominating-committee/index.htm>

#### *Governance Committee*

The Governance Committee currently consists of Ms. Martin and Messrs. Frankenberg and Laret, each of whom is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002, applicable SEC rules and the listing standards of the NASDAQ Stock Market. Ms. Martin serves as the Chairman of the Governance Committee. The Governance Committee held 1 (one) meeting during the fiscal year ended September 30, 2015.

The mandate of the Governance Committee is to ensure that the Board of Directors and the Company have and follow appropriate governance standards. To carry out this purpose, the Governance Committee develops and recommends to the Board the governance principles applicable to the Company and oversees the evaluation of the Board.

The Board of Directors adopted a written charter for the Governance Committee in March 2004, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/governance-committee/index.htm>

#### *Compensation Committee*

The Compensation Committee currently consists of Messrs. Frankenberg and Myers, each of whom is (i) independent within the meaning of the listing standards of the NASDAQ Stock Market, (ii) a non-employee director within the meaning of Section 16 of the Exchange Act and (iii) an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Frankenberg serves as the Chairman of the Compensation Committee. The Compensation Committee held 10 (ten) meetings during the fiscal year ended September 30, 2015.

The mandate of the Compensation Committee is to review and recommend to the Board of Directors the Company's compensation and benefit policies, and oversee, evaluate and approve compensation plans, policies and practices for the Company's executive officers. The Board of Directors adopted a written charter for the Compensation Committee in March 2014, a copy of which is available on the Company's Web site at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/compensation-committee/index.htm>

The Compensation Committee Report and the Compensation Discussion and Analysis are included elsewhere in this Proxy Statement.

### **Consideration of Director Nominees**

#### *Stockholder Nominees*

The Nominating Committee will consider properly submitted stockholder nominations for candidates for membership on the Board of Directors as well as candidates recommended for consideration by the Nominating Committee as described below under "Identifying and Evaluating Nominees for Directors." Any stockholder nominations must comply with the requirements of the Company's Bylaws and should include all information relating to such nominee as would be required to be disclosed in solicitations of proxies for the election of such nominee as a director pursuant to Regulation 14A under the Exchange Act, such nominee's written consent to be named in the proxy statement as a nominee and to serve as a director if elected, as well as a written statement executed by such nominee acknowledging that as a director of the Company, such nominee will owe a fiduciary duty under the General Corporation Law of the State of Delaware exclusively to the Company and its stockholders. In addition, stockholder nominations should be submitted within the time frame as specified under

Stockholder Proposals above and addressed to: Nuance Communications, Inc., Attention: General Counsel, One Wayside Road, Burlington, MA 01803.

A stockholder that instead desires to merely recommend a candidate for consideration by the Nominating Committee shall direct the recommendation in writing to Nuance Communications, Inc., Attention: General Counsel, One Wayside Road, Burlington, MA 01803, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the nominating person's ownership of Company stock.

#### *Director Qualifications*

In discharging its responsibilities to nominate candidates for election to the Board of Directors, the Nominating Committee has not specified any minimum qualifications for serving on the Board of Directors. However, the Nominating Committee endeavors to evaluate, propose and approve candidates with business experience and personal skills in technology, finance, marketing, financial reporting and other areas that may be expected to contribute to an effective Board of Directors. The Nominating Committee seeks to ensure that the Board of Directors is composed of individuals who have experience relevant to the needs of the Company and who have the highest professional and personal ethics, consistent with the Company's values and standards. Candidates should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience.

#### *Identifying and Evaluating Nominees for Directors*

The Nominating Committee utilizes a variety of methods for identifying and evaluating director nominees. Candidates may come to the attention of the Nominating Committee through current members of the Board of Directors, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating Committee and may be considered at any point during the year. As described above, the Nominating Committee considers properly submitted stockholder nominations and recommendations for candidates for the Board of Directors. Following verification of the stockholder status of persons proposing candidates, nominations and recommendations are aggregated and considered by the Nominating Committee. If any materials are provided by a stockholder in connection with the nomination or recommendation of a director candidate, such materials are forwarded to the Nominating Committee. The Nominating Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder.

Pursuant to the terms of a Nomination and Standstill Agreement, dated October 7, 2013, with High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Enterprises G.P. Inc., Icahn Enterprises Holdings L.P., IPH GP LLC, Icahn Capital LP, Icahn Onshore LP, Icahn Offshore LP, and Beckton Corp. (collectively, the "Icahn Group"), the Company agreed to appoint two persons designated by the Icahn Group to the Board of Directors (the "Icahn Designees"). Pursuant to such agreement, for any annual meeting of the Company's stockholders after the 2014 Annual Meeting, the Company must notify the Icahn Group in writing no less than 45 calendar days in advance of the Company's advance notice deadline if either or both of the Icahn Designees will not be nominated by the Company for election as a director at such annual meeting.

#### **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee currently consists of Messrs. Frankenberg and Myers. None of the members of the Compensation Committee has been or is an officer or employee of the Company. None of the Company's executive officers serve on the board of directors or compensation committee of a company that has an executive officer that serves on the Company's Board or Compensation Committee.

### **Annual Meeting Attendance**

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meetings of stockholders, directors are encouraged to attend annual meetings of the Company. Six (6) of our then-nine directors attended the 2015 annual meeting of stockholders.

### **Communication with the Board of Directors**

Although we do not have a formal policy regarding communications with the Board of Directors, stockholders who are interested in communicating with the Board of Directors are encouraged to do so by submitting an email to [generalcounsel@nuance.com](mailto:generalcounsel@nuance.com) or by writing to us at Nuance Communications, Inc., Attention: General Counsel, One Wayside Road, Burlington, MA 01803. Stockholders who would like their submission directed to a member of the Board of Directors may so specify.

### **Code of Ethics**

Our Board of Directors adopted an amended and restated Code of Business Conduct and Ethics for all of our directors, officers and employees in September 2015. Our Code of Business Conduct and Ethics can be found on our website: <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/code-of-ethics/index.htm>. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such a request should be made in writing and addressed to Nuance Communications, Inc., Attention: Investor Relations, One Wayside Road, Burlington, MA 01803.

### **Stock Ownership Guidelines**

On August 11, 2006, the Board of Directors adopted stock ownership guidelines for our executive officers and the non-employee members of the Board of Directors. These guidelines were adopted to further align the interests of our executive officers and non-employee members of the Board of Directors with the interests of our stockholders. Under these guidelines, the target share ownership levels are five times base salary for our chief executive officer, three times base salary for our other executive officers, and three times the annual cash retainer for the non-employee members of the Board of Directors. Shares of the Company's common stock subject to outstanding and unexercised options, whether or not vested, as well as shares of the Company's common stock subject to outstanding and unvested restricted stock awards are not counted for purposes of satisfying these guidelines. We have not specified a time period during which individuals must be in compliance with the guidelines, however, until an individual has reached the appropriate target level, he or she is required to retain 25% of the net shares received as a result of the exercise of stock options or vesting of restricted stock or restricted stock unit awards. Satisfaction of the stock ownership guidelines is calculated based on the closing market price of the Company's common stock on a quarterly basis.

### **Corporate Governance Guidelines**

Our corporate governance principles are set forth in our Corporate Governance Guidelines. These guidelines cover the following significant topics:

*Board Selection Process.* It is expected that all directors will be alert to potential Board candidates with appropriate skills and characteristics and communicate information regarding Board selection matters to the Nominating Committee. The Nominating Committee is expected to exercise initiative in recommending to the Board candidates for directorships and Board committee assignments. The Company does not have a formal policy with regard to the consideration of diversity in identifying Director nominees; however, the Board endorses the value of seeking qualified directors from backgrounds otherwise relevant to the Company's mission, strategy and business operations and perceived needs of the Board at a given time.

*Director's Eligibility, Education, and Term of Office.* Directors may not serve on the Board of Directors of more than five other public companies. Directors are reimbursed for costs incurred in connection with participating in director education programs. Each director is required to notify the Chairman upon a job change. The Governance Committee may consider such change of status in recommending to the Board whether the director

should continue serving as a member of the Board. Directors who are not nominated for re-election by the Board must retire from the Board at the conclusion of any term during which the director reaches the age of seventy-five years.

*Committees.* The current committee structure of the Board includes the following committees: Audit, Compensation, Nominating and Governance. The charters of each standing committee are reviewed periodically with a view to delegating committees with the authority of the Board concerning specified matters appropriate to such committee.

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

The Board has an active role, as a whole and also at the committee level, in overseeing management of Company risk. This role is one of informed oversight rather than direct management of risk. The Board regularly reviews and consults with management on strategic direction, challenges and risks faced by the Company. The Board also reviews and discusses with management quarterly financial results and forecasts. The Audit Committee of the Board oversees management of financial risks, including its investment policies. The Compensation Committee of the Board is responsible for overseeing the management of risks relating to and arising from the Company's compensation plans and arrangements. These committees provide regular reports, generally on a quarterly basis, to the full Board.

Management is tasked with the direct management and oversight of legal, financial, and commercial compliance matters, which includes identification and mitigation of associated areas of risk. The Chief Financial Officer, the Chief Accounting Officer and Sr. Director of Corporate Compliance provide regular reports to the Audit Committee concerning financial, tax and compliance related risks. In addition, the Audit Committee receives periodic reports from management on the Company's compliance programs and efforts, investment policy and practices, and compliance with debt covenants. Management and the Company's compensation consultant provide analysis of risks related to the Company's compensation programs and practices to the Compensation Committee.

#### **The Board's Leadership Structure**

The Board currently combines the role of Chairman and Chief Executive. The Board believes that the Chief Executive Officer is best situated to serve as Chairman because he is the director most familiar with the Company's business and industry and is therefore best able to identify the strategic priorities to be discussed by the Board. The Board believes that combining the role of Chairman and Chief Executive Officer facilitates information flow between management and the Board and fosters strategic development and execution. The Board has appointed Robert Frankenberg as the lead independent director. The lead independent director serves as the focal point for independent directors, coordinating feedback to the CEO on behalf of the independent directors regarding business issues and board management. The lead independent director and the other independent directors meet regularly without the CEO present.

#### **Compensation Risk Assessment**

In November 2015, the Compensation Committee and management considered whether the Company's compensation programs for employees create incentives for employees to take excessive or unreasonable risks that could materially harm the Company. The Compensation Committee believes that our compensation programs are typical for our industry and that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

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**Compensation of Non-Employee Directors**

The non-employee members of the Board of Directors receive a cash retainer for Board and Board committee service, 25% of which is payable on a quarterly basis following the fiscal quarter of service, as follows:

<b>Board/Committee</b>	<b>Applicable Retainer</b>
Board	\$ 50,000
Audit Committee Chair	\$ 30,000
Audit Committee Member	\$ 15,000
Compensation Committee Chair	\$ 25,000
Compensation Committee Member	\$ 15,000
Nominating Committee Chair	\$ 10,000
Nominating Committee Member	\$ 5,000
Governance Committee Chair	\$ 10,000
Governance Committee Member	\$ 5,000
Lead Director	\$ 20,000

The Company also reimburses the non-employee members of the Board of Directors for their expenses in connection with their attendance at meetings.

The non-employee members of the Board of Directors are also eligible to participate in the 1995 Directors' Stock Plan, as amended (the "Directors' Plan"). The Directors' Plan provides that an initial restricted stock unit award for 30,000 shares of the Company's common stock will be granted to individuals upon first joining the Board of Directors as a non-employee director, with a purchase price equal to \$0.001 per share. In addition, the non-employee members of the Board of Directors are eligible to automatically receive annual restricted stock unit awards for 15,000 shares of the Company's common stock on January 1 of each year, provided that, on such date, he or she has served on the Board of Directors for at least six months, with a purchase price equal to \$0.001 per share. All restricted stock unit awards granted to the non-employee members of the Board of Directors vest in equal annual increments over a three-year period, subject to his or her continuous service to the Company through each such vesting date.

The following table provides information regarding the actual cash and equity compensation earned, paid to and received by the non-employee members of the Board of Directors during fiscal 2015:

**FISCAL 2015 DIRECTOR COMPENSATION TABLE**

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)(1) (2)</b>	<b>Total (\$)</b>
Robert J. Finocchio	25,000	466,470	491,470
Robert J. Frankenberg	135,000	213,285	348,285
Brett Icahn	50,000	213,285	263,285
William H. Janeway	55,000	213,285	268,285
Mark R. Laret	70,000	213,285	283,285
Katharine A. Martin	60,000	213,285	273,285
Mark B. Myers	90,000	213,285	303,285
Philip J. Quigley	65,000	213,285	278,285
David S. Schechter	50,000	213,285	263,285

- (1) Amounts reported in the Stock Awards column represent the grant date fair value with respect to the restricted stock unit awards granted to their non-employee members of the Board of Directors during fiscal 2015, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation-Stock Compensation* ( FASB ASC Topic 718 ) based on the closing market price of the Company's common stock on the grant date (which was \$14.22 per share for the annual award and \$15.55 for the initial award issued to Mr. Finocchio). During fiscal 2015, no non-employee directors forfeited shares. The grant date fair value of each restricted stock unit award granted during fiscal 2015 is set forth in the following table:

<b>Name</b>	<b>Grant Date</b>	<b>Shares</b>	<b>Value (\$)</b>
Mr. Finocchio	April 29, 2015	30,000	466,470
Mr. Frankenberg	January 1, 2015	15,000	213,285
Mr. Icahn	January 1, 2015	15,000	213,285
Mr. Janeway	January 1, 2015	15,000	213,285
Mr. Laret	January 1, 2015	15,000	213,285
Ms. Martin	January 1, 2015	15,000	213,285
Mr. Myers	January 1, 2015	15,000	213,285
Mr. Quigley	January 1, 2015	15,000	213,285
Mr. Schechter	January 1, 2015	15,000	213,285



(2) The aggregate number of unvested shares of the Company's common stock subject to outstanding stock awards held by each non-employee member of the Board of Director as of September 30, 2015 is set forth in the following table:

Name	Unvested Shares Subject to Outstanding Stock Awards
Mr. Finocchio	30,000
Mr. Frankenberg	30,000
Mr. Icahn	35,000
Mr. Janeway	30,000
Mr. Laret	30,000
Ms. Martin	30,000
Mr. Myers	30,000
Mr. Quigley	30,000
Mr. Schechter	35,000

There were no outstanding shares of the Company's common stock subject to outstanding stock options as of September 30, 2015. There were no stock options granted to the non-employee directors during fiscal 2015.

**EXECUTIVE COMPENSATION, MANAGEMENT AND OTHER INFORMATION**

**Information Concerning Current Executive Officers Who Are Not Directors**

*A. Bruce Bowden*, 46, joined the Company in October 2010 as our Executive Vice President of Corporate Strategy and Development and was elected as an Executive Officer on November 15, 2010. In October 2014, Mr. Bowden expanded his role by taking over responsibility of our global legal organization. Previously, Mr. Bowden was employed by Nokia from June 2006 through April 2010 in a number of different positions, most notably as Vice President and Global Head of Mergers and Acquisitions. Prior to joining Nokia, Mr. Bowden served as Director, Corporate Strategy & Development (head of North American M&A) for PepsiCo from November 2004 through June 2006.

*Earl H. Devanny, III*, 63, joined the Company in April 2014 and currently serves as our President, Healthcare Division and was elected an executive officer on April 30, 2014. Prior to joining the Company, Mr. Devanny served as chairman and CEO of TriZetto Corporation from July, 2010 to May, 2013. He also held several executive roles at Cerner Corporation, most recently as president, over an eleven year period from 1999 through 2010.

*William Robbins*, 48, joined the Company in December 2013 and currently serves as our Executive Vice President of Worldwide Sales and was elected an Executive officer on January 17, 2014. Prior to joining the Company, Mr. Robbins served as Chief Operating Officer of [24]7 from January 2013 to December 2013. Prior to joining [24]7, Mr. Robbins held various leadership roles, including the role of executive vice president, Worldwide Sales & Services, in addition to other leadership roles at Symantec.

*Daniel D. Tempesta*, 45, was appointed as the Company's Executive Vice President of Finance and Chief Financial Officer on July 21, 2015. Prior to his appointment as Chief Financial Officer, Mr. Tempesta served as the Company's Chief Accounting Officer, Corporate Controller and Senior Vice President of Finance. He joined the Company in March 2008. Previously, Mr. Tempesta was with Teradyne, Inc. from February 2004 to February 2008 where he held several positions, including Chief Accounting Officer and Corporate Controller. Prior to that Mr. Tempesta was in the audit practice of PricewaterhouseCoopers L.L.P.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis included in this Proxy Statement. Based on its review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and, by reference, in the Company's Annual Report on Form 10-K for the fiscal year ending September 30, 2015.

**The Compensation Committee:**

Mr. Frankenberg, Chairman

Mr. Myers

## COMPENSATION DISCUSSION & ANALYSIS

### Compensation Discussion and Analysis ( CD&A )

This CD&A provides information regarding the fiscal 2015 compensation of our principal executive officer, our current and former principal financial officer, and the three executive officers (other than our principal executive officer and principal financial officer) who were our most highly-compensated executive officers as of the end of fiscal 2015. These individuals were:

Paul A. Ricci, our Chief Executive Officer and Chairman of our Board of Directors (our CEO );

Thomas L. Beaudoin, our former Executive Vice President and Chief Financial Officer;

Daniel Tempesta, our current Executive Vice President and Chief Financial Officer;

A. Bruce Bowden, our Executive Vice President, Corporate Strategy and Development and Legal;

Earl H. Devanny III, our President, Healthcare Division; and

William Robbins, our Executive Vice President, Worldwide Sales.

#### Fiscal 2015 Management Changes

In October 2014, Mr. Bowden's role expanded to include leadership of our global legal organization.

In July 2015, Mr. Beaudoin resigned from his position as our Executive Vice President and Chief Financial Officer effective July 31, 2015.

On July 21, 2015, Mr. Tempesta was appointed as our Executive Vice President and Chief Financial Officer.

These executive officers were our named executive officers (the Named Executive Officers ) for fiscal 2015. In this Compensation Discussion and Analysis, Nuance Communications, Inc. is referred to as our, us, we, or the Company.

This CD&A describes the material elements of our executive compensation program during the fiscal year ended September 30, 2015. It also provides an overview of (1) our stockholder engagement and executive compensation program updates following our 2013-2014 stockholder advisory vote on our named executive officer compensation, (2) our fiscal 2015 business highlights, (3) our executive compensation philosophy, as well as our principal compensation policies and practices and (4) an analysis of how and why the Compensation Committee of our Board of Directors (the Compensation Committee ) arrived at the specific compensation decisions for our executive officers, including the Named Executive Officers, in fiscal 2015, and discusses the key factors that the Compensation Committee considered in determining the compensation of our executive officers.

#### ***Fiscal 2015 Business Summary***

In fiscal 2015, we continued to improve our performance, evolve our business toward recurring revenue models, execute upon our formal transformation program, and position the Company for increased future revenue growth.

Our improved performance is evidenced in several key metrics, with the exception of recurring revenue; represent some of the metrics considered by the Compensation Committee when assessing the performance-based compensation of our executive officers for fiscal 2015.

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*Bookings.* In fiscal 2015, total bookings were \$2,389.0 million, down from \$2,441.9 million in fiscal 2014. Bookings, which include both net new bookings and renewals, can vary significantly from quarter to quarter due to timing and size of renewals.

*Net New Bookings.* In fiscal 2015, total net new bookings were \$1,450.4 million, up 4% from \$1,400.6 million in fiscal 2014.

*Revenue.* Fiscal 2015 non-GAAP revenue of \$1,979.1 million was down slightly from \$1,987.1 million in fiscal 2014. Fiscal year 2015 GAAP revenue was \$1,931.1 million, up slightly from \$1,923.5 million in fiscal 2014.

*Recurring Revenue.* Total fiscal 2015 non-GAAP recurring revenue at the end of fiscal 2015 was \$1,314.7 million and represented 66% of total non-GAAP revenue, compared to \$1,263.3 million and 64% in fiscal 2014.

*Margins.* Our fiscal 2015 non-GAAP operating margin was 26.2%, compared to 23.7% in fiscal 2014. Non-GAAP operating margin improvement resulted from a 70 basis point improvement in non-GAAP gross margins, from 62.2% in fiscal 2014 to 62.9% in fiscal 2015, as we achieved gross margin expansion in each revenue line item. In addition, we experienced cost reductions in all major operating expense line items as we intensified our commitment in 2015 to deliver cost efficiencies and drive greater profitability for the business.

*Net Income.* Fiscal 2015 non-GAAP net income was \$411.6 million, or \$1.27 per diluted share, compared to \$360.1 million, or \$1.12 per diluted share, in fiscal 2014. We recognized GAAP net loss of \$(115.0) million, or \$(0.36) per share, compared to GAAP net loss of \$(150.3) million, or \$(0.47) per share, in fiscal 2014.

*Cash Flow.* Nuance reported record full-year cash flow from operations of \$487.6 million, up 36% compared to \$358.1 million in fiscal 2014, benefitting from strong profitability, growing deferred revenues and Days Sales Outstanding ( DSO ) improvements. Cash Flow from Operations ( CFFO ) as a percent of non-GAAP net income was 118%, up from 99% a year ago, well in excess of our annual target of 100%. Nuance ended fiscal 2015 with \$568.8 million in cash, cash equivalents and marketable securities.

*Deferred Revenue.* Nuance ended fiscal 2015 with total deferred revenue of \$668.2 million, up 22% compared to \$548.1 million a year ago.

See Annex B for a reconciliation of GAAP financial measures.

In 2015, we initiated a formal transformation program designed to focus our product investments on our best growth opportunities, increase operating efficiencies, reduce costs and further enhance shareholder value through share buybacks. We intensified our focus in Q415 and are pleased with progress evidenced by year-over-year improvements in gross margins, operating margins and earnings-per-share. We continued to reallocate investments toward our growth opportunities, including for example our automotive solutions, Dragon Medical, multi-channel cloud, voice biometrics solutions, and multi-function printer (MFP) offerings.

Within this program, we have targeted expense reductions, and reduced expenditures broadly in cost of goods sold and operating expenses, which contributed to our improved year-over-year performance. Actions to date, under this program, have already contributed to annualized savings and represent substantial progress toward our goal. We also continued to execute under our stock repurchase plan. As of September 30, 2015 we had repurchased 31.2 million shares of our common stock, and we had \$490.0 million remaining under the Board's \$1.0 billion repurchase authorization.

The ongoing transition of our business model and financial results were carefully considered by the Compensation Committee in reaching its decisions regarding the performance-based compensation of our executive officers for fiscal 2015, as discussed in more detail below.

#### ***Fiscal 2015 Executive Compensation Highlights***

Consistent with our compensation philosophy, the target total direct compensation opportunities of our executive officers, including the Named Executive Officers, are directly tied to performance measures designed to increase our revenue and profitability and, thereby, produce long-term stockholder value. As a result of our financial performance and the achievement of some of the target levels established for these performance measures in fiscal 2015, the compensation actually earned by our executive officers ranged from 75% to 110% of their target total direct compensation opportunities.

For fiscal 2015, the Compensation Committee took the following actions with respect to the compensation of the Named Executive Officers:

*Base salary.* With the exception of Messrs. Bowden and Tempesta, maintained their annual base salaries at their fiscal 2014 levels. In connection with the expansion of his role, the Compensation Committee adjusted Mr. Bowden's base salary to reflect his expanded responsibilities. Mr. Tempesta's base salary was adjusted by the Compensation Committee as a result of his promotion to Executive Vice President and Chief Financial Officer.

*Annual Bonus.* With the exception of Mr. Tempesta, maintained their target bonus opportunities at their fiscal 2014 levels. The Compensation Committee adjusted Mr. Tempesta's target bonus opportunity as a result of his promotion to Executive Vice President and Chief Financial Officer. The Compensation Committee awarded annual bonuses that ranged from 0% to 125% of their target bonus opportunity based on our level of achievement of the annual bonus plan's performance objectives. Further details on these decisions, including the level of discretion exercised by the Compensation Committee, may be found in the Short-Term Incentive section below.

*Equity Awards.* Approved equity awards in amounts that the Compensation Committee believed to be competitive, satisfied our retention objectives, and rewarded them for individual performance and expected future contributions. Half of these awards were entirely performance-based, the value of which will be earned only if they achieve the performance goals established annually for such awards.

In addition, the Compensation Committee approved an amendment in June 2015 to the Employment Agreement with our CEO. See the Employment Agreements section below for a description of this amendment.

#### **Stockholder Engagement and Executive Compensation Program Updates Following 2013, 2014 and 2015 Say-on-Pay Vote**

Over the last several years and following disappointing results with respect to the stockholder advisory vote on our Named Executive Officer compensation (the Say-on-Pay vote), including our most recent Say-On-Pay proposal in 2015 where approximately 85% of the votes cast were voted against the fiscal 2014 compensation of our named executive officers. We have engaged with our largest holders over the past several years and one of the major proxy advisory firms. During fiscal 2015, we reached out to shareholders representing 63 percent of our outstanding stock and had direct dialogue with holders representing approximately 54 percent of our outstanding stock.

The Compensation Committee has made a number of material changes to the compensation arrangements for our CEO as part of their commitment to developing and maintaining an executive compensation program that aligns with our business objectives, rewards for meaningful performance, and is supported by our stockholders. These changes are intended to help drive positive business results by further increasing accountability and enhancing the link between individual pay and our financial and operational performance.

The key changes made by the Compensation Committee to our CEO's compensation arrangements since the 2013 Annual Meeting of Stockholders are summarized in the following chart.

What We Heard from Investors	Practice prior to Fiscal 2014	How We Have Responded
The value of the equity awards granted to our CEO were excessive and did not effectively align to our performance.	Our CEO received equity awards as follows:  750,000 time-based restricted stock awards ( TBRSA s ) that would vest in equal annual installments over three years  750,000 performance-based restricted stock units ( PBRSU s ) that were to be earned based on performance goals established annually over a three-year period.	Fiscal 2014 Reduced the target grant value of our CEO's equity award by 75% which approximated the market median of our compensation peer group, 50% of which was performance-based and 50% of which was time-based.  Fiscal 2015 Continued with the practice of aligning the target grant value of our CEO's equity award to the approximate market median. Our CEO was issued with a market-based award of 500,000 RSU s that were issued 50% in time-based restricted stock units ( TBRSU s ) and 50% in PBRSU s.  Fiscal 2016 Granted our CEO an equity award of 500,000 PBRSU s with a target grant value which approximated the market median, with 100% of the award performance-based which would only be earned if we achieve our objectives in fiscal 2017.
Discouraged use of similar performance measures for our annual bonus program and long-term incentive compensation.	The single performance measure used for our annual bonus program in fiscal 2013 was revenue only. Revenue was also used as a performance measure in our long-term incentive compensation awards.	Changed the performance measures for our annual bonus program. For fiscal 2014 and 2015, bonuses are not on similar measures, but are on measures based on an intersection of the achievement of pre-established non-GAAP revenue and earnings-per-share target levels.
Expressed concern that the performance measures for our long-term incentive awards were not truly long-term as they are established and measured over three consecutive one-year periods.	The performance measures for our CEO's long-term incentive awards were based 50% on non-GAAP revenue and 50% on non-GAAP earnings-per-share over one-year periods.	During the first quarter in fiscal 2014, our CEO's performance-based awards were redesigned to be measured over a two-year performance period based on a strategic leadership succession planning goal.



**What We Heard from Investors**

**Practice prior to Fiscal 2014**

**How We Have Responded**

Established a two-year performance period based on relative total stockholder return ( TSR ) to be measured against the NASDAQ Composite Index for the performance-based award which in December 2012 was redesigned from a one-year measurement period to this two-year metric.

In fiscal 2014 and 2015, we added a Company gross and net new bookings measure to create a focus on future revenue growth during our business transition.

The following chart highlights the impact of the actions taken by the Compensation Committee to our CEO's target total direct compensation opportunity for each of the past five fiscal years demonstrating the Compensation Committee's commitment to providing a meaningful response to our stockholder's feedback.

**Chief Executive Officer Total Compensation Alignment to Total Shareholder Return**

As depicted in the five-year chart below of our CEO Total Compensation versus Total Shareholder Return Compensation, the actions that have been taken by the Compensation Committee have resulted in a more favorable alignment of Mr. Ricci's and our stockholders' interests.

Total Compensation reflected above is as reported in the summary compensation table in each of the applicable fiscal years.

**Executive Compensation-Related Policies and Practices**

We endeavor to maintain sound executive compensation policies and practices, including compensation-related corporate governance standards, consistent with our executive compensation philosophy. During fiscal 2015, we maintained the following policies and practices, including both policies and practices we have implemented to drive performance and policies and practices that either prohibit or minimize behaviors that we do not believe serve our stockholders' long-term interests:

**What We Do**

- ii Maintain a Compensation Committee comprised solely of independent directors who have established effective means for communicating with our stockholders regarding their executive compensation ideas and concerns.
- ii Enable the Compensation Committee to engage and retain its own advisors. During fiscal 2015, the Compensation Committee continued to engage Compensia, Inc. to assist with its responsibilities. Compensia performs no other services for the Company.
- ii The Compensation Committee conducts an annual review of our executive compensation strategy, including a review of the compensation peer group used for comparative purposes, and, to help avoid creating any such risks that would be reasonably likely to have a material adverse effect on us, an annual review of our compensation-related risk profile.
- ii Design the equity awards granted to our executive officers to vest or be earned over multi-year periods, which is consistent with current market practice, and better serves our long-term value creation goals and retention objectives.
- ii Design our executive compensation program to use performance-based short-term and long-term incentive compensation awards to align of the long-term interests of our executive officers with the interests of our stockholders.
- ii Provide modest amounts of perquisites and other personal benefits to our executive officers which serve a sound business purpose.

- ü Require that all change-in-control payments and benefits are based on a double-trigger arrangement (that is, they first require both a change-in-control of the Company and a qualifying termination of employment before an executive officer is eligible to receive any such payments and benefits).
  
- ü Provide that all change-in-control payment and benefit amounts and multiples are within reasonable market norms.
  
- ü Maintain a rigorous stock ownership policy for our executive officers which require each of them to beneficially own a specified amount of our common stock computed as a multiple of their annual base salary.
  
- ü Maintain a compensation recovery ( clawback ) policy which provides that, in the event we are required to prepare an accounting restatement, we may recover from our executive officers any incentive compensation erroneously paid or awarded in excess of what would have been paid under the accounting restatement.
  
- ü Our Board of Directors reviews the risks associated with our key executive positions on an annual basis so that we have an adequate succession strategy and plans are in place for our most critical positions.
  
- ü Prohibit our executive officers and members of our Board of Directors from speculating in our equity securities, including the use of short sales, sales against the box or any equivalent transaction involving our equity securities, or engaging in any other hedging transactions with respect to our equity securities. In addition, we prohibit our employees, executive officers, and members of our Board of Directors from pledging their equity securities or using such securities as collateral for a loan.

What We Do Not Do

- X Offer pension arrangements, defined benefit retirement plans, or nonqualified deferred compensation plans to our executive officers.
  
- X Provide any tax reimbursement payments or gross-ups in connection with any severance or change-in-control payments or benefits to our executive officers.
  
- X Pay dividends or dividend equivalents on unvested or unearned restricted stock unit and performance-based restricted stock unit awards.
  
- X Reprice options to purchase shares of our common stock without stockholder approval.

**Compensation Philosophy**

Our compensation philosophy is designed to promote our business objectives on the principle that our strategic and operational achievements result from the coordinated efforts of all employees working toward common strategic goals. Our guiding compensation principles focus on:

aligning the interests of our executive officers and our stockholders and customers by offering significant levels of at-risk compensation in the form of a) an annual short-term incentive bonus opportunity, and b) both time-based and performance-based restricted stock unit awards for shares of our common stock so that the long-term incentives available to our executive officers are directly correlated to our financial performance;

paying our executive officers on the basis of their value to the organization;

maintaining a compensation program that ensures compensation levels that are competitive with those of other organizations in our labor markets, based on our current financial condition; and

attracting, retaining, and motivating the best employees.

## Compensation Objectives and Challenges

Our overall compensation objective is to compensate our executive officers and other employees in a manner that attracts and retains the caliber of individuals needed to manage and staff a dynamic, highly-complex business in an innovative industry. For our executive officers, including the Named Executive Officers, we seek to align our executive compensation program with the interests of our stockholders by tying a significant portion of their total compensation to the performance of our common stock.

Currently, we face challenges in hiring and retaining executive officers due to a number of factors that contribute to a relatively small pool of executive talent being available. We believe that this makes recruiting and retaining executive officers difficult, and our executive compensation program takes into account and seeks to address these challenges, including the following:

*Highly Competitive Voice Recognition and Natural Language Understanding Industry* The market for voice recognition solutions and natural language understanding technologies is highly competitive, rapidly evolving, and fragmented, and is subject to changing technologies, shifting customer needs, and the frequent introduction of new products and services. Our position as a pioneer in this innovative and highly-competitive industry makes us a more attractive employer to some executives but a less attractive employer to others. In addition, our success has made our executive officers more attractive as candidates for employment with other companies, creating additional challenges for us to retain them.

*Executive Background* We hire deeply-experienced managers with specific experience in key functional areas who have operated in a fast-moving environment similar to the one in which we operate. The number of executives with the most desirable experience in our industry is relatively low and these executives are difficult to find. We have expanded our recruiting efforts both geographically and into other industries and sectors, which leads to increased complexity in recruiting efforts and has required us to be more aggressive with our executive compensation packages.

*Corporate Environment* We are a demanding employer and our fast-moving, challenging culture is not always suited to the executives who comprise the talent pool from which we recruit. Like many companies in very dynamic markets, we place extraordinary demands on executive time and attention. This means that often prospective executives are more focused on equity compensation, and the Compensation Committee applies our compensation practices accordingly. The Compensation Committee believes that offering competitive long-term incentive compensation awards with strong upside opportunities in our compensation packages better aligns the interests of our executive officers and our stockholders. If performance is not achieved, the compensation realized by our executive officers is accordingly reduced.

*Replacement Cost* When determining the compensation for a current executive officer who has been with us for a substantial period of time, the Compensation Committee takes into consideration what it may cost to hire that executive officer's replacement. The Compensation Committee believes that replacement cost is highly relevant to an executive officer's compensation because it is what we would have to pay if the executive officer left us given the factors described above and it likely approximates the executive officer's own perceived value in the competitive environment for executive talent.

Our objective is to implement strategies for delivering compensation that align current opportunities with the overall software industry, provide sufficient emphasis on pay-for-performance and are appropriately aligned with our financial goals and long-term stockholder returns.

## Compensation-Setting Process

### *Authority, Role, and Operation of the Compensation Committee*

The current members of the Compensation Committee are Messrs. Frankenberg (Chair) and Myers. The Board of Directors created the Compensation Committee to discharge its responsibilities relating to the compensation of our executive officers. The Compensation Committee has overall responsibility for approving and evaluating our executive compensation program and related policies and practices. The mandate of the Compensation Committee is to review and recommend to our Board of Directors the compensation and benefit

policies for the Company, and oversee, evaluate, and approve compensation plans, policies and programs for our executive officers.

The Compensation Committee has adopted a written charter approved by our Board of Directors, which discusses in detail its responsibilities, and which is available on our corporate website at <http://www.nuance.com/company/company-overview/company-policies/corporate-governance/compensation-committee/index.htm>.

The Compensation Committee establishes all elements of compensation paid to our CEO and reviews management's recommendations for and approves all elements of compensation paid to our other executive officers, including the other Named Executive Officers. Our CEO, in consultation with our Senior Vice President and Chief Human Resources Officer, submits all recommendations regarding the compensation of our other executive officers to the Compensation Committee for its review and approval. The Compensation Committee also reviews the compensation of the non-employee members of our Board of Directors and recommends changes, when appropriate, to our Board of Directors.

In carrying out its responsibilities, the Compensation Committee may engage outside consultants and/or consult with our human resources department from time to time. The Compensation Committee also may obtain advice and assistance from internal or external legal, accounting or other advisers that it selects. The Compensation Committee may delegate any of its responsibilities to one or more subcommittees, to the extent permitted by applicable law. The Compensation Committee did not delegate any responsibilities to a subcommittee during fiscal 2015.

The Compensation Committee reviews the compensation of our executive officers, including the Named Executive Officers, annually to ensure that it is consistent with our compensation philosophy, corporate and individual performance, changes in the market, and our executive officers' individual responsibilities. During the first quarter of our fiscal year, or in conjunction with the Company-wide performance process, the Compensation Committee conducts a review of the performance of each executive officer, including our CEO.

Our CEO presents to the Compensation Committee his evaluation of each executive officer, which includes a review of his or her contribution and performance during the last fiscal year (compared against the performance objectives that our CEO and Compensation Committee established at the beginning of the fiscal year for the executive officer), strengths, weaknesses, development plans and succession potential. Our human resources department also assists in the performance reviews of our executive officers, all of whom report directly to our CEO.

The Compensation Committee then makes its own assessments using our CEO's presentation and, based on this assessment, approves each executive officer's annual bonus payment, if any, for the last completed fiscal year, including any discretionary adjustments to such awards, and the elements of each executive officer's total direct compensation opportunity, including performance-based compensation, for the current fiscal year, taking into account, in each case, our CEO's evaluation, the scope of the executive officer's responsibilities and experience, and its own evaluation of the competitive market.

The Compensation Committee believes that strong, long-term corporate performance is achieved with a corporate culture that encourages a long-term focus by our executive officers, including the Named Executive Officers. At the beginning of fiscal 2015, the Compensation Committee reviewed the key objectives of our operating plan and determined the performance measures that will provide focus on our continued revenue, bookings and earnings-per-share growth. In fiscal 2015, while still in the midst of a business transition which focused on strengthening our recurring revenue growth, the Compensation Committee defined the key measures that would best provide a balance between maintaining revenue during this transition and maintaining a focus on earnings-per-share. In fiscal 2015, our CEO's performance objectives were based on achievement of the non-GAAP revenue, bookings and non-GAAP earnings-per-share target levels established by the Compensation Committee that aligned with our fiscal 2015 operating plan, while the performance objectives for the other Named Executive Officers were based on the financial objectives established for the Company as a whole and their respective business functions and responsibilities. The corporate, financial, and individual performance objectives for our executive officers are established in a manner such that target attainment is not assured; meaning that the executive officers' receipt of compensation for performance at or above target will require significant effort on their part.

*Role of Compensation Committee Advisor*

The Compensation Committee retained Compensia, Inc., a national compensation consulting firm, to serve as its independent advisor for fiscal 2015. Compensia advises the Compensation Committee with respect to trends in executive compensation, compensation peer group selection, the determination and design of compensation plans and arrangements, the assessment of competitive pay levels and mix (for example, the proportion of fixed pay to variable pay and the proportion of annual cash pay to long-term incentive pay), total equity utilization levels compared to market, and setting compensation levels. As part of its engagement, Compensia conducted executive and non-employee director compensation analyses to be used in connection with the Compensation Committee fiscal 2015 compensation actions.

The Compensation Committee may replace an advisor or hire additional advisors at any time. Compensia did not provide any other services to us and received no compensation other than with respect to the services described above.

Based on the consideration of the various factors as set forth in the rules of the SEC and the listing standards of the NASDAQ Stock Market, the Compensation Committee has determined that its relationship with Compensia and the work of Compensia on behalf of the Compensation Committee has not raised any conflict of interest.

*Competitive Positioning*

Each year, to determine the competitiveness of our overall executive compensation program, the Compensation Committee reviews the compensation for comparable positions within our industry, the historical compensation levels of our executive officers, and the individual performance of executive officers evaluated against their individual objectives established for the preceding fiscal year. The Compensation Committee believes the group of companies that it uses for these purposes constitutes an appropriate peer group because we compete for the same employee pool at the executive level, are in the same or similar industry, and are of generally similar size as measured by revenue and market capitalization. The Compensation Committee obtains compensation data about these companies from compensation surveys, publicly-available proxy statements, and other public filings. In addition, this data is supplemented by Radford executive compensation survey data representing a broader group of technology companies that are of similar size with revenues between \$1 billion to \$3 billion.

In July 2014, the Compensation Committee, with the assistance of Compensia, updated the compensation peer group to account for change in our total revenue and revenue growth, market capitalization, and business/industry focus. At that time, the Compensation Committee removed VMware, Inc. from the peer group due to differences in revenue and market capitalization. It also removed BMC Software, Inc. from the peer group as a result of its acquisition. The Compensation Committee added Adobe Systems, Incorporated, LinkedIn Corporation, and Teradata Corporation to the peer group, noting their financial and business/industry similarities to us. The compensation peer group for the remainder of fiscal 2014 and to frame and evaluate the Compensation Committee's fiscal 2015 compensation analysis, consisted of the following companies:

Adobe Systems Incorporated	Parametric Technology Corporation
Akamai Technologies, Inc.	Red Hat, Inc.
Autodesk, Inc.	Salesforce.com, Inc.
Cadence Design Systems, Inc.	Synopsys, Inc.
Citrix Systems, Inc.	Teradata Corporation
Cerner Corporation	TIBCO Software, Inc.
Informatica Corporation	Verifone Systems, Inc.
LinkedIn Corporation	VeriSign, Inc.
MICROS Systems, Inc.	

In July 2015, the Compensation Committee, with the assistance of Compensia, once again updated the compensation peer group to account for change in our total revenue and revenue growth, market capitalization, and business/industry focus. At that time, the Compensation Committee removed salesforce.Com, Inc. from the peer group due to differences in revenue and market capitalization. It also removed MICROS Systems, Inc. and

TIBCO Software, Inc. from the peer group as a result of their acquisitions. Subsequent to the review of the peer group, Informatica Corporation was also acquired, thus causing it to be removed from the peer group. The Compensation Committee added Allscripts Healthcare Solutions and Intuit to the peer group, noting their financial and business and/or industry similarities to us. The compensation peer group for the remainder of fiscal 2015 consisted of the following companies:

Adobe Systems Incorporated	LinkedIn Corporation
Akamai Technologies, Inc.	Parametric Technology Corporation
Allscripts Healthcare Solutions, Inc.	Red Hat, Inc.
Autodesk, Inc.	Synopsys, Inc.
Cadence Design Systems, Inc.	Teradata Corporation
Cerner Corporation	Verifone Systems, Inc.
Citrix Systems, Inc.	VeriSign, Inc.
Intuit, Inc.	

The Compensation Committee used the updated compensation peer group to frame and evaluate its fiscal 2016 compensation analysis.

### Compensation Elements

In fiscal 2015, the compensation arrangements of our executive officers, including the Named Executive Officers, comprised the following elements:

base salary;

a performance-based annual bonus opportunity;

long-term incentive compensation in the form of equity awards;

company retirement and other welfare benefits;

personal benefits; and

post-employment compensation payments and benefits.

Our compensation philosophy places an emphasis on at-risk pay with a balanced focus between short-term and long-term strategic objectives. Consistent with this philosophy, the majority of the target total direct compensation opportunities of our executive officers, including the Named Executive Officers, is variable in nature, the payment and value of which depends on our financial results.

To achieve this objective, we use a performance-based annual bonus plan that may be paid out in cash or shares of our common stock (with or without additional vesting requirements) or a combination of both cash and shares, of which has mainly been paid in shares of our common stock, and long-term incentive compensation in the form of time-based restricted stock unit awards that may be settled for shares of our common stock, time-based restricted stock awards that may be settled for shares of our common stock, and performance-based restricted stock unit awards that may be settled for shares of our common stock.

The performance measures we establish for the annual bonus plan and the performance-based restricted stock unit awards are designed to promote stockholder return, market share increase, and revenue and earnings growth.

For fiscal 2015, the Compensation Committee elected, in consideration of the volatile nature of the software industry, compounded by the major transition of our business evolving towards recurring revenue model, to establish performance measures and related target levels for the performance-based restricted stock unit awards that were based on our fiscal 2015 financial performance as measured by non-GAAP revenue at



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the corporate and segment levels, corporate and segment level gross bookings, net new corporate bookings, non-GAAP earnings-per-share, segment profit margin, non-GAAP operating expense, and cash flow, while our fiscal 2015 annual bonus plan was based on the intersection of non-GAAP revenue and non-GAAP earnings-per-share

achievement. These performance measures were selected based on the Compensation Committee's belief that these measures best position us for sustained growth in the future.

### **Base Salary**

We use base salary to provide our executive officers, including the Named Executive Officers, with a basic fixed amount of compensation. Base salary levels reflect each executive officer's responsibilities, performance, and expertise and are intended to be competitive with the base salary levels of comparable positions at the companies in our compensation peer group.

The Compensation Committee establishes base salary levels based, in part, on market data for our compensation peer group, as well as the job performance and level of experience of each individual executive officer, internal pay parity considerations, and replacement costs. Generally, we tie the performance-based incentive compensation opportunities and post-employment compensation arrangements for each executive officer to his or her base salary.

In October 2014, the Compensation Committee reviewed the base salaries of our executive officers, including each of the Named Executive Officers, and determined that no adjustments would be made to their base salary levels for fiscal 2015, with the exception of Mr. Bowden's as described below.

In October 2014, in connection with an expansion of Mr. Bowden's role, taking over leadership responsibility of our global legal team in addition to his corporate strategy and development role, the Compensation Committee approved an increase in his annual base salary from \$375,000 to \$400,000.

In July 2015, in connection with his promotion to Executive Vice President and Chief Financial Officer, the Compensation Committee approved an increase in the annual base salary of Mr. Tempesta from \$360,500 to \$400,000.

The base salaries of the Named Executive Officers during fiscal 2015 were as follows:

<b>Named Executive Officer</b>	<b>Fiscal 2014 Base Salary</b>	<b>Fiscal 2015 Base Salary</b>	<b>Change</b>
Mr. Ricci	\$ 800,000	\$ 800,000	
Mr. Beaudoin	\$ 500,000	\$ 500,000	
Mr. Bowden(1)	\$ 375,000	\$ 400,000	6.67%
Mr. Devanny	\$ 700,000	\$ 700,000	
Mr. Robbins	\$ 450,000	\$ 450,000	
Mr. Tempesta(2)	N/A	\$ 400,000	10.96%

(1) Mr. Bowden's base salary increase was effective as of October 7, 2014.

(2) Mr. Tempesta's base salary increase was effective as of July 21, 2015.

### **Short-Term Incentive Compensation**

Consistent with our compensation philosophy, the Compensation Committee has designed our executive compensation program to ensure that a significant level of our executive officers' target total direct compensation opportunity is at risk. To help accomplish this objective, we provide for performance-based bonus opportunities for our executive officers, including the Named Executive Officers, based on the achievement of corporate performance objectives established at the beginning of the year.

During fiscal 2015, the Compensation Committee adopted an annual executive bonus plan for our executive officers, including the Named Executive Officers, which was designed to promote the attainment of specific financial objectives (as reflected in our annual operating plan) while, at the same time, supporting our longer-term strategic business objectives, and encouraging leadership and teamwork (the 2015 Executive Officer Bonus Plan). The Compensation Committee, after consultation with our CEO, established two financial performance measures, as well as minimum, target, and maximum performance levels for each measure. In addition, each executive officer was assigned a target bonus opportunity that generally reflected his or her position.



and is expressed as a percentage of his or her base salary. The amount of each executive officer's actual bonus payment was to be based on the extent to which we achieve or exceed the pre-established target level for each performance measure (up to a maximum percentage of 150%) that may be paid out to any executive officer.

After the end of the fiscal year, the Compensation Committee reviewed our performance against the financial performance measures and made its bonus decisions. The Compensation Committee had the discretion to approve bonus payments which were higher or lower than an executive officer's target bonus opportunity depending on its evaluation of his or her individual performance for the fiscal year. Annual bonus payments may be paid out in cash or shares of our common stock or a combination of both cash and shares, of which has mainly been paid in shares of our common stock, which may be subject to additional vesting requirements as established by the Compensation Committee.

**Target Bonus Opportunities**

In November 2014, for purposes of the 2015 Executive Officer Bonus Plan, the Compensation Committee reviewed the fiscal 2015 target bonus opportunity for each executive officer, including each Named Executive Officer, and determined that, at that time, no adjustments were necessary or appropriate, with the exception of Mr. Tempesta who received an increase as a result of his promotion in July 2015.

The target bonus opportunities of the Named Executive Officers for fiscal 2015 were as follows:

Named Executive Officer	Fiscal 2015 Target Bonus Opportunity (as a Percentage of Base Salary)
Mr. Ricci	150%
Mr. Beaudoin	85%
Mr. Tempesta(1)	75%
Mr. Bowden	75%
Mr. Devanny	79%
Mr. Robbins	78%

- 1) In connection with Mr. Tempesta's promotion to Executive Vice President and Chief Financial Officer, his target bonus opportunity was increased by the Compensation Committee in July 2015 from 60% to 75% of his base salary.

**Corporate Performance Measures**

Under the 2015 Executive Officer Bonus Plan, annual bonuses were to be funded based on our actual performance as measured against the intersection of two corporate financial measures, non-GAAP revenue and non-GAAP earnings-per-share growth, which the Compensation Committee determined were critical to the successful execution of our fiscal 2015 operating plan. The 2015 Executive Bonus Plan provided for full funding at the target bonus opportunity level if we achieved non-GAAP revenue of \$2.03 billion and non-GAAP earnings-per-share of \$1.15 per share. However, the Executive Officer Bonus Plan permits varying funding levels based on results of the intersection of both financial measures. Funding levels under the 2015 Executive Officer Bonus Plan ranged from a minimum level of 25% to a maximum of 150%.

For purposes of the 2015 Executive Officer Bonus Plan, we calculated non-GAAP revenue and non-GAAP earnings-per-share in the same manner that we calculate this measure for purposes of our quarterly earnings announcements. In performing this calculation, we either included or excluded items in six general categories, each of which are described below.

*Acquisition-Related Revenue and Cost of Revenue.* We include revenue and cost of revenue related to acquisitions that would otherwise have been recognized but for the purchase accounting treatment of these transactions. Non-GAAP revenue also includes revenue that we would have otherwise recognized had we not acquired intellectual property and other assets from the same customer.

*Acquisition-Related Costs, Net.* We have completed a number of acquisitions, which result in operating expenses which would not otherwise have been incurred. These acquisition-related costs are included in the following categories: (i) transition and integration costs; (ii) professional service fees; and (iii) acquisition related adjustments. These categories are further discussed as follows:

Transition and integration costs include retention payments, transitional employee costs, earn-out payments treated as compensation expense, as well as the costs of integration-related services, including services provided by third parties.

Professional service fees include third-party costs related to the acquisition and legal and other professional service fees associated with disputes and regulatory matters related to acquired entities.

Acquisition-related adjustments include adjustments to acquisition-related items that are required to be marked to fair value each reporting period, such as contingent consideration, and other items related to acquisitions for which the measurement period has ended, such as gains or losses on settlements of pre-acquisition contingencies.

*Amortization of Acquired Intangible Assets.* We exclude the amortization of acquired intangible assets from the calculation of non-GAAP expense and income measures including earnings-per-share.

*Costs Associated with IP Collaboration Agreement.* To gain access to a third party's extensive speech recognition technology and natural language and semantic processing technology, we have entered into IP collaboration agreements, with terms that ranged between five and six years. Depending on the agreement, some or all intellectual property derived from these collaborations will be jointly owned by the two parties. For the majority of the developed intellectual property, we will have sole rights to commercialize such intellectual property for periods ranging between two to six years, depending on the agreement. For non-GAAP purposes, we consider these long-term contracts and the resulting acquisitions of intellectual property from the third-party over the agreements' terms to be an investing activity, outside of its normal, organic, continuing operating activities, and, are therefore excluded from our non-GAAP results.

*Non-Cash Expenses.* We exclude the following non-cash expenses when calculating non-GAAP earnings-per-share: (i) stock-based compensation; (ii) certain accrued interest; and (iii) certain accrued income taxes.

*Other Expenses.* We exclude certain other expenses that are the result of unplanned events and arose outside of the ordinary course of continuing operations when calculating non-GAAP earnings-per-share. Included in these expenses are items such as restructuring charges, asset impairments, and other charges (credits), net. These items also include losses from the extinguishment of our convertible debt and adjustments from changes in fair value of share-based instruments relating to the issuance of our common stock with security price guarantees payable in cash. Other items such as consulting and professional service fees related to assessing strategic alternatives and our transformation program, and gains or losses on non-controlling strategic equity interests, are also excluded.

#### Fiscal 2015 Bonus Decisions

For fiscal 2015, our reported non-GAAP revenue was \$1,980 million and our non-GAAP earnings-per-share was \$1.27 per share. After reviewing our financial results, the Compensation Committee approved the funding of bonuses at 100% of the target bonus opportunity level. With respect to the bonus payments for each of the Named Executive Officers, in November 2015 the Compensation Committee exercised its discretion to approve the bonus payments to each of the Named Executive Officers as follows:

Mr. Ricci received a bonus payment equal to 100% of his target bonus opportunity based on the achievement of the intersection of our non-GAAP revenue and non-GAAP earnings-per-share, in particular the overachievement of the earnings-per-share target.

Mr. Beaudoin was not eligible for any bonus payment as a result of his termination of employment in July 2015.



Mr. Tempesta received a bonus payment equal to 125% of his target bonus opportunity based on his strong performance on many strategic objectives he completed during fiscal 2015 both prior to and after his promotion to Executive Vice President and Chief Financial Officer.

Mr. Bowden received a bonus payment equal to 118% of his target bonus opportunity based on his achievement and execution of many strategic initiatives completed during fiscal 2015 and for being a key participant in driving the results of the business.

Mr. Devanny received a bonus payment equal to 0% of his target bonus opportunity.

Mr. Robbins received a bonus payment equal to 93% of his target bonus opportunity based on his performance in assisting in the achievement of our fiscal 2015 financial results.

The fiscal 2015 bonus payments for the Named Executive Officers were made entirely in the form of restricted stock unit awards that are settled in shares of our common stock. The number of shares of our common stock subject to these awards was determined by dividing the amount of the bonus earned by the closing market price of our common stock on November 20, 2015, or \$20.08 per share, which was the date the Compensation Committee approved the final allocation of the 2015 Executive Officer Bonus Plan. These restricted stock unit awards vested in full on December 4, 2015.

The actual bonus payments to the Named Executive Officers for fiscal 2015 were as follows:

Named Executive Officer	Percentage of Fiscal 2015 Target Bonus Opportunity Earned	Actual Fiscal 2015 Bonus (\$)	Actual Fiscal 2015 Bonus (as number of shares of common stock)
Mr. Ricci	100%	\$ 1,200,000	59,760
Mr. Tempesta(1)	125%	\$ 315,000	15,687
Mr. Bowden	118%	\$ 355,000	17,679
Mr. Devanny	0%	\$ 0	0
Mr. Robbins	93%	\$ 325,000	16,185

(1) This bonus payment was pro-rated as a result of Mr. Tempesta's promotion effective in July 2015.

Long-Term Incentive Compensation Philosophy

Consistent with our compensation philosophy, the Compensation Committee has designed our executive compensation program to provide that a significant level of our executive officers' target total direct compensation opportunity is at risk. All of their long-term incentive compensation is at risk as it is subject to the volatility of our stock price with 50% of their long-term incentive compensation delivered in the form of performance-based restricted stock unit awards of which are earned only if the performance targets are achieved.

The Compensation Committee structures these awards to reflect the unique characteristics of our business:

A business in a highly-competitive and rapidly-changing industry;

A business with a long-term strategy based on both acquisitions as well as organic growth; and

A business in the midst of a major transformation of our business model.



As a result, the Compensation Committee has determined that it is in our best interests to select the performance measures and set the related target levels for our performance-based restricted stock unit awards using an annual approach, including measures which drive longer-term performance, with the exception of a portion of our CEO's awards as described below. Not only does this approach enable the Compensation Committee to set performance goals that are responsive to our near-term and long-term objectives, it also minimizes the risk that these goals will become unattainable because of unforeseen or changing circumstances by providing the committee with the opportunity to adapt the measures to the rapidly changing environment. This annual performance period approach also allows the Compensation Committee to be responsive to ever-changing business conditions and maintains focus on key measures in the midst of the transformation of our business model.

In addition, by determining the size of each performance-based restricted stock unit award at the beginning of each three-year performance cycle, the Compensation Committee is able to ensure that each executive officer has a significant portion of his annual and near-term total direct compensation opportunity at risk, underscoring our emphasis on performance results and reinforcing our retention objectives.

At the same time, the Compensation Committee believes that, consistent with our compensation philosophy, the target total direct compensation opportunities of our executive officers should be predicated on their value to the organization. This is particularly true in the case of Mr. Ricci. As our Chief Executive Officer since September 2000, and Chairman of our Board of Directors since 1999, Mr. Ricci has played a critical role in our ongoing success over the past 16 years, both as our senior executive officer and a visionary in a dynamic and continuously-changing industry. During his tenure, Mr. Ricci has successfully led us through significant strategic acquisitions and business alliances that have transformed us into a leading provider of speech solutions. At the same time, under his guidance we have embarked on an aggressive plan to transform our business model, with an increasing concentration of our revenue coming from our hosting, term licensing and transaction based offerings, which are recurring revenue streams, and a decreasing proportion of our revenues coming from perpetual license models. Given his industry stature, Mr. Ricci continues to be a potential candidate for leadership positions at other companies that may seek to recruit him with a lucrative compensation package.

The implementation of these principles can be illustrated by the equity awards that the Compensation Committee has granted to Mr. Ricci over the past four fiscal years. Over that period, in recognition of his leadership and to directly link his compensation to our financial and operational performance, a significant portion of Mr. Ricci's target total direct compensation opportunity has consisted of the opportunity to earn shares of our common stock that is heavily weighted towards specific performance objectives. The Compensation Committee, however, did take into consideration the significant feedback that we received from our stockholders and over the last three years has materially reduced the grant value of these awards as depicted in table entitled Chief Executive Officer-Approved Equity Awards,

For purposes of this discussion, the terms *issuance date* and *grant date* are defined as follows:

*Issuance Date* means the date on which the Compensation Committee approved the issuance of equity award to the Named Executive Officers. The per share value of these awards on such date is equal to the closing market price of our common stock as quoted on NASDAQ on the date that the Compensation Committee approves the issuance of the award.

*Grant Date* means the date on which the vesting or performance terms of the equity awards are known and agreed upon between the Company and the Named Executive Office. The per share value of the awards on such date is equal to the closing market price of our common stock as quoted on NASDAQ on the date that the Compensation Committee approves these terms of the award. For time-based equity awards, the issuance date and grant date are the same as the vesting terms are known when the Compensation Committee issues the award. For performance-based restricted stock unit awards, there will be a difference between the issuance date and the grant date for the second and third installments of the awards as a result of the timing of when the performance measures and related target levels are established for each of these installments.

#### ***Chief Executive Officer Long-Term Incentive Compensation Analysis***

In response to our shareholders feedback requesting additional clarity on the design of our long-term incentive awards, we have added additional information to provide clarity on the way the Compensation

Committee has designed the long-term incentive compensation awards for our executive officers, with a specific emphasis on the awards for Mr. Ricci.

The Approved Equity Award Table is intended to illustrate the following:

Reflect the face value of the awards authorized by the Compensation Committee on each Issuance Date over fiscal years 2012-2016 (that is, the number of shares of our common stock issued multiplied by the stock price on the date of issuance),

Show how the values reflected in table differ from what is reported in the Summary Compensation Table that accompanies this Compensation Discussion and Analysis as a result of the timing of the determination of the performance measures and related target levels for the performance-based stock unit awards by the Compensation Committee. Unlike most companies, which grant and establish the performance measures and related target levels for the entire award at the time of issuance, the Compensation Committee approves the reservation of shares of our common stock for the performance-based stock unit awards at the Issuance Date, but does not select the performance measure or measures and the related target levels for each installment of the awards until the beginning of each one-year performance period. As a result, under the SEC's executive compensation disclosure rules, these subsequent award installments are not reported in the Summary Compensation Table until the fiscal year in which the performance measures and related target levels are established.

Reflect the material reduction in long-term incentive value delivered to Mr. Ricci over this four-year period with emphasis on the fiscal 2016 award that was granted 100% in performance-based units in response to stockholder feedback to align compensation with performance.

The Equity Award Opportunity Table is intended to illustrate the following:

Show the change from face value on the issuance date, as depicted in approved equity award table, to the face value on the Grant Date once the performance measures and related target levels for the fiscal period are established.

Provide a comparison of the Grant Date fair value versus the value on the date the shares are actually earned by Mr. Ricci.

Show that in years when our stock price declined from the Grant Date to the date the shares were actually earned, Mr. Ricci's realized compensation value also declined. Conversely, in a period in which our stock price increased from the grant date to the date the shares were actually earned, Mr. Ricci's realized compensation exceeded the grant date value. Both scenarios demonstrate the strong alignment of Mr. Ricci's long-term incentive award value with the creation of stockholder value.

**CHIEF EXECUTIVE OFFICER****APPROVED EQUITY AWARDS****FISCAL 2013 FISCAL 2016**

	Type of Award	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total Face Value on Issuance Date
		\$6,450,000	\$6,450,000	\$6,450,000				\$19,350,000
	Nov 11, 2011 (FY12)	(250,000 shares)	(250,000 shares)	(250,000 shares)				(750,000 shares)
	(1,500,000 shares)	\$6,450,000	\$6,450,000	\$6,450,000				\$19,350,000
		(250,000 shares)	(250,000 shares)	(250,000 shares)				(750,000 shares)
			\$5,580,000	\$5,580,000	\$5,580,000			\$16,740,000
	Dec 17, 2012 (FY13)		(250,000 shares)	(250,000 shares)	(250,000 shares)			(750,000 shares)
	(1,500,000 shares)		\$5,580,000	\$5,580,000	\$5,580,000			\$16,740,000
			(250,000 shares)	(250,000 shares)	(250,000 shares)			(750,000 shares)
					\$3,927,500			\$3,927,500
	Nov 12, 2013 (FY14)				(250,000 shares)			(250,000 shares)
	(500,000 shares)				\$3,927,500			\$3,927,500
					(250,000 shares)			(250,000 shares)
						\$3,507,500		\$3,507,500
	Dec 15, 2014 (FY15)				(250,000 shares)			(250,000 shares)
	(500,000 shares)				\$3,750,500			\$3,507,500
					(250,000 shares)			(250,000 shares)
							\$10,040,000	\$10,040,000
	Nov 20, 2015 (FY16)							
	(500,000 shares)						(500,000 shares)	(500,000 shares)

**CHIEF EXECUTIVE OFFICER****EQUITY AWARD OPPORTUNITY****FISCAL 2013 FISCAL 2016**

	Type of Award	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Nov 11, 2011 (FY12)		\$6,450,000	\$6,450,000	\$6,450,000			
(1,500,000 shares)		(250,000 shares)	(250,000 shares)	(250,000 shares)			
		\$6,320,000	\$5,580,000	\$3,927,500			
		(250,000 shares)	(250,000 shares)	(250,000 shares)			
			\$5,580,000	\$5,580,000	\$5,580,000		
			(250,000 shares)	(250,000 shares)	(250,000 shares)		
			\$5,580,000	\$3,927,500	\$702,235		
Dec 17, 2012 (FY13)			(250,000 shares)	(250,000 shares)	(50,000 shares)		
(1,500,000 shares)							
					\$2,854,000		
					(200,000 shares)		
Nov 12, 2013 (FY14)					\$3,927,500		
(500,000 shares)					(250,000 shares)		
					\$3,927,500		
					(250,000 shares)		
						\$3,507,500	
Dec 15, 2014 (FY15)						(250,000 shares)	
(500,000 shares)						\$5,020,000	
						(250,000 shares)	
Nov 20, 2015 (FY16)							\$10,040,000
(500,000 shares)							(500,000 shares)
Equity Award Grant Date Value			\$23,190,000	\$19,885,000	\$16,991,235	<u>PROJECTED</u> \$8,527,500	<u>PROJECTED</u> \$10,040,000
Amount Realized from Equity Award			\$9,969,500	\$16,039,730	\$18,799,853		

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- (1) The amount shown reflects the Grant Date fair value (under ASC718) of each installment of the performance-based restricted stock unit awards as determined in the fiscal year in which the performance measures and related target levels for that installment were established by the Compensation Committee.
- (2) This amount represents the total Grant Date fair value of Mr. Ricci's long-term incentive compensation opportunity for fiscal 2013, fiscal 2014, fiscal 2015, and (on a projected basis assuming a grant date fair value of \$20.08 per share) fiscal 2016 and fiscal 2017 combining the grant date fair value (under ASC718) of the installment of each time-based restricted stock unit award to be earned during that fiscal year and the grant date fair value of the installment of each performance-based restricted stock unit award for which the performance measures and related target levels were established and the shares of our common stock subject to such installment were to be earned during such fiscal year. As explained in the narrative discussion introducing this table, these grant date fair values are not necessarily consistent with the grant date fair value amounts reported in the Summary Compensation Table for the fiscal year covered.

### Long-Term Incentive Compensation Earned

As illustrated by the foregoing tables, a significant portion of Mr. Ricci's long-term incentive compensation opportunity is comprised of performance-based restricted stock unit awards, which derive their value based on our specific financial and operational performance, and time-based restricted stock unit awards, the value of

which is dependent on the performance of our stock price (which is directly influenced by our financial and operational performance). This compensation is wholly at risk and contingent on his ability to lead us to achieve our short-term and long-term objectives. The variable nature of these awards and their direct link to our actual business results can be illustrated by the following chart:

Represented in the Summary Compensation Table on page 52 is the Grant Date fair value of the TBRSU award granted on December 15, 2014 and the Grant Date value of the PBRSU award originally issued by the Compensation Committee to our CEO on December 17, 2012 and aligned to fiscal 2015 targets. See the following table for reconciliation:

<b>Date of Issuance</b>	<b>Date of Grant</b>	<b># of Shares</b>	<b>Grant Date Value</b>	<b>Type of Award</b>
12/15/2014	12/15/2014	250,000	\$ 3,507,500	Time-based shares vesting 9/30/2016
<b>Total grants issued in FY2015</b>		<b>250,000</b>	<b>\$ 3,507,500</b>	
12/17/2012*	12/31/2014	200,000	\$ 2,854,000	Performance award tied to Fiscal 2015 Corporate Financial Targets
<b>Total grants issued prior to FY2015 and accounted for in FY15</b>		<b>200,000</b>	<b>\$ 2,854,000</b>	
<b>Total Value Reported in Stock Award Column</b>		<b>450,000</b>	<b>\$ 6,361,500</b>	

\* On November 12, 2013, in connection with this installment of Mr. Ricci's fiscal 2015 performance-based restricted stock unit award, the Compensation Committee granted performance-based restricted stock unit awards providing an incentive for over-achievement of the performance goals, as discussed elsewhere in this Compensation Discussion and Analysis.

#### **Long-Term Incentive Compensation**

We provide long-term incentive compensation to our executive officers, including the Named Executive Officers, in the form of restricted stock unit (RSU) awards for shares of our common stock which are to be earned pursuant to both time and performance conditions. The multi-year performance-based and time-based vesting requirements of these equity awards are designed to align the interests of our executive officers and our stockholders and to provide each individual executive officer with a significant incentive to manage us from the perspective of an owner and to remain employed with us.

The Compensation Committee has maintained a multi-year practice whereby at least 50% of the value of all equity awards granted to the Named Executive Officers, would be performance-based awards to be earned or settled based on the achievement of pre-established target levels for one or more performance measures. The Compensation Committee believes that this equity mix provides a more effective alignment of the interests of our executive officers and our stockholders.

The Compensation Committee also believes that the commitment to grant a mix of both time-based and performance-based equity awards enhances our ability to retain our executive officers by providing a portion of their long-term incentive compensation opportunity in the form of full value equity awards (such as RSU awards) that will be earned only if they remain employed with us for several years.

Typically, the Compensation Committee reviews our executive officers' prior fiscal year's performance at its first meeting of the fiscal year and will grant equity awards if deemed appropriate within the first quarter of the fiscal year. Further, the Compensation Committee determines the value of the equity awards that it grants to each executive officer based on its evaluation of his or her performance, his or her skills, expertise, and experience, his or her expected future contributions, its retention objectives for the executive officer, the status of their outstanding equity awards (including the projected value of these awards in future fiscal years), its evaluation of our financial and operational performance for the preceding fiscal year, and its review of the compensation data described in Competitive Positioning above and replacement costs.

#### Performance Measures

In addition to non-GAAP revenue and non-GAAP earnings-per-share performance measures, certain of the long term incentive equity awards are based on the measurement of bookings, net new bookings, cash flow, and management business objectives important for our long term growth and for maintaining focus on our revenue and earnings-per-share during a major transformation in our business model.

For the purposes of fiscal 2015 equity awards, bookings were defined to represent the estimated gross revenue value of transactions at the time of contract execution, except for maintenance and support offerings. For fixed price contracts, the bookings value represents the gross total contract value. For contracts where revenue is based on transaction volume, the bookings value represents the contract price multiplied by the estimated future transaction volume during the contract term, whether or not such transaction volumes are guaranteed under a minimum commitment clause. The maintenance and support bookings value represents the amounts billed in the period the customer is invoiced.

Net new bookings represents the estimated revenue value at the time of contract execution from new contractual arrangements or the estimated revenue value incremental to the portion of value that will be renewed under pre-existing arrangements.

Recurring revenue represents the sum of recurring product and licensing, on-demand, and maintenance and support revenues as well as the portion of professional services revenue delivered under ongoing subscription contracts. Recurring Product and Licensing revenue comprises term-based and ratable licenses as well as revenues from royalty arrangements.

#### Fiscal 2015 Annual Equity Awards

In December 2015, the Compensation Committee approved annual equity awards to our executive officers, including Messrs. Ricci, Beaudoin, Tempesta and Robbins. Mr. Bowden's annual equity award was granted by the Compensation Committee in October 2014 at the time of his expansion of responsibilities. These awards were granted 50% in the form of RSU awards with time-based vesting requirements ( TBR awards ), and 50% in the form of RSU awards with performance-based vesting requirements ( PBR awards ). The Compensation Committee believed that this combination struck an appropriate balance between creating a long-term retention incentive for our executive officers and establishing performance goals that further align the interests of our executive officers with our business objectives for the next two fiscal years and with increasing stockholder value.

As in prior years, the Compensation Committee determined that, with respect to the PBR awards, it would establish the performance measures and set target levels for such measures at or shortly after the begin-

ning of each fiscal year covered by the award. As described above in the discussion of Mr. Ricci's long-term incentive compensation, the Compensation Committee believes that, at this time, selecting measures and setting target levels on an annual basis allows it to assess progress and changes in our business and changes in our industry to ensure that the measures and related target levels selected align with our progress and strategic priorities and what it believes are in our long-term best interests.

The equity awards granted to Mr. Ricci and the Named Executive Officers during fiscal 2015 were as follows:

Named Executive Officer	Date of Issuance	Type of Equity Award	Number of Shares of Common Stock Subject to Equity Award	Face Value of Equity Award	Vesting or Performance Conditions
Mr. Ricci	December 15, 2014	TBR SU	250,000	\$ 3,507,500	The shares are subject to time-based vesting, 100% of the shares vest on September 30, 2016.
	December 15, 2014	PBR SU	250,000	\$ 3,507,500	From 0% to 100% of these shares will vest upon certification by the Compensation Committee following fiscal 2016 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2016.
Mr. Beaudoin	December 15, 2014	TBR SU	50,000	\$ 701,500	20,000 of these shares vest on September 30, 2016 and 30,000 of these shares vest on September 30, 2017.
	December 15, 2014	PBR SU	50,000	\$ 701,500	Up to 20,000 of these shares will vest upon certification by the Compensation Committee following fiscal 2016 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2016 and up to 30,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2017.



Named Executive Officer	Date of Issuance	Type of Equity Award	Number of Shares of Common Stock Subject to Equity Award	Face Value of Equity Award	Vesting or Performance Conditions
	December 31, 2014	PBRSU	15,000	\$ 214,050	From 0% to 100% of these shares to vest and be earned if the Company exceeds the target level for the performance metrics established with respect to the fiscal 2015 increments of the performance-based restricted stock unit awards approved by the Compensation Committee in fiscal 2013 and fiscal 2014.
Mr. Tempesta	December 15, 2014	TBRSU	30,000	\$ 420,900	10,000 shares vest on September 30, 2016 and 20,000 shares vest on September 30, 2017.
	December 15, 2014	PBRSU	30,000	\$ 420,900	Up to 10,000 of these shares will vest upon certification by the Compensation Committee following fiscal 2016 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2016 and up to 20,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2017.
	January 27, 2015	PBRSU	9,325	\$ 128,405	Up to 7,500 of these shares will vest upon certification by the Compensation Committee following fiscal 2015 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2015 and up to 1,825 shares subject to similar

Named Executive Officer	Date of Issuance	Type of Equity Award	Number of Shares of Common Stock Subject to Equity Award	Face Value of Equity Award	Vesting or Performance Conditions
	January 27, 2015	TBRSU	9,325	\$ 128,405	performance-based vesting requirements established for the one-year period ending September 30, 2016. 7,500 shares vest on September 30, 2015 and 1,825 shares vest on September 30, 2016.
	July 21, 2015	PBRSU	66,000	\$ 1,115,400	Up to 26,000 of these shares will vest upon certification by the Compensation Committee following fiscal 2016 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2016. Up to 20,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2017 and up to 20,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2018.
	July 21, 2015	TBRSU	66,000	\$ 1,115,400	The shares are subject to time-based vesting, 26,000 shares vest on September 30, 2016, 20,000 shares vest on September 30, 2017 and 20,000 shares vest on September 30, 2018.
Mr. Bowden	October 7, 2014	PBRSU	75,000	\$ 1,103,250	Up to 25,000 of these shares will vest upon certification by the Compensation Committee following the first-half of fiscal 2015 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee

Named Executive Officer	Date of Issuance	Type of Equity Award	Number of Shares of Common Stock Subject to Equity Award	Face Value of Equity Award	Vesting or Performance Conditions
					and completed over the seven-month performance period ending April 30, 2015. Up to 25,000 of these shares will vest upon certification by the Compensation Committee following the first-half of fiscal 2016 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the six-month performance period ending March 31, 2016 and up to 25,000 shares subject to similar performance-based vesting requirements established for the six-month period ending March 31, 2017.
	October 7, 2014	TBR SU	75,000	\$ 1,103,250	25,000 shares vest on March 31, 2015, 25,000 shares vest on March 31, 2016 and 25,000 shares vest on March 31, 2017.
	December 31, 2014	PBR SU	9,375	\$ 133,781	From 0% to 100% of these shares to vest and be earned if the Company exceeds the target level for the performance metrics established with respect to the fiscal 2015 increments of the performance-based restricted stock unit awards approved by the Compensation Committee in fiscal 2013 and fiscal 2014.
	January 27, 2015	PBR SU	50,000	\$ 688,500	Performance-based award with 100% of the shares tied to Company performance in fiscal 2015.
Mr. Devanny	December 31, 2014	PBR SU	25,000	\$ 356,750	From 0% to 100% of these shares to vest and be earned if the Company exceeds the target level for the

Named Executive Officer	Date of Issuance	Type of Equity Award	Number of Shares of Common Stock Subject to Equity Award	Face Value of Equity Award	Vesting or Performance Conditions
					performance metrics established with respect to the fiscal 2015 increments of the performance-based restricted stock unit awards approved by the Compensation Committee in fiscal 2014.
Mr. Robbins	December 15, 2014	TBRSU	61,250	\$ 859,338	21,250 shares vest on September 30, 2015, 20,000 shares vest on September 30, 2016 and 20,000 shares vest on September 30, 2017.
	December 15, 2014	PBRSU	61,250	\$ 859,338	Up to 21,250 of these shares will vest upon certification by the Compensation Committee following fiscal 2015 of the achievement of the performance-based objectives for such shares as determined by the Compensation Committee and completed over the one-year performance period ending September 30, 2015. Up to 20,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2016 and up to 20,000 shares subject to similar performance-based vesting requirements established for the one-year period ending September 30, 2017.
	December 31, 2014	PBRSU	15,625	\$ 222,969	From 0 to 100% of these shares to vest and be earned if the Company exceeds the target level for the performance metrics established with respect to the fiscal 2015 increments of the performance-based restricted stock unit awards approved by the Compensation Committee in fiscal 2014 and fiscal 2015.

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In November 2015, the Compensation Committee certified the level of attainment of the performance measures for the fiscal 2015 PBRUS awards, the installments of which were granted in the fiscal years specified in the Fiscal 2015 Grants of Plan Based Awards Table. Each Named Executive Officer's target number of shares of our common stock subject to the PBRUS award, the percentage of achievement of the performance measures, and the actual number of shares of our common stock earned in connection with this installment were as follows:

Named Executive Officer	Number of Shares Subject to Award Increment	Fiscal 2015 Performance Measure	Percentage of Achievement of Performance Measure	Number of Shares Earned under Award Increment
Mr. Ricci	66,667	Up to 66,667 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(1). Up to an additional 16,667 shares will vest on a scale for overachievement of this goal.	97%	61,667
	66,667	Up 66,667 shares subject to award will vest if bookings equal \$2.288 billion(1). Up to an additional 16,667 shares will vest on a scale for overachievement of this goal.	104%	79,334
	66,666	Up to 66,666 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(1). Up to an additional 16,666 shares will vest on a scale for overachievement of this goal.	110%	83,333
Total	200,000			224,333
Mr. Beaudoin(6)	20,000	Up to 20,000 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(2). Up to an additional 5,000 shares will vest on a scale for overachievement of this goal.	0%	0
	20,000	Up 20,000 shares subject to award will vest if bookings equal \$2.288 billion(2). Up to an additional 5,000 shares will vest on a scale for overachievement of this goal.	0%	0
	20,000	Up to 20,000 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(2). Up to an additional 5,000 shares will vest on a scale for overachievement of this goal.	0%	0
	20,000	20,000 shares subject to award will vest for achievement of Cash Flow From Operations (CFFO) which will equal 100% of non-GAAP Net Income.	0%	0

Named Executive Officer	Number of Shares Subject to Award Increment	Fiscal 2015 Performance Measure	Percentage of Achievement of Performance Measure	Number of Shares Earned under Award Increment
	20,000	Up to 20,000 shares subject to the award will vest based on strategic organizational objectives with milestones that would vest 25%; 50% of shares and 25% of shares.	0%	0
	25,000	Up to 25,000 shares subject to award will vest based on strategic organizational objectives with separate milestones that would vest 25%; 50% of shares and 25% of shares, respectively(7).	75%	18,750
<b>Total</b>	<b>125,000</b>			<b>18,750</b>
Mr. Tempesta	7,917	Up to 7,917 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(2).	97%	6,729
	7,917	Up 7,917 shares subject to award will vest if bookings equal \$2.288 billion(2).	104%	7,917
	7,917	Up to 7,917 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(2).	110%	7,917
	11,873	Up to 11,875 shares subject to award will vest for achievement of functional operating expense(3).	97%	11,873
	5,938	5,938 shares subject to award will vest for delivery of an enhanced quote-to-cash plan no later than September 30, 2015.	100%	5,938
	5,938	5,938 shares subject to award will vest for delivery of FY15 transformation plan and development of additional savings opportunities delivered no later than September 30, 2016.	100%	5,938
<b>Total</b>	<b>47,500</b>			<b>46,312</b>
Mr. Bowden	17,500	Up to 17,500 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(2). Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	97%	14,875
	17,500	Up 17,500 shares subject to award will vest if bookings equal \$2.288 billion(2). Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	104%	20,625

Named Executive Officer	Number of Shares Subject to Award Increment	Fiscal 2015 Performance Measure	Percentage of Achievement of Performance Measure	Number of Shares Earned under Award Increment
	17,500	Up to 17,500 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(2), Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	110%	20,625
	8,750	Up to 8,750 shares subject to award will vest ratably based on level of achievement of FY15 mergers & acquisition management revenue target.	88%	7,700
	8,750	8,750 shares subject to award will vest based on achievement of projected FY16 revenue for acquisitions signed during FY15.	103%	8,750
	17,500	Up to 17,500 shares subject to award will vest based on strategic organizational objectives with separate milestones that would vest 25, 50% of shares and 25% of shares respectively.	100%	17,500
	25,000	50% of shares subject to award will vest for achievement of FY15 acquisition related revenue and 50% of shares subject to award will vest for achievement of FY15 acquisition-related operating margin.	50%	12,500
	25,000	Up to 25,000 shares subject to award will vest based on strategic organizational objectives with separate milestones that would vest 25%, 50% of shares and 25% of shares, respectively(7).	75%	18,750
<b>Total</b>	<b>137,500</b>			<b>121,325</b>
Mr. Devanny	10,000	Up to 10,000 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(2). Up to an additional 2,500 shares will vest on a scale for overachievement of this goal.	97%	8,500
	10,000	Up 10,000 shares subject to award will vest if bookings equal \$2.288 billion(2). Up to an additional 2,500 shares will vest on a scale for overachievement of this goal.	104%	12,500

Named Executive Officer	Number of Shares Subject to Award Increment	Fiscal 2015 Performance Measure	Percentage of Achievement of Performance Measure	Number of Shares Earned under Award Increment
	10,000	Up to 10,000 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(2). Up to an additional 2,500 shares will vest on a scale for overachievement of this goal.	110%	12,500
	23,333	Up to 23,333 shares subject to award will vest if healthcare segment revenue target level is achieved(2). Up to an additional 5,833 shares will vest on a scale for overachievement of this goal.	100%	23,333
	23,333	Up to 23,333 shares subject to award will vest if healthcare segment bookings target is achieved(2). Up to an additional 5,833 shares will vest on a scale for overachievement of this goal.	102%	29,166
	23,334	Up to 23,334 shares subject to award will vest if healthcare segment margin target is achieved(2). Up to an additional 5,834 shares will vest on a scale for overachievement of this goal.	101%	24,501
<b>Total</b>	<b>100,000</b>			<b>110,500</b>
Mr. Robbins	6,250	Up to 6,250 shares subject to award will vest if non-GAAP revenue equals or exceeds \$2.033 billion(2). Up to an additional 1,563 shares will vest on a scale for overachievement of this goal.	97%	5,312
	6,250	Up 6,250 shares subject to award will vest if bookings equal \$2.288 billion(2). Up to an additional 1,563 shares will vest on a scale for overachievement of this goal.	104%	7,813
	6,250	Up to 6,250 shares subject to award will vest if non-GAAP earnings-per-share equal or exceed \$1.15 per share(2). Up to an additional 1,563 shares will vest on a scale for overachievement of this goal.	110%	7,813
	6,250	6,250 shares subject to award will vest if sales operating expense target is achieved(4). Up to an additional 1,563 shares will vest on a scale for overachievement of this goal.	96%	7,812



Named Executive Officer	Number of Shares Subject to Award Increment	Fiscal 2015 Performance Measure	Percentage of Achievement of Performance Measure	Number of Shares Earned under Award Increment
	12,500	Up to 12,500 shares subject to award will vest if management sales plan revenue equals or exceeds \$2.058 billion(5). Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	96%	7,500
	12,500	Up to 12,500 shares subject to award will vest if management sales plan bookings equal or exceeds \$2.388 billion(5). Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	100%	12,500
	12,500	Up to 12,500 shares subject to award will vest if management sales net new plan bookings equals or exceeds \$1.616 billion(5). Up to an additional 3,125 shares will vest on a scale for overachievement of this goal.	90%	0
Total	62,500			48,750

- (1) These awards provided for linear interpolation of the award payout as follows: 85% achievement of the corporate performance measure would result in the vesting of 65% of the shares subject to the award increment. For achievement above 85%, the vesting of the award shares would be linear up to full vesting of the award increment. The Award also has opportunity for overachievement of targets up to 125% of the shares.
- (2) These awards provided for linear interpolation of the award payout as follows: 92% achievement of the corporate performance measure would result in the vesting of 60% of the shares subject to the award increment. For achievement above 92%, the vesting of the award shares would be linear up to full vesting of the award increment. Award also has opportunity for overachievement of targets up to 125% of the shares.
- (3) This award provided for linear interpolation of the award payout as follows: 101.5% achievement of the operating expense measure would result in the vesting of 25% of the shares subject to the award increment. For achievement above 101.5%, the vesting of the award shares would be linear up to full vesting of the award increment.
- (4) This award provided for linear interpolation of the award payout as follows: 101.5% achievement of the operating expense measure would result in the vesting of 25% of the shares subject to the award increment. For achievement above 101.5%, the vesting of the award shares would be linear up to full vesting of the award increment. Award also has opportunity for overachievement of targets up to 125% of the shares.
- (5) These awards provided for linear interpolation of the award payout as follows: 92% achievement of the corporate performance measure would result in the vesting of 20% of the shares subject to the award increment. For achievement above 92%, the vesting of the award shares would be linear up to full vesting of the award increment. Award also has opportunity for overachievement of targets up to 125% of the shares.
- (6) Mr. Beaudoin terminated his employment on July 31, 2015, and, therefore, was not eligible to receive any shares of our common stock that would have otherwise been earned for achieving the target performance levels for his awards other than the awards that were aligned to the strategic M&A goal that were earned prior to his termination date.

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- (7) 6,250 of these shares that were aligned to a strategic portion of the organizational objective were amended by the Compensation Committee to extend measurement period from April 30, 2015 to July 30, 2015 to provide

for additional time to complete the initiative. The Compensation Committee determined the adjusted measurement date was more appropriate to ensure that the necessary information was available to complete the objective in a meaningful way.

**Retirement, Welfare, and Personal Benefits**

We offer our United States employees, including our executive officers, comprehensive health and welfare programs including medical, wellness, dental, vision, disability, life insurance, and accidental death and dismemberment. In addition, we offer a Section 401(k) plan and Employee Stock Purchase Plan. Our executive officers are offered the same level of benefits as our other employees.

We provide our executive officers, including the Named Executive Officers, with certain personal benefits, including reimbursement for tax and financial planning services, and a car allowance (if applicable), the incremental costs to us of which are reflected in the Summary Compensation Table below. The Compensation Committee believes these personal benefits are reasonable and consistent with our overall executive compensation program, because they better enable us to attract and retain superior individuals for our key executive positions. In addition, these personal benefits are provided to ensure our executive officers' health and financial affairs are taken care of in a manner that enables them to focus their full attention on their respective positions. The Compensation Committee reviews and approves the personal benefits provided to our executive officers on an annual basis.

Enhanced welfare benefits and other personal benefits provided to our CEO and other executive officers are as follows:

An annual medical examination for each executive officer, with the exception of Mr. Ricci who receives a wellness reimbursement allowance of up to \$50,000.

With the exception of Mr. Ricci, each executive officer is eligible to receive a \$500,000 term life insurance policy at our expense.

Mr. Ricci receives a \$1 million term life insurance policy at our expense.

Our executive officers are eligible for an enhanced long-term disability benefit that provides for payment of 60% of their eligible earnings capped at a maximum of \$18,500 per month, with the exception of Mr. Ricci who is not subject to this maximum limit and has a benefit that provides for payment of 60% of his base salary. In addition, the Named Executive Officers have an enhanced Own Occupation provision that provides for continuation of benefits beyond two years if they cannot return to their own occupation.

Personal aircraft use:

To increase the number of in-person meetings with our customers, as well as to reduce the physical strain of heavy travel schedules, we own a corporate aircraft and also lease charter aircraft from time to time for business-related travel. The Compensation Committee has adopted a policy permitting corporate-owned or leased aircraft to be available for the personal use of Mr. Ricci for his protection and the protection of our assets, and to reduce his travel time and allow him to devote more time to work duties. The Compensation Committee approved personal use of the corporate-owned or leased aircraft by Mr. Ricci in fiscal 2015 and reviews the personal usage on a quarterly basis. We determine the value of personal use of corporate-owned or leased aircraft based on the aggregate incremental cost to us for such use.

A tax and financial planning reimbursement benefit.

**Employment Agreements**

*Employment Agreement with Mr. Ricci*

During his tenure as our CEO, we have reflected the terms and conditions of Mr. Ricci's employment with us in a written employment agreement. Prior to fiscal 2015, we last entered into an amended and restated employment agreement with Mr. Ricci in November 2011 (the Employment Agreement). This agreement,



which had a term of three years, set forth the terms and conditions of his employment, including his compensation and the circumstances under which he would be eligible to receive payments and benefits in the event of his termination of employment, including a termination of employment in connection with a change in control of the Company.

On November 12, 2013, our Board of Directors approved an amendment to the Employment Agreement (Amendment No. 1) to:

extend its term for an additional year through November 11, 2015 (subject to extension for additional one-year terms upon the mutual written consent of Mr. Ricci and our Board of Directors as provided in the Employment Agreement); and

set forth his base salary, target bonus opportunity, and equity awards for fiscal 2014.

In addition, the Amendment No. 1 to the Employment Agreement eliminated the tax gross-up related to reimbursements for up to \$50,000 of services provided under an enhanced executive medical program, \$25,000 of tax and financial planning services, and a \$20,000 car allowance. Finally, Amendment No. 1 to the Employment Agreement restricted the post-retirement reimbursement allowance provided in such agreement to a maximum of \$25,000 per year and \$250,000 in the aggregate.

On June 18, 2015, our Board of Directors approved an additional amendment (Amendment No. 2) to the Employment Agreement to:

extend its term for an additional year through November 11, 2016 (subject to extension for additional one-year terms upon the mutual written consent of Mr. Ricci and our Board of Directors as provided in the Employment Agreement);

provide a commitment to set the performance goals for the performance units aligned to fiscal 2016 no later than the November 2015 Board of Directors meeting with agreement that the fiscal 2016 performance goals will have the same scaling index as used for the fiscal 2015 performance shares. Under mutual agreement, the commitment date to finalize the fiscal 2016 performance goals was extended to be established no later than December 30, 2015;

provide for continuation of payment of the allowances and executive wellness benefits through any applicable severance period;

eliminate the post-retirement medical benefit;

increase the continuing payments and benefits if his employment is involuntarily terminated by us other than for cause, including death or disability and a notice of non-Renewal as defined in the Employment Agreement, to two times from one and one-half times of his base salary, as then in effect;

increase the continuing payments and benefits if his employment is involuntarily terminated by us as a result of a change in control of the Company to two and one-half times from two times of his base salary, as then in effect;

provide for a lump sum payment of \$500,000, less applicable taxes; and

provide for treatment of performance-based stock unit awards which are aligned to a fiscal year in which a Notice of Non-Renewal is given. Depending on timing of the notice of non-renewal being triggered, the amendment provides for the treatment of the performance shares as follows:

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- i. Trigger of Non-Renewal by Company prior to April 1 performance shares would be deemed fully achieved at the target performance level and would vest upon termination of the Employment Agreement; or

- ii. Trigger of Non-Renewal by Executive prior to April 1 or Company after April 1 performance shares for first half of the year would be determined based on actual performance for the pro-rated period and would be deemed fully earned at the target performance level for the second half of the year. Shares determined for the first half of the year and deemed earned for the second half of the year at the target performance level would then vest upon the termination of the Employment Agreement.

**Post-Employment Compensation**

On our behalf, the Compensation Committee has entered into agreements with our CEO and certain other executive officers, including each of the other Named Executive Officers, which provide for certain payments and benefits upon certain specified terminations of employment, including certain specified terminations of employment following a change in control of the Company. In exchange for these payments and benefits, each executive officer must release the Company from any claims relating to his or her employment and termination of employment.

We believe that these protections are necessary to help motivate and retain our executive officers and, in some cases, helped induce them to forego other opportunities or leave their then-current employment for the uncertainty of a demanding position in a new and unfamiliar organization. We also believe that these protections will help our executive officers maintain continued focus and dedication to their responsibilities to help maximize stockholder value when analyzing a potential transaction that could involve a change in control of the Company.

The post-employment payments and benefits which the Named Executive Officers are eligible to receive are described in more detail in Employment, Severance, and Change in Control Agreements below.

***Other Compensation Policies***

*Stock Ownership Policy*

We believe that our executive officers, including the Named Executive Officers, should own and hold shares of our common stock to further align their interests and actions with the interests of our stockholders. Our executive officers are expected to own and hold that number of shares of our common stock that correspond to their position within the Company. We have not specified a time period during which an executive officer must be in compliance with our stock ownership policy, however, until he or she has reached the appropriate ownership level, he or she is required to retain 25% of the net shares received upon the exercise of an option to purchase shares of our common stock or vesting of a restricted stock or restricted stock unit award.

The current stock ownership levels are as follows:

**Individual Subject to Stock Ownership Policy**

Chief Executive Officer  
Other Executive Officers

**Minimum Required Level of Stock Ownership**

Five times current annual base salary  
Three times current annual base salary

As of the end of fiscal 2015, our CEO and each of the other Named Executive Officers satisfied his or her stock ownership level as specified above, with the exception of Mr. Robbins who joined the Company during fiscal 2014 and Mr. Tempesta who was promoted to an executive officer position during fiscal 2015.

*Compensation Recovery Policy*

We maintain a compensation recovery ( clawback ) policy which provides that, in the event that we are required to prepare an accounting restatement, we may recover from any executive officer any incentive compensation erroneously paid or awarded in excess of what would have been paid under the accounting restatement. This policy applies prospectively to incentive compensation paid or awarded after December 7, 2012, its date of adoption, and covers the three-year period preceding the date on which we are required to prepare the accounting restatement.

#### *Equity Award Grant Policy*

During fiscal 2014, any equity award granted to an employee as either a promotion or retention award or to a newly-hired eligible employee was generally granted on the 15th day of the month (or the first business day thereafter if such day was not a business day) or the last day of the month following the effective date of the promotion, retention, or hire (or the first business day thereafter if such day was not a business day), with the exception of an inducement award, which was granted promptly following the closing of an acquisition or upon the hiring of an employee. In the case of an award issued pursuant to our annual bonus program, such award was granted upon final allocation and final approval of payment of such bonus by the Compensation Committee.

To streamline our equity award grant practices, effective November 1, 2014, we modified the policy to grant equity awards to an employee as either a promotion or retention award or to a newly-hired eligible employee to be granted on the first day of the month (or the first business day thereafter if such day is not a business day) with the exception of an inducement award, which will be granted promptly following the closing of an acquisition or upon the hiring of an employee. In the case of an award issued pursuant to our annual bonus program, such award will be granted upon final allocation and final approval of payment of such bonus by the Compensation Committee.

The Compensation Committee does not grant equity awards in anticipation of the release of material nonpublic information. Similarly, we do not time the release of material nonpublic information about the Company based on equity award grant dates.

#### *Derivatives Trading, Hedging, and Pledging Policies*

We prohibit our executive officers and members of our Board of Directors from speculating in our equity securities, including the use of short sales, sales against the box or any equivalent transaction involving our equity securities, or engaging in any other hedging transactions with respect to our equity securities. In addition, we prohibit our employees, executive officers, and members of our Board of Directors from pledging their equity securities or using such securities as collateral for a loan.

### **Tax and Accounting Considerations**

#### *Income Tax Deduction Limitation*

Section 162(m) of the Internal Revenue Code imposes an annual \$1 million limit on the deductibility of compensation paid to certain executive officers of public companies, unless the compensation qualifies as performance-based compensation or satisfies the requirements of another exception to the deduction limit. In determining executive compensation, the Compensation Committee considers, among other factors, the possible tax consequences to the Company and to our executive officers of their compensation arrangements. The ultimate tax consequences of these arrangements, including but not limited to tax deductibility by the Company, are subject to many factors, however, that are beyond the Compensation Committee's and the Company's control (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by executive officers regarding the exercise of options to purchase shares of our common stock and other rights).

In addition, the Compensation Committee believes that it is important that it retain maximum flexibility in administering our executive compensation program to meet its stated objectives. For these reasons, although the Compensation Committee considers tax deductibility as one of the factors in determining executive compensation, it does not necessarily limit compensation to those levels or types of compensation that will be deductible. The Compensation Committee will consider alternative forms of compensation consistent with our compensation objectives, which may preserve deductibility when it considers such objectives to be in the best interests of the Company and our stockholders.

#### *Taxation of Parachute Payments*

Section 280G of the Internal Revenue Code disallows a tax deduction to a company for what is defined as an excess parachute payment, while Section 4999 of the Internal Revenue Code imposes a 20% excise tax on



any person who receives an excess parachute payment. The Compensation Committee believes that the provision of any tax payment or tax gross-up protection for executive officers in the context of a change in control of the Company is not appropriate, and, therefore, no longer provides for any tax reimbursement or gross-up payment for our executive officers, including our Chief Executive Officer, whose employment agreement does not contain any such provision.

*Accounting for Stock-Based Compensation*

We follow Financial Accounting Standard Board Accounting Standards Codification Topic 718 ( FASB ASC Topic 718 ) in connection with our share-based compensation awards. FASB ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including options to purchase shares of the company's stock, based on the grant date fair value of these awards. We perform this calculation for financial reporting purposes and report these amounts in the compensation tables below, even though our executive officers may never realize any value from their awards. FASB ASC Topic 718 also requires companies to recognize the compensation cost of their share-based compensation awards in their income statements over the period that an employee or director is required to render service in exchange for the stock option or other award.

**FISCAL 2015 SUMMARY COMPENSATION TABLE**

The following table sets forth, for the period indicated, the compensation earned, paid to, or received by the Company to the Named Executive Officers during fiscal 2015, fiscal 2014, and fiscal 2013.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan	All Other	Total
						Compensation (\$)	Compensation (\$)	(\$)
Paul A. Ricci Chief Executive Officer	2015	\$ 800,000		\$ 6,361,500		\$ 1,200,000(2)	\$ 199,943(3)	\$ 8,561,443
	2014	800,000		16,412,235		600,000	127,521	17,939,756
	2013	800,000		27,900,000		300,000	226,829	29,226,829
Thomas L. Beaudoin (4) Executive Vice President and Chief Financial Officer	2015	\$ 433,462		\$ 2,493,250		\$	\$ 23,682(5)	\$ 2,950,394
	2014	469,231		2,091,875		212,500	24,390	2,797,996
	2013	450,000		3,069,000		95,625	30,528	3,645,153
Daniel Tempesta (6)	2015							