Nuance Communications, Inc.
Form DEF 14A
December 04, 2018
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**SCHEDULE 14A INFORMATION**

**(RULE 14a-101)**

**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.

Fee computed on table below per Exchange Act rules 14a-6(i)(1) and 0-11.

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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

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**Nuance Communications, Inc.**

**One Wayside Road**

**Burlington, MA 01803**

**NOTICE OF THE 2019 ANNUAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

The 2019 Annual Meeting of Shareholders (the 2019 Annual Meeting ) of Nuance Communications, Inc. (the Company ) will be held at the Company s headquarters located at One Wayside Road, Burlington, MA 01803, on January 17, 2019 at 8:00 a.m. local time, for the following purposes:

(1) Election of the nine directors named in the proxy statement;

(2) Approval of amendments to and restatement of the Company s Amended and Restated 2000 Stock Plan;

(3) Approval of a non-binding advisory resolution regarding the compensation of the Company s named executive officers;

(4) Ratification of the appointment of BDO USA, LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2019;

(5) Approval of a non-binding shareholder proposal as described in the proxy statement; and

(6) Transaction of such other business as may properly come before the meeting or any postponement or adjournment thereof.

The Company is relying upon the U.S. Securities and Exchange Commission rules that allow issuers to furnish proxy materials to its shareholders via the Internet. Pursuant to these rules, instead of mailing a printed copy of the Company s proxy materials to each shareholder, the Company has elected to provide access to its proxy materials over the Internet. Accordingly, with the exception of certain shareholders who requested to receive printed copies of the Company s proxy materials by mail, shareholders of record will receive a Notice of Internet Availability of Proxy Materials that explains how to access and review the Company s proxy materials on the Internet, how to submit the proxy card on the Internet, and how to request to receive a printed copy of the Company s proxy materials. The Company expects to mail the Notice of Internet Availability of Proxy Materials on or about December 4, 2018.

The Board of Directors has fixed the close of business on November 21, 2018 as the record date for determination of shareholders entitled to notice of, and to vote at, the 2019 Annual Meeting and at any postponements or adjournments thereof. A list of shareholders entitled to vote at the 2019 Annual Meeting will be available at the meeting being held at One Wayside Road, Burlington, MA 01803 and for ten days prior to the 2019 Annual Meeting.

The Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2018 accompanies this Notice of the 2019 Annual Meeting of Shareholders and the proxy statement. These documents may also be accessed free of charge at www.proxyvote.com.

Please refer to the proxy statement for further information with respect to the business to be transacted at the 2019 Annual Meeting.

By Order of the Board of Directors,

Wendy Cassity

*Secretary*

Burlington, Massachusetts

December 4, 2018

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Dear Fellow Shareholders:

**It is an honor and a privilege to join Nuance as its CEO.** I was attracted to Nuance for its reputation, foresight and history of innovation. We have unique technologies and world-class employees that together have built this company into the market leader in conversational artificial intelligence and cloud solutions.

**This is an exciting time for Nuance and I believe the company is at a pivotal point in its evolution.** In my first year, I have worked diligently with the Board and the management team to conduct a comprehensive review of Nuance and its businesses. We conducted an in-depth analysis of the company s portfolios, products, services and offerings for every business to determine what each needed to thrive long-term. Following this review, it is clear that our strategy to innovate and develop conversational AI solutions specialized for designated business-to-business markets is working, and we are executing on a comprehensive plan to simplify our operations to enable focus on these growth markets. The review also identified changes we can make to better allocate our time and resources to increase long-term value for shareholders, leading to the announcement of our intent to spin off the Automotive Segment, sell our Imaging Business Segment and wind-down two non-core businesses.

**I am committed to increased transparency and dialogue with our shareholders.** As we execute against our strategy, I promise to keep investors informed of our progress, good and bad. In my first 100 days, I met shareholders owning almost 50% of our outstanding shares to listen to their perspectives to help guide Nuance and ultimately drive long-term value for shareholders. There is much work to do, but our strategy is clear, the team is invigorated, and we are executing on our plan.

**In closing, I want you to know my optimism and conviction in Nuance s future has only grown with time.** I look forward to continuing to work with our great team here, our customers and our shareholders. From all of us at Nuance, we thank you for your support. We appreciate your confidence in the business and we look forward to delivering on our commitments to you.

Sincerely,

Mark Benjamin

Chief Executive Officer

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Dear Shareholders:

From the entire Board of Nuance, we would like to thank all of our shareholders for their support for Nuance.

Over the last year, we have had the distinct pleasure of speaking with many of you. The feedback was clear shareholders were frustrated with the company s past governance practices and wanted to see these concerns addressed.

**A New Day at Nuance**

The management and Board of Nuance have undergone a dramatic transformation in last year:

- We recruited and appointed a new Chief Executive Officer with significant experience at public technology companies;
- The Board meaningfully refreshed itself with seven new directors since December 2017, six of which are independent, bringing a comprehensive set of skills and experiences to effectively oversee Nuance;
- A new, independent Chairman of the Board was recruited and appointed; and
- The Compensation Committee was re-composed in its entirety with new, independent members

The refreshed Board implemented numerous changes to our governance and compensation practices. During this process, we continued to solicit shareholder feedback, ensuring your views were a key part of our decision making throughout the year. The refreshed look of this year s Proxy reflects the feedback we took from our shareholder outreach.

**Executive Compensation Redesign**

A key priority for this year was conducting a complete overhaul of our executive compensation practices. We were and are committed to putting in place a new program that was simple to understand, easy to communicate and aligned pay with long-term performance.

To accomplish this, the Compensation Committee took a clean-sheet approach to the program. We hired a new compensation consultant and reached out to shareholders owning approximately 65% of our outstanding shares and spoke with shareholders owning approximately 40% of our outstanding shares to get their feedback on the elements of the executive compensation program the Compensation Committee was considering. Our shareholders views helped inform our decisions in crafting an appropriate long-term program.

**Going Forward**

The Board is committed to ongoing shareholder engagement and we look forward to maintaining an open dialogue with our shareholders. The substantial changes we have made are intended to be responsive to shareholder feedback and to be a signal that this is a new chapter in our history.

Sincerely,

The Nuance Board of Directors

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## Proxy Statement Summary

This Proxy Statement provides information for shareholders of Nuance Communications, Inc. ( we, us, our, Nuance the Company ), as part of the solicitation of proxies by the Company and its board of directors (the Board ) from holders of the outstanding shares of the Company s common stock ( Common Stock ), for use at the Company s annual meeting of shareholders to be held at the Company s headquarters located at One Wayside Road, Burlington, MA 01803, on January 17, 2019 at 8:00 a.m. local time, and at any adjournments or postponements thereof (the 2019 Annual Meeting ).

This summary highlights select information that is provided in more detail throughout this Proxy Statement. This summary does not contain all of the information you should consider before voting. You should read the full Proxy Statement before casting your vote.

### 2019 Annual Meeting

**Date and Time:** January 17, 2019, at 8:00 a.m. local time

**Location:** One Wayside Road, Burlington, MA

**Voting Items**

The following table summarizes the proposals to be considered at the 2019 Annual Meeting and the Board voting recommendations with respect to each proposal.

| Proposal Number | Proposal | Board Voting Recommendation | Page Number |
|---|---|---|---|
| **1** | **Elect the nine nominees named in this Proxy Statement as directors** | **FOR** each Director Nominee | 4 |
| **2** | **Approve amendments to and restatement of the Company s Amended and Restated 2000 Stock Plan** | FOR | 58 |
| **3** | **Approve a non-binding advisory resolution regarding compensation of the Company s named executive officers** | FOR | 66 |
| **4** | | FOR | 67 |

| | | | |
|---|---|---|---|
| | **Ratify the appointment of BDO USA, LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2019** | | |
| **5** | **Approve the non-binding shareholder proposal described in this Proxy Statement** | AGAINST | 70 |

**2018 Nuance Developments**

***Recent Event Highlights***

In response to shareholder feedback and the results of our proxy ballot items at last year s annual meeting of shareholders (the 2018 Annual Meeting ), the Board made a number of significant changes to the Company s corporate governance and executive compensation program during the past year.

In the past year, we:

Appointed Mark Benjamin as Chief Executive Officer ( CEO ) following a search process assisted by a leading outside search firm
Appointed seven new directors to the Board
Conducted a comprehensive assessment of Nuance s governance practices
Engaged in extensive shareholder engagement to solicit feedback on the Company s governance practices

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- Appointed a new, independent Chairman of the Board
- Amended the Company s Amended and Restated Bylaws (the Bylaws ) to include a majority voting standard
- Amended the Bylaws to allow shareholders to call a special meeting

The Board also underwent a thoughtful process to restructure the Company s executive compensation program. Actions taken during the past year in furtherance of such restructuring included completely refreshing the membership of the Compensation Committee, hiring a new compensation consultant and extensive engagement with shareholders. During the fall, Nuance reached out to shareholders owning approximately 65% of our outstanding shares and spoke with shareholders owning approximately 40% of our outstanding shares and the Chairman of the Board, Lloyd Carney, and Compensation Committee Chair, Sanjay Vaswani, participated in a majority of these engagements. All shareholder feedback was shared with the full Board and helped to shape changes made to our executive compensation program.

The timeline below summarizes recent key events:

The Company has undergone meaningful change in response to shareholder feedback. The Board and management are committed to continued engagement on an ongoing basis and view these changes as a significant step in the right direction.

***Business Overview***

We are a leading provider of voice recognition and natural language understanding solutions. We work with companies around the world, from banks and hospitals to airlines, telecommunications carriers, and automotive manufacturers and suppliers, who use our solutions and technologies to create better experiences for their customers and their users by enhancing the users interaction and increasing productivity and customer satisfaction. In addition, our solutions increasingly utilize our innovations in artificial intelligence ( AI ), including cognitive sciences and machine learning to create smarter, more natural experiences with technology.

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Using advanced analytics and algorithms, our technologies create personalized experiences and transform the way people interact with information and the technology around them. We market and sell our solutions and technologies around the world directly through a dedicated sales force, and also through a global network of resellers, including system integrators, independent software vendors, value-added resellers, distributors, hardware vendors, telecommunications carriers and e-commerce websites.

**Nuance Business Segments**

| Healthcare | Enterprise | Automotive | Imaging | Other |
|---|---|---|---|---|
| ***48% of Revenues[1]*** | ***23% of Revenues[1]*** | ***14% of Revenues[1]*** | ***10% of Revenues[1]*** | ***5% of Revenues[1]*** |
| Intelligent solutions to support a more natural and insightful approach to clinical documentation across the continuum of care | Intelligent customer service and engagement solutions powered by artificial intelligence | Unique infotainment systems that enable drivers and passengers to effortlessly interact with their cars | Document workflow and automation solutions that help customers work faster and smarter | Non-core lines of business built on voice recognition and artificial intelligence technologies |
| Real-time medical ASR and transcription<br>Diagnostics Reporting, Image Sharing & Analytics | Omni-Channel Engagement<br>Security, Engines & Analytics<br>Professional Services | Conversational AI platforms<br>Automotive & Mobility Digital Assistants<br>Driver & Passenger UX | Print Management<br>Scan and Document Capture<br>OCR / Core Imaging | Subscriber Revenue Services (SRS)<br>Voicemail to Text<br>Devices |

Medical coding,
documentation
improvement,
Consumer ASR

[1] *Revenue percentages based on fiscal year 2018 Non-GAAP Revenue. For a reconciliation of GAAP to Non-GAAP financial measures, please see Annex A.*

***Mark Benjamin Appointed as CEO***

In April 2018, the Board appointed Mark Benjamin as CEO, succeeding Paul Ricci who had been CEO since September 2000. Mr. Benjamin is a dynamic leader who brings 25 years of experience in technology markets and a fresh perspective to Nuance. Prior to his appointment, Mr. Benjamin had no prior professional or personal experience with any of the Company s current or former Board members.

Upon joining the Company, Mr. Benjamin laid out four key priorities for 2018 to accelerate momentum in our core businesses and to put Nuance on a clear path toward its goal to drive consistent organic growth and deliver shareholder returns.

**Key Priorities for 2018**

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***Strategic Review***

As one of the key priorities identified by Mr. Benjamin, he and the rest of the Board and management undertook a comprehensive review of our long-term strategy and our business and operations. At the conclusion of the review, the Company determined the following:

- ***Healthcare and Enterprise Focus:*** Nuance created a comprehensive plan to simplify its operations and enhance its focus on growth markets, including the Healthcare and Enterprise segments. Therefore, the Company will maintain its Healthcare and Enterprise business segments, where Nuance brings deep business-to-business relationships, differentiated technology and contextual expertise.
- ***Automotive Segment Spin-Off:*** The Automotive segment delivers critical enabling technology for transforming the passenger experience. Therefore, becoming a pure-play next generation automotive software company represents an important step in this segment s growth. Accordingly, Nuance announced its intention to spin off the Automotive segment into a new, independent, publicly-traded company.
- ***Imaging Business Sale:*** As announced on November 12, 2018, Nuance is selling its Imaging business to Kofax for a purchase price of $400 million, in a transaction that is expected to close by the end of the second quarter of 2019.
- ***Subscription Revenue Services (SRS) and Devices Wind-Down:*** Nuance decided to wind down the Subscription Revenue Services (SRS) business because it is non-core to Nuance s AI strengths. The Company is also commencing the wind-down of the consumer-focused Devices business.
- ***Operational Transformation Program:*** In tandem with the Company s strategic portfolio review, Nuance is optimizing its organizational structure. This process has identified $50 million in cost savings that will be implemented in fiscal 2019, primarily during the first and second quarter.

***2018 Performance Update***

We accelerated our efforts to position the Company for growth and long-term value creation with our comprehensive review of our portfolio, business and organizational structure. While conducting this review, our performance remained strong as shown in our fiscal 2018 financial results by generating growth and meaningful cash flow. We believe our efforts and results in fiscal 2018 positions us for growth for 2019 and beyond. Some of the highlights of our performance supporting our belief include:

- Net new bookings growth of 5% for fiscal 2018 led by Automotive and Enterprise.
- Organic revenue growth of 4% for fiscal 2018 driven by Dragon Medical cloud, Automotive and Enterprise.
- Implementation of a capital allocation strategy focused on opportunistic share repurchase and debt payment.

Additionally, we achieved the following in fiscal 2018:

- ***Net New Bookings*****:** Our net new bookings were $1,734.6 million, up 5% from $1,653.6 million in fiscal 2017, due primarily to growth in Automotive and Enterprise.
- ***Revenue.*** Our revenue under generally-accepted accounting principles ( GAAP ) was $2,051.7 million, up 6% from $1,939.4 million in fiscal 2017. Organic revenue growth of 4% for fiscal 2018 driven by Dragon Medical cloud, Automotive and Enterprise.

***Recurring Revenue.*** Our total GAAP recurring revenue for fiscal 2018 was $1,464.2 million or 71% of total revenue, compared to $1,406.4 million or 73% of total revenue in fiscal 2017.

***Gross Margin.*** Our GAAP gross margin was 57.4%, compared to 56.0% in fiscal year 2017.

***Net Loss***. We recognized a GAAP net loss of $159.9 million, or $.55 per share, compared to a GAAP net loss of $151.0 million or $.52 per share in fiscal 2017. Non-GAAP net income in fiscal 2018 was $351.9 million or $1.19 per diluted share, compared to $309.0 million or $1.05 per diluted share in fiscal 2017.

***Cash Flow from Operations.*** Cash flow from operations in fiscal 2018 was $444.4 million, compared to $378.9 million in fiscal 2017.

***Capital Allocation.*** We implemented a capital allocation strategy focused on opportunistic share repurchase and debt repayment. During fiscal 2018, we repurchased a total of 9.7 million shares at an aggregate purchase price of $136.1 million. In addition, during fiscal 2018, we repaid $150 million of our 2020 5.375% high-yield bonds at par expected to reduce the fiscal 2019 cash interest expense by $8.1 million.

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A reconciliation of the GAAP to non-GAAP financial measures is set forth in Annex A to this Proxy Statement.

[1] *For a reconciliation of GAAP to Non-GAAP financial measures, please see Annex A.*

**Board Implemented Significant Corporate Governance Changes**

***Board Composition & Refreshment***

During the past year, the Board undertook a holistic review of our governance practices and board composition. This resulted in a thoughtful and comprehensive Board refreshment, focused on ensuring that the Board is comprised of members with the right skills and experience to oversee Nuance effectively. Based on our mapping of director skills to Nuance s strategic priorities, we prioritized the following attributes when identifying new director candidates:

- **Technology / Product Expertise.** Knowledge and prior experience working as a senior leader within technology companies to steward the Company effectively in an increasingly technological environment.
- **Sophisticated Financial Markets Experience:** Strong familiarity with capital markets and audit expertise, including experience gained serving as a chief financial officer.
- **Diversity.** Board members with differences in their individual work experiences and backgrounds, with the goal of assembling a gender- and ethnically-diverse board with members from varying professional backgrounds.
- **Other Public Company Board Experience.** Experience interacting with or serving on other public company boards and board committees to have developed an understanding of corporate governance, and a clear track record of good governance.

The outcome of this refreshment process resulted in the Company:

- **Refreshing the Board of Directors:** Appointed seven new directors with diverse backgrounds and experience and with the skills and qualifications identified in our mapping exercise as being important for our strategic direction.
- **Separating the Chairman / CEO Roles:** Established the Chairman role and assigned him robust responsibilities to ensure effective independent oversight of the Board.
- **Recruiting a New, Independent Chairman of the Board:** Recruited Lloyd Carney as independent Chairman of the Board.
- **Reconstituting Committee Membership:** Completely refreshed the Compensation Committee and named Sanjay Vaswani as Chair of Compensation Committee

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Our revamped Board s comprehensive set of skills and diverse backgrounds are designed to ensure effective oversight of our business strategy and our corporate governance practices. The Board includes two women, and members from varying ethnic and professional backgrounds. The members of our newly-constituted Board are:

## Nuance Board of Directors

| | | | |
|---|---|---|---|
| **Lloyd Carney**<br>***Independent Board Chairman***<br>Former CEO, Brocade Systems<br>***(joined Sep 2018)*** | Seasoned technology executive within software and network infrastructure businesses | | |
| **Mark Benjamin**<br>***CEO***<br>***(joined Apr 2018)*** | Expert in cloud-based services, software recurring revenue models and go-to-market strategy | **Daniel Brennan**<br>CFO, Boston Scientific<br>***(joined Sep 2018)*** | Finance and accounting expert with extensive executive experience at a leading medical device firm |
| **Thomas Ebling**<br>Former CEO, Demandware<br>***(joined Sep 2018)*** | Abundance of executive experience and depth of software solutions knowledge | **Michal Katz**<br>Global Head of Technology Investment Banking, RBC<br>***(joined Sep 2018)*** | Substantial expertise at the intersection of the financial and technology markets |
| **Sanjay Vaswani**<br>Managing Partner, Center for<br>Corporate Innovation<br>***(joined Feb 2018)*** | Leadership capabilities, global perspective, and expertise in healthcare and technology | **Laura Kaiser**<br>CEO, SSM Health<br>***(joined Dec 2017)*** | Significant knowledge of<br>the healthcare industry and the operations of various outpatient facilities |
| **Robert Finocchio**<br>Former Chairman/CEO, Informix<br>***(joined Apr 2015)*** | Proven capability in driving growth, profitability and investments for technology | **Mark Laret**<br>CEO, UCSF Medical Center<br>***(joined Jun 2010)*** | Extensive understanding of the role technology plays in healthcare and the needs of the industry |

companies

Each of our non-employee directors has extensive professional experience. The chart below highlights areas in which we believe certain directors have particularly deep experience relevant to the Company s current profile and strategic needs:

**Skills and Qualifications**

**Senior Leadership/CEO**

The Company is a complex, global organization benefiting from experienced oversight of its overall strategy and management including assessing the strategies and operations of the Company.

**Knowledge of Business/Industry**

The Company is a software, solutions and professional services organization benefiting from experienced directors knowledgeable in the industry and multiple marketplaces in which the Company operates.

**Financial Markets and Accounting Experience**

The Company is a global publicly traded corporation conducting complex financial transactions requiring oversight in order to oversee the processes associated its financial management with and the integrity of its financial results.

**Technology/Innovation**

The Company is a leading provider of voice recognition and natural language understanding solutions in highly dynamic and competitive market and benefits from experience in understanding market trends and disruptive technologies and solutions.

**Risk Oversight**

The Company is an organization requiring compliance with a variety of global laws, regulations and standards and requires experienced oversight in order to understand and oversee risks facing the Company and ensuring there are appropriate risk frameworks and policies are in place to both manage and identify emerging risks.

**Global/Emerging Markets Experience**

The Company is a global organization participating in mature and emerging markets, and benefits from a Board with prior international exposure and experience.

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***2018 Shareholder Engagement on Compensation***

Given the results of our 2018 advisory vote on executive compensation and subsequent shareholder feedback, a key priority for the Board was to conduct a comprehensive review of the Company s executive compensation program and to implement an executive compensation program for fiscal year 2019 that is responsive to shareholder feedback.

Shareholder feedback was an essential element in the redesign of our executive compensation program. In total, during 2018, we reached out to shareholders owning approximately 65% of our outstanding shares and spoke with shareholders owning approximately 40% of our outstanding shares, to solicit feedback on a variety of governance related topics, including the compensation program changes under consideration. Our Chairman of the Board, Lloyd Carney, and our Compensation Committee Chairman, Sanjay Vaswani, participated in a majority of the discussions with shareholders.

A few common themes arose from shareholder engagement, which we summarize below and describe in more detail in the Compensation Discussion and Analysis section of this Proxy Statement. The Board took action on this feedback and considered it in the redesign of the executive compensation program.

***2018 Compensation Program Feedback and 2019 Program Changes***

***Feedback Under Consideration for 2020 Program***

As discussed, our shareholder engagement efforts were integral to informing the Board s decisions regarding changes to the executive compensation program. Shareholders were largely complimentary of the changes the Board was considering and understood that given that the Company is undergoing a strategic review and evaluating the proper business mix for the long-term, the executive compensation program would continue to evolve.

In connection with our outreach efforts, shareholders also provided feedback for the Board to consider in the evolution of the program:

- In addition to relative total shareholder return ( TSR ), consider incorporating one or two operational metrics for PSUs; and
- Consider increasing the ratio of PSUs to RSUs so that PSUs are a majority of the equity awards granted under the LTIP.

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The Board is committed to being responsive to shareholder feedback. In light of the meaningful changes arising from our strategic review of the business, including the commitment to spin off the Automotive Segment, sell our Imaging Business Segment and wind-down non-core businesses, the Board felt the 2019 long-term incentive program structure would best align the full management team during this transition. The Board plans to revisit the compensation program design in 2019 and will strongly consider this feedback as we design the 2020 executive compensation program. In advance of formalizing the 2020 executive compensation program, the Board intends to continue to engage with shareholders to further solicit their feedback.

***2018 Shareholder Engagement on Governance***

Given the results of the vote on the shareholder proposal included in our 2018 proxy statement calling for a shareholder right to call special meetings, the Board publicly committed during the year to amend the Bylaws to provide for such a right. During the shareholder outreach campaign discussed above, we solicited shareholders input on the threshold number of shareholders that should be required to call special meetings.

The majority of shareholders consulted expressed support for a minimum threshold of 20%. Some shareholders consulted indicated that, while they had voted for last year s shareholder proposal, which called for a 10% threshold, they had done so in order to signal their desire for the Company to permit the shareholders to call a special meeting generally, not to express support for the 10% threshold specifically. Others expressed no view and deferred to the judgment of the Board. Of those who expressed support for a 20% threshold, many articulated concerns that a 10% threshold was too low for Nuance, particularly in light of the Company s current shareholder profile, and could enable investors who did not have the Company s long-term interest in mind to exploit the right.

In light of the feedback received, the Board agreed in November 2018 to amend the Bylaws to provide that shareholders holding 20% or more of the Company s outstanding stock may call a special meeting of shareholders.

***Strong Governance and Compensation Practices***

We are committed to good corporate governance, which encompasses properly managing compensation risk in order to promote the long-term interests of our shareholders.

Additionally, we have the following practices in place:

| | |
|---|---|
| Annual elections of directors | Balance between short-term and long-term pay to incentivize sustainable long-term value creation |
| Separate Chairman and CEO (as of 2018) | Stock ownership requirements for executives and Board members, with CEO at 5x annual base salary |
| Board composed of all non-employee directors (other than CEO) | Robust clawback policy |

| | |
|---|---|
| 100% independent committee members | Anti-hedging and pledging policies |
| Majority voting for directors (as of 2018) | No excise tax gross-ups |
| Shareholder right to call special meetings (as of 2018) | No automatic acceleration of equity awards on a change of control |
| Proxy access (as of 2017) | Utilization of independent compensation consultant to advise Compensation Committee |
| Pay-for-performance philosophy and program structure | |

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# PROXY STATEMENT

## ANNUAL MEETING OF SHAREHOLDERS

**January 17, 2019**

This proxy statement (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 2019 Annual Meeting of Shareholders of the Company to be held on January 17, 2019 at 8:00 a.m., local time, at the Company s office located at One Wayside Rd Burlington, MA 01803 (the 2019 Annual Meeting ). We intend to mail a Notice of Internet Availability of Proxy Materials, and this Proxy Statement and the accompanying form of proxy to shareholders to certain requesting shareholders, on or about December 4, 2018.

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## VOTING RIGHTS

Each share of Common Stock entitles the holder thereof to one vote on matters to be acted upon at the 2019 Annual Meeting, including the election of directors. Votes cast in person or by proxy at the 2019 Annual Meeting will be tabulated by Broadridge Financial Solutions, Inc., the Inspector of Elections. Any proxy that is voted according to the instructions included in the Notice of Internet Availability of Proxy Materials or 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 described in Proposal One; (ii) FOR approval of amending and restating the Company s Amended and Restated 2000 Stock Plan as described in Proposal Two; (iii) FOR the nonbinding advisory resolution regarding the compensation of the Company s named executive officers under Proposal Three; (iv) FOR ratification of the appointment of BDO USA, LLP as the Company s independent registered public accounting firm described in Proposal Four; (v) AGAINST the shareholder proposal described in Proposal Five; and (vi) as the proxy holders deem advisable in their sole discretion on any other matters that may properly come before the 2019 Annual Meeting. A shareholder may indicate when it votes by the Internet, by telephone or on the enclosed proxy that it is abstaining from voting on a particular matter (an abstention ). A broker may indicate 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 2019 Annual Meeting. In general, Delaware law and the 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 but not entitled to vote, 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 November 21, 2018 have the right to receive notice of and to vote at the 2019 Annual Meeting. On November 21, 2018, the Company had 287,429,253 shares of Common Stock issued and outstanding.

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## PROXIES

Proxies for use at the 2019 Annual Meeting are being solicited by the Company from its shareholders. 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 2019 Annual Meeting and the election to vote in person. Attendance at the 2019 Annual Meeting will not by itself constitute the revocation of a proxy.

## SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2020 ANNUAL MEETING OF SHAREHOLDERS

Shareholders may present proper proposals or nominations for inclusion in the Company s proxy statement and for consideration at next year s annual meeting of shareholders by submitting their proposals or nominations in writing to the Company s Secretary in a timely manner. The Bylaws require that certain information and acknowledgements with respect to the proposal or nomination be set forth in the shareholder 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. In addition, the Bylaws were filed as Exhibit 3.1 to the Company s Current Report on Form 8-K, filed with the Securities and Exchange Commission (the SEC ) on November 9, 2018 and may be accessed through the SEC s website at www.sec.gov/edgar.

### Inclusion of Shareholder Proposals in Proxy Statement

Proposals of shareholders that are intended to be presented at the Company s 2020 Annual Meeting of Shareholders (the 2020 Annual Meeting ) must comply with the requirements of SEC Rule 14a-8. A shareholder s proposal must be delivered to or mailed and received by us no later than August 6, 2019 in order for it to be included in the Company s proxy statement and form of proxy relating to the meeting.

### Inclusion of Director Nominees in Proxy Statement

The Bylaws provide that a shareholder, or group of up to 20 shareholders, that has owned continuously for at least three years an aggregate of at least 3% of the outstanding Common Stock, may nominate and include in the Company s proxy materials director nominees constituting up to 20% of the number of directors in office as of the deadline for such nomination, provided that the shareholder(s) and nominee(s) satisfy the requirements in the Bylaws. To be timely, a nomination notice and required information must be delivered to or mailed and received by the Secretary at our principal executive offices not later than the close of business on the 120th day and not earlier than the close of business on the 150th day prior to the anniversary of the date (as stated in our proxy materials) the definitive proxy statement with respect to the preceding year s annual meeting was first sent to shareholders; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after the anniversary of the preceding year s annual meeting, notice by the shareholder to be timely must be so received no earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of (i) the 60th day prior to such annual meeting or (ii) the 10th day following the date on which we publicly announce the meeting date. Assuming the date of our 2020 Annual Meeting is not so advanced or delayed, shareholders who wish to include a director nominee in our 2020 proxy statement must notify us no earlier than July 7, 2019 and no later than the close of business on August 6, 2019. Such notice must provide the information required by our Bylaws.

### Inclusion of Shareholder Proposals or Nominations in Annual Meeting Agenda but Not in Proxy Statement

A shareholder proposal or a nomination for director to be presented at the Company s 2020 Annual Meeting that is not to be included in the Company s proxy statement and form of proxy relating to the meeting must be delivered to or mailed and received by the Company (a) not later than the close of business on the 90th calendar day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year s annual meeting, or (b) not later than the close of business on the 45th calendar day, nor earlier than the close of business on the 75th calendar day, prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year s annual

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meeting, whichever period occurs first. Assuming the date of our 2020 Annual Meeting is not so advanced or delayed, shareholders who wish to make a proposal at the 2020 Annual Meeting must notify us no earlier than September 19, 2019 and no later than the close of business on October 19, 2019. Such notice must provide the information required by the Bylaws with respect to each matter the shareholder proposes to bring before the 2020 Annual Meeting.

## 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 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 ONE

# ELECTION OF DIRECTORS

At the 2019 Annual Meeting, nine directors will be elected to the Board. The Nominating Committee of the Board of Directors recommended, and the Board of Directors approved, Lloyd Carney, Mark Benjamin, Daniel Brennan, Thomas Ebling, Robert Finocchio, Laura Kaiser, Michal Katz, Mark Laret, and Sanjay Vaswani as nominees for election at the 2019 Annual Meeting. The term of office of each person elected as a director will continue until the next annual meeting of shareholders or until a successor has been elected and qualified.

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

| Board Member | Qualifications |
|---|---|
| **Lloyd Carney**<br><br>Age: 56<br><br>**Independent Chairman of the Board**<br><br>*Board Member since: September 2018* | From 2013 to 2017, Mr. Carney served as CEO of Brocade Communications Systems, Inc. Prior to that, he served as President and CEO of Xsigo Systems, Inc. from 2008 to 2012, and as Founder and CEO of Carney Global Ventures LLC from 2007 to 2008. He has also served in senior capacities in several other companies, including International Business Machines Corporation, Micromuse, Inc., Juniper Networks, Inc. and Nortel Networks Corporation. Mr. Carney currently serves on the board of directors of Visa Inc. and as a member of its Audit and Risk Committee. He earned a B.S. in electronic engineering technology from Wentworth Institute of Technology and a master s in applied business management from Lesley University. Because of his extensive experience in running global technology companies and his experience aligning operations and infrastructure, we believe Mr. Carney is well qualified to serve on our Board. |
| **Mark D Benjamin**<br><br>Age: 48<br><br>**CEO** | Mr. Benjamin has served as the Company s CEO since April 2018. With extensive experience serving technology markets, Mr. Benjamin has a proven record of advancing growth initiatives related to cloud, SaaS, mobile, big data, and IoT solutions. Prior to joining Nuance, he served as President and Chief Operating Officer of NCR Corporation from October 2016 until March 2018, where he oversaw sales, solutions management, business and product development, services and supply chain operations. Before that, he spent more than 20 years holding various leadership appointments at Automatic Data Processing, Inc., including President of Global Enterprise Solutions, where he led a team of 20,000 employees, and managed a multi-billion-dollar |

*Director/Officer since: April 2018*

portfolio across more than 100 countries. Mr. Benjamin holds a bachelor s degree in International Finance and Marketing from the University of Miami. Because of his extensive experience in management and leadership, and because of his role as our CEO, we believe Mr. Benjamin is well qualified to serve on our Board.

**Daniel Brennan**

Age: 53

**Audit Committee Member**

*Board Member since: September 2018*

Mr. Brennan has served as the Executive Vice President and Chief Financial Officer of Boston Scientific Corporation since 2014. Prior to that, he served in various other positions at Boston Scientific Corporation, including as Senior Vice President and Corporate Controller from 2010 to 2013, and as Vice President and Assistant Corporate Controller in 2009. Mr. Brennan has a B.S. and an MBA from Babson College. Due to his deep understanding of complex healthcare markets, and his financial and accounting expertise, we believe that Mr. Brennan is well qualified to serve on our Board.

**Thomas Ebling**

Age: 63

**Compensation Committee Member**

*Board Member since: September 2018*

Mr. Ebling has served as Executive-in-Residence at General Catalyst Partners since 2017. Previously, he served at Demandware, Inc., as Chairman, President and CEO from 2014 to 2016 and as President and CEO from 2009 to 2014. Prior to that, Mr. Ebling served as CEO of Lattice Engines, Inc. from 2007 to 2009 and as CEO of Profit Logic, Inc. and Torrent Systems, Inc. He earned his B.S. in mathematics from Williams College. Due to his vast experience in software applications, cloud infrastructure, and data warehousing, including as a member of the board of directors of numerous privately-held companies, we believe that Mr. Ebling is well qualified to serve on our Board.

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| Board Member | Qualifications |
|---|---|
| **Robert Finocchio**<br><br>Age: 67<br><br>**Audit Committee Chair**<br><br>*Board Member since: April 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 CEO and President. From 1988 to 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 Skyfront Inc., JustAnswer.com, Silver Peak, Inc. and Vistage International and previously served on the boards of Echelon Corporation (until September 2018) and Broadcom Corporation (until February 2016). Mr. Finocchio earned a B.S. in economics from the University of Santa Clara and an MBA from the Harvard Graduate School of Business Administration. Mr. Finocchio s experience as chairman and CEO of a technology company, executive leadership positions at various technology companies, and other board memberships make him well qualified to be a member of our Board of Directors. |
| **Laura S. Kaiser**<br><br>Age: 57<br><br>**Compensation Committee Member**<br><br>*Board Member since: December 2017* | Ms. Kaiser has served as CEO of SSM Health since May 2017. Prior to SSM Health, Ms. Kaiser served as Executive Vice President and Chief Operating Officer of Intermountain Healthcare from March 2012 to April 2017. Prior to Intermountain Healthcare, Ms. Kaiser served in numerous leadership roles at Ascension Health. Ms. Kaiser holds a Bachelor of Science in Health Services Management from the University of Missouri-Columbia and a Master of Business Administration and a master s in healthcare administration from Saint Louis University. We believe Ms. Kaiser s experience as an executive at numerous health care companies makes her well qualified to be a member of our Board of Directors. |
| **Michal Katz**<br><br>Age: 50 | Ms. Katz has served as a Managing Director and Co-Head of the Global Technology Investment Banking Group at RBC Capital Markets, LLC since 2013. She served as Managing Director and Global Head, Software, at |

Barclays Capital Inc. from 2008 to 2013, and prior to that served as Managing Director and in other roles at Lehman Brothers Inc. from 1996 to 2008. Ms. Katz earned a B.A. in political science from the State University of New York at Binghamton and a J.D. from New York University. Due to her deep experience with strategic and digital transformation initiatives, and strong insights into the intersection of the financial and technology markets, we believe Ms. Katz is well qualified to serve on our Board.

**Nominating & Governance Committee Member**

*Board Member since: September 2018*

**Mark Laret**

Age: 64

Since April 2000, Mr. Laret has served as CEO of the University of California San Francisco Medical Center. From 2007 to January 2018, Mr. Laret served 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. We believe Mr. Laret s corporate executive experience in the healthcare industry and his significant professional expertise and background in medical and technical issues make him well qualified to be a member of our Board of Directors.

**Chair of Nominating & Governance Committee**

**Audit Committee Member**

*Board Member since: June 2010*

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| Board Member | Qualifications |
|---|---|
| **Sanjay Vaswani**<br><br>Age: 58<br><br>**Compensation Committee Chair**<br><br>**Nominating & Governance Committee Member**<br><br>*Board Member since: February 2018* | Mr. Vaswani has been a managing partner of the Center for Corporate Innovation, Inc., a professional services firm focused on the technology and healthcare industries, since 1990. From 1987 to 1990 he was with McKinsey & Company. Prior to that, Mr. Vaswani was employed by Intel Corporation. Mr. Vaswani previously served as a director of Brocade Communications Systems, Inc. from April 2004 until the sale of Brocade to Broadcom Ltd. in November 2017 and as a director at Blue Star Infotech Ltd. and Persistence Software, Inc. Mr. Vaswani received a B.B.A. degree from the University of Texas at Austin and an M.B.A. degree from the Wharton School of Business at the University of Pennsylvania. Mr. Vaswani s leadership and prior board experience, together with his global perspective and corporate advisory experience makes him well qualified to be a member of our Board of Directors. |

**Vote Required; Recommendation of the Board**

Each nominee for director shall be elected to the Board if the votes cast for such nominee s election exceed the votes against and withheld from such nominee s election. Unless marked to the contrary, proxies received will be voted FOR ALL the Board s nominees. Withhold votes will have the same effect as a vote Against the proposal. Broker non-votes will have no effect on the outcome of the vote.

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

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## CORPORATE GOVERNANCE

### Corporate Governance Overview and Shareholder Engagement

We are committed to good corporate governance, which we believe promotes the long-term interests of our shareholders and strengthens our Board of Directors and management accountability. Highlights of our corporate governance practices include the following:

- Annual elections of directors
- Separate Chairman and CEO (as of 2018)
- Board composed of all non-employee directors (other than CEO)
- 100% independent committee members
- Majority voting for directors (as of 2018)
- Shareholder right to call special meeting (as of 2018)
- Proxy access (as of 2017)

We believe that effective corporate governance should also include regular, constructive conversations with our shareholders. The Board and management conducted extensive shareholder outreach throughout fiscal 2018 to solicit feedback on the Company s corporate governance. During the fall of 2018 alone, we reached out to shareholders owning approximately 65% of our outstanding shares and spoke with shareholders owning approximately 40% of our outstanding shares. Our Chairman, Lloyd Carney and our Compensation Committee Chair, Sanjay Vaswani participated in a majority of these engagements. In response to such feedback and a comprehensive assessment of Nuance s governance practice, the Board made a number of significant changes to the Company s corporate governance and during the past year, notably those highlighted above. The Company also either recomposed or refreshed the membership of all of its committees.

### Board Leadership Structure

Our current leadership structure splits the roles of CEO and Chairman. Our Corporate Governance Guidelines provide our Board of Directors with flexibility to select the appropriate leadership structure based on the specific needs of our business and the best interests of our shareholders. Our prior CEO served as both Chairman and CEO. When Mr. Benjamin joined the Company in April 2018 as CEO, he was appointed to our Board as a director but not as Chairman. In June 2018, prior director Robert Frankenberg resigned as our Lead Independent Director and Mr. Laret was appointed Lead Independent Director. In September 2018, the Board eliminated the Lead Independent Director role, and Mr. Carney was appointed as Chairman when he joined the Board in September 2018.

**Independence of our Board**

The Board has determined that Messrs. Brennan, Carney, Ebling, Finocchio, Laret and Vaswani and Mses. Kaiser and Katz are independent under the director independence standards of the Nasdaq Stock Market LLC ( Nasdaq ) and the SEC, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. The Board has also determined that each member of our standing committees is independent within the meaning of both Nasdaq s and the SEC s director independence standards. In making these determinations, the Board solicited information from each of our directors regarding whether such director, or any member of his or her immediate family, had a direct or indirect material interest in any transaction involving Nuance, or received personal benefits outside the scope of such person s normal consideration.

There are no family relationships among any of our directors or executive officers.

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## Corporate Governance Guidelines

The Board is governed by its Corporate Governance Guidelines, which were adopted by the Board in November 2016 and are available under Corporate Governance Governance Documents in the Investors section of our website, www.nuance.com. These guidelines cover, among other items, the following significant topics:

*Board Selection Process and Qualifications.* The Nominating & Governance Committee is responsible reviewing the skills and characteristics required of prospective Board members and is responsible for recommending to the Board candidates for directorship. Among the criteria the Board may consider are experience and diversity, and, with respect to diversity, the Board may consider such factors as gender, race, ethnicity, differences in professional background, experience at policy making levels in business, finance and technology and other areas, education, skill, and other individual qualities and attributes. While the Company does not have a formal policy with regard to the consideration of diversity in identifying Director nominees; the Board does endorse the value of seeking qualified directors from backgrounds 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 four other public companies without first obtaining specific approval from the Board. Each director is required to notify the Chairman and the Chair of the Nominating & Governance Committee upon a change in principal professional responsibilities. The Nominating & 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 75 years. The Board encourages, and the Company will reimburse the costs associated with, directors participating in continuing director education. The Board believes that term limits may result in the loss of long-serving directors who over time have developed unique and valuable insights into the Company s business and therefore can provide a significant contribution to the Board. As a result, there are no term limits on Board service.

*Board Leadership.* The leadership of the Board shall include a Chairman of the Board and, if the Chairman of the Board is an employee, a Lead Independent Director designated by the Nominating & Governance Committee. The Lead Independent Director, who shall be independent under the independence rules of Nasdaq, shall serve as the focal point for non-employee directors in resolving conflicts with the CEO, or other non-employee directors, and coordinating feedback to the CEO on behalf of non-employee directors regarding business issues and Board management.

*Committees.* The current committee structure of the Board includes the following standing committees: Audit, Compensation and Nominating and Governance. Additional committees may be created or disbanded upon approval of the Board. The Nominating & Governance Committee recommends, and the full Board approves, the composition of the Board s standing committees. 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 Composition

In fiscal year 2018, the size of the Board was expanded from seven to nine, and seven new members were appointed to the Board: Messrs. Benjamin, Brennan, Carney, Ebling and Vaswani, Ms. Kaiser and Ms. Katz.

During the year, the Board reviewed the organization of our all of our committees, with a focus on independence and the strategic needs and direction of the Company, and made the following changes:

Combined the Nominating Committee and Governance Committee into the Nominating & Governance Committee, appointed Mr. Laret to serve as Chair of the committee and appointed Ms. Katz and Mr. Vaswani as members of the committee;

Appointed Messrs. Ebling and Vaswani and Ms. Kaiser to the Compensation Committee, and appointed Mr. Vaswani as Chair;

Appointed Mr. Brennan to the Audit Committee and appointed Mr. Finocchio as Chair.

Prior director Mr. Janeway resigned from the Board in March 2018, and Messrs. Frankenberg, and Quigley and Ms. Martin resigned from the Board in June 2018.

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## Committees of the Board of Directors

The composition, duties and responsibilities of our committees are as set forth below. Each of these committees has a written charter approved by our Board. Copies of these committee charters as well as our corporate governance guidelines are available, without charge, upon request in writing to Nuance Communications, Inc., One Wayside Road, Burlington, MA 01803, Corporate Secretary, or under Corporate Governance Governance Documents in the Investors section of our website, www.nuance.com.

In January 2018, the Board consolidated the former separate Nominating and Governance Committees into a combined Nominating & Governance Committee. All members of the committees are appointed by the Board and meet the independence requirements of the respective committees on which they serve.

## Functions of the Committees

*Audit Committee*

The Audit Committee currently consists of Messrs. Brennan, Finocchio, and Laret. Mr. Finocchio serves as Chairman of the Audit Committee. The Audit Committee held eight meetings during fiscal year 2018.

The Audit Committee is responsible for reviewing the engagement of the Company s independent registered public accounting firm, reviewing the annual financial statements, considering matters relating to accounting policy and internal controls, reviewing whether non-audit services provided by the independent registered public accounting firm affect the accountants independence and reviewing the scope of annual audits.

Each of Messrs. Brennan, Finocchio and Laret is a non-employee director who meets the applicable requirements for financial literacy. The Board has determined that Messrs. Brennan and Finocchio are audit committee financial experts as defined by Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the Exchange Act ). In addition, our Board has determined that each of Messrs. Brennan, Finocchio, and Laret meets the definition of an independent director for purposes of serving on an audit committee under Rule 10A-3 and the Nasdaq rules. None of our Audit Committee members simultaneously serve on the audit committees of more than three public companies, including ours.

The Audit Committee Report is included in this Proxy Statement.

*Compensation Committee*

The Compensation Committee currently consists of Ms. Kaiser and Messrs. Ebling and Vaswani. Mr. Vaswani serves as Chairman of the Compensation Committee. Our Board has determined that each of Ms. Kaiser and Messrs. Ebling and Vaswani meet the definition of an independent director under Nasdaq corporate governance standards and under the Exchange Act. The Compensation Committee held nine meetings during fiscal year 2018.

The Compensation Committee oversees, evaluates and approves compensation plans, policies and practices applicable to, and approves the compensation of, the Company s executive officers. The Compensation Committee also administers the Company s equity-based incentive compensation except to the extent that authority to administer the plans has been delegated to the CEO to administer such plans as to non-executive personnel. The Compensation Committee Report and the Compensation Discussion and Analysis are included elsewhere in this Proxy Statement.

The Compensation Committee retains the right to engage independent advisors to assist in fulfilling its charter and is responsible for assessing their performance and independence as required under any applicable law, regulation, or listing standard. The Compensation Committee engaged Compensia to serve as its independent advisor through August 2018. In August 2018, the Compensation Committee selected Semler Brossy as its new advisor after a formal search process. For the periods of their respective engagements, Semler Brossy and Compensia advised the Compensation Committee with respect to trends in executive compensation, review of market information, and assessment of compensation actions required under its charter.

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Neither Compensia nor Semler Brossy provided any other services to us nor received compensation from us 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 Nasdaq, the Compensation Committee has determined that its relationships with each of Compensia and Semler Brossy have not raised any conflict of interest.

*Compensation Committee Interlocks and Insider Participation*

None of the members of the Compensation Committee has been or is an officer or employee of the Company. In addition, 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.

*Nominating & Governance Committee*

In January 2018, the Board of Directors combined the previously separate Nominating Committee and Governance Committee to form a Nominating & Governance Committee. Mr. Laret serves as the Chairman of the Nominating & Governance Committee and Ms. Katz, and Mr. Vaswani serve as members. During fiscal year 2018, the Governance Committee and the Nominating Committee each held one meeting and the combined Nominating & Governance Committee held nine meetings.

The Nominating & Governance Committee oversees the corporate governance practices of the Board, including its annual self-evaluation process. It also considers and periodically reports to the full Board on matters relating to the identification, selection, qualification of candidates to serve as directors and recommends to the Board on an annual basis the candidates to be nominated by the Board for election as directors at the Company s annual meeting of shareholders.

*Consideration of Director Nominees*

*Shareholder Nominees*

The Nominating & Governance Committee will consider properly submitted shareholder nominations for candidates for membership on the Board as well as candidates recommended for consideration by the Nominating & Governance Committee as described below under Identifying and Evaluating Nominees for Directors. Any shareholder 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 shareholders. In addition, shareholder nominations should be submitted within the time frame as specified under Shareholder Proposals and Director Nominations for the 2020 Annual Meeting of Shareholders above for inclusion in the proxy materials or agenda, as appropriate, and addressed to: Nuance Communications, Inc., Attention: Corporate Secretary, One Wayside Road, Burlington, MA 01803.

A shareholder that instead desires to merely recommend a candidate for consideration by the Nominating & Governance Committee shall direct the recommendation in writing to Nuance Communications, Inc., Attention: Secretary, 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.

**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 shareholders, directors are encouraged to attend annual meetings of the Company. All seven of our then-serving directors attended the 2018 Annual Meeting in person or telephonically.

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### Communication with the Board of Directors

Although we do not have a formal policy regarding communications with the Board of Directors, shareholders who are interested in communicating with the Board of Directors are encouraged to do so by submitting an email to generalcounsel@nuance.com or by writing to us at Nuance Communications, Inc., Attention: Corporate Secretary, One Wayside Road, Burlington, MA 01803. Shareholders who would like their submission directed to a particular 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 applicable to all of our directors, officers and employees. Our Code of Business Conduct and Ethics can be found at Corporate Governance Governance Documents in the Investors section of our website, www.nuance.com. 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. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics affecting our executive officers, we will disclose the nature of such amendment or waiver on that website or in a Current Report on Form 8-K.

### Stock Ownership Guidelines

In 2006, the Board adopted stock ownership guidelines for our executive officers and the non-employee directors. These guidelines were adopted to further align the interests of our executive officers and non-employee directors with the interests of our shareholders. Under these guidelines, the target share ownership levels are five times base salary for our CEO, three times base salary for our other executive officers, and three times the annual cash retainer for our non-employee directors. Shares of Common Stock subject to outstanding and unexercised options, whether or not vested, as well as shares of 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 our Common Stock on a quarterly basis.

### 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 oversees management of financial risks, including investment and foreign currency fluctuation risk mitigation policies and risks. The Board s oversight on cybersecurity includes reporting and updates from senior management and the Company s experts in areas such as cybersecurity threats, and technologies and solutions deployed internally and for the benefit of Company customers and technologies, policies and procedures to address these risks. 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 has responsibility for the direct management and oversight of legal, financial, cybersecurity, privacy and commercial compliance matters, which includes identifying areas of risk and implementing policies, procedures and practices to mitigate the identified risks. Additionally, the CFO, the Chief Legal Officer and the Senior Director of Corporate Compliance provide regular reports to the Audit Committee concerning financial, tax, legal and compliance related risks and the Company s experts report to the Board on cybersecurity. Management also provides the Audit Committee with periodic reports 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.

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**Compensation Risk Assessment**

In November 2018, the Compensation Committee conducted its annual review of Nuance s compensation philosophy and strategy inclusive of compensation-related risk management. The Compensation Committee reviews the Company s compensation programs for executives and employees, including both short term compensation and long-term equity-based incentive awards. We believe that the mix and design of the elements of our executive compensation are well balanced and do not encourage management to take or assume unreasonable risk.

**Compensation of Non-Employee Directors**

Non-employee director compensation is recommended by the Compensation Committee and approved by the Board. In recommending non-employee director compensation levels to the Board, the Compensation Committee generally considers market information provided and reviewed by its independent compensation consultants regarding the non-employee pay practices of the peer companies described in the Compensation Discussion and Analysis below. Cash compensation is paid quarterly in arrears. Equity awards are provided under our 1995 Directors Stock Plan on an annual basis, which has been approved by our shareholders. The Company also reimburses non-employee directors for their expenses in connection with their attendance at Board and committee meetings.

The structure of our annual non-employee director compensation program is outlined below:

| Cash | | Amount |
|---|---|---|
| **Board service retainer** | | $60,000 |
| **Committee members** | Audit: | $15,000 |
| | Compensation: | $15,000 |
| | Nominating / Governance: | $5,000 |
| **Committee Chairs** | Audit: | $35,000 |
| | Compensation: | $30,000 |
| | Nominating / Governance: | $10,000 |
| **Independent Chairman of the Board** | | $150,000 |

| | |
|---|---|
| **Lead Independent Director*** | $30,000 |

*The Board eliminated the Lead Independent Director role in September 2018.

Committee member, committee chair, independent Chairman of the Board and Lead Independent Director fees were paid in addition to the annual board service retainer. The committee chair fee is paid in lieu of the committee member fee for the chair of a committee.

| **Equity** | **Terms** | **Value** |
|---|---|---|
| **Annual Award** | Target amount converted to restricted stock units ( RSUs ) using the closing price of a share of our Common Stock on the date of grant | $250,000 |
| | Cliff vests after one year, subject to continued service through that date | |
| | Only non-employee directors who have served for at least six months prior to grant date are eligible for this grant | |
| **Initial Award** | Target amount converted to RSUs using the closing price of a share of our Common Stock on the date of grant | $500,000 |
| | Vests annually over three years in three equal installments, subject to continued service on applicable anniversary dates | |

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Cash and equity compensation paid to non-employee members of the Board during fiscal 2018 is outlined in the table below:

**DIRECTOR COMPENSATION**

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($)(1)(2)(3) | Total ($) |
|---|---|---|---|
| Daniel Brennan | 4,121 | 499,967 | 504,088 |
| Lloyd Carney | 11,538 | 499,967 | 511,506 |
| Thomas Ebling | 4,121 | 499,967 | 504,088 |
| Robert Finocchio Jr. | 104,176 | 249,982 | 354,158 |
| Robert Frankenberg | 108,292 | 249,982 | 358,274 |
| William Janeway | 35,000 | 249,982 | 284,982 |
| Laura Kaiser | 58,228 | 499,956 | 558,184 |
| Michal Katz | 3,571 | 499,967 | 503,539 |
| Mark Laret | 87,643 | 249,982 | 337,625 |
| Katharine Martin | 47,500 | 249,982 | 297,482 |
| Philip Quigley | 67,500 | 249,982 | 317,482 |
| Sanjay Vaswani | 52,759 | 499,961 | 552,721 |

(1) Amounts reported in the Stock Awards column represent the grant date fair value with respect to the RSU awards granted to the non-employee members of the Board of Directors during fiscal 2018, 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 our Common Stock on the grant date (which was $16.38 per share for the annual RSU award). The partial acceleration of the options described in footnote (2) below did not result in any incremental change in the fair value associated with the relevant RSUs.

(2) Messrs. Janeway, Frankenberg and Quigley and Ms. Martin retired from the Board during fiscal year 2018. The Board approved amendments to outstanding equity awards held by each of them to provide for partial acceleration of vesting in connection with their mid-term resignations, as outlined below:

| Name | Forfeited shares | Accelerated shares |
|---|---|---|
| Mr. Janeway, retired effective March 11, 2018 | 20,267 | 0 |
| Mr. Frankenberg, retired effective June 30, 2018 | 7,633 | 12,634 |
| Ms. Martin, retired effective June 30, 2018 | 7,633 | 12,634 |
| Mr. Quigley, retired effective June 30, 2018 | 7,633 | 12,634 |

(3) The aggregate number of stock awards, in the form of unvested RSUs, held by each non-employee director (other than Messrs. Janeway, Frankenberg and Quigley and Ms. Martin, who held none) as of September 30,

2018 is set forth in the following table:

| Name | Unvested Shares Subject to Outstanding Stock Awards |
|---|---|
| Mr. Brennan | 30,395 |
| Mr. Carney | 30,395 |
| Mr. Ebling | 30,395 |
| Mr. Finocchio | 20,267 |
| Ms. Kaiser | 30,156 |
| Ms. Katz | 30,395 |
| Mr. Laret | 20,267 |
| Mr. Vaswani | 28,248 |

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## EXECUTIVE COMPENSATION, MANAGEMENT AND OTHER INFORMATION

### Information Concerning Current Executive Officers

| Executive Officer | Biography |
|---|---|
| **Mark Benjamin**<br>Age: 48<br>**CEO**<br>*Executive Officer since: April 23, 2018* | Mr. Benjamin has served as the Company s CEO since April 2018. With extensive experience serving technology markets, Mr. Benjamin has a proven track record of advancing growth initiatives related to cloud, SaaS, mobile, big data, and IoT solutions. Prior to joining Nuance, he served as President and Chief Operating Officer of NCR Corporation from October 2016 until March 2018, where he oversaw sales, solutions management, business and product development, services and supply chain operations. Before that, he spent more than 20 years holding various leadership appointments at Automatic Data Processing, Inc., including President of Global Enterprise Solutions, where he led a team of 20,000 employees, and managed a multi-billion-dollar portfolio across more than 100 countries. Mr. Benjamin holds a bachelor s degree in International Finance and Marketing from the University of Miami. |
| **Daniel Tempesta**<br>Age: 48<br>**EVP & CFO**<br>*Executive Officer since: July 21, 2015* | Mr. Tempesta joined the Company in March 2008 and was appointed as the Company s CFO in July 2015. Prior to his appointment as CFO, Mr. Tempesta served as the Company s Chief Accounting Officer, Corporate Controller and Senior Vice President of Finance. At Nuance, Mr. Tempesta has led the majority of Nuance s finance and accounting operations, as well as tax, treasury, order management, and internal control activities. Before joining Nuance, 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 thereto he was in the audit practice of PricewaterhouseCoopers L.L.P. He received an accounting degree from the Isenberg School of Management at the University of Massachusetts, Amherst. |
| **Thomas Beaudoin**<br>Age: 64<br>**EVP Business Transformation** | Mr. Beaudoin re-joined Nuance in 2017. He serves as the head of Nuance s Business Transformation Office and is responsible for leading efforts to align and fully leverage technologies within Nuance s key vertical markets, and drive growth while improving margins and cost structure. With more than 40 years experience, Mr. Beaudoin has deep insight and experience in developing financial and operational leadership strategies for global enterprises. Prior to re-joining Nuance, Mr. Beaudoin held several executive leadership roles, including CFO of SimpliVity Corp. (now HPE SimpliVity) from 2015 to 2017; executive vice president and CFO of Nuance from 2008 |

| | |
|---|---|
| *Executive Officer since: November 7, 2018* | to 2015; president and CFO of Polaroid Corporation; senior vice president and CFO of Parametric Technology Corporation; and a number of senior finance positions during his 24-year career at Digital Equipment Corporation then Compaq Computer Corporation now HP. Mr. Beaudoin holds a B.S.B.A. degree and an M.B.A. from Babson College. |
| **Wendy Cassity**<br><br>Age: 43<br><br>**EVP & Chief Legal Officer**<br><br>*Executive Officer since: November 7, 2018* | Ms. Cassity joined the Company in September 2018. As Chief Legal Officer, Ms. Cassity is responsible for oversight of all legal, corporate governance, intellectual property and regulatory activities across the Company s global operations. Prior to joining Nuance, she was general counsel of Zayo Group, a publicly-traded communications infrastructure company from January 2016 to August 2018, and general counsel of Thompson Creek Metals Company, a publicly-traded natural resources company, from 2010 to January 2016. Prior thereto, Ms. Cassity was in private practice as a corporate transactional attorney at McDermott Will & Emery, LLP and Cravath Swaine & Moore, LLP in their New York offices. Ms. Cassity holds a B.A. from the University of Arizona in English and History and received her J.D. from Columbia Law School. |

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| Executive Officer | Biography |
|---|---|
| **Alvaro Monserrat**<br><br>Age: 50<br><br>**EVP & GM Imaging Division**<br><br>*Executive Officer since: May 7, 2018* | Mr. Monserrat joined the Company as EVP and GM, Imaging Division in January 2018. With more than 25 years of broad technology and software experience, Mr. Monserrat successfully led the strategic transformation of numerous businesses, resulting in accelerated growth, significant market expansion, and improved go-to-market capabilities. Prior to joining Nuance, he held numerous leadership roles, most recently as the CEO of RES Software ( RES ) from April 2015 to July 2017, before its acquisition by Ivanti in 2017. Prior to RES, he was at Citrix since 2002 and held several executive positions there including SVP of Global Sales and Services; VP of Global Channels, Sales Operations, and Emerging Products; and VP and GM of Citrix s North American region. Since January 2017, he has been a director of Seacoast Bank (Nasdaq). Mr. Monserrat holds a BS degree in Computer Science from the University of Miami, and an MBA from the University of Texas. |
| **Stefan Ortmanns**<br><br>Age: 55<br><br>**EVP & GM Auto Division**<br><br>*Executive Officer since: November 7, 2018* | Dr. Ortmanns joined the Company in 2003 and has served as its EVP and GM, Automotive Division since March 29, 2018. As GM of the Automotive Division, Dr. Ortmanns is responsible for hybrid, conversational AI-powered solutions for the digital car and automotive related services that are used by almost all of the world s leading automotive manufacturers. He previously held other positions at Nuance including SVP of Engineering and Professional Services for the former Mobile division. Dr. Ortmanns started working in the speech industry in 1993. Before he joined Nuance, he worked at Philips Speech Processing, Bell Labs, Lucent Technologies, and the University of Technology Aachen. He holds degrees in mechanical engineering, computer science and a Ph.D. in computer science. |
| **Robert Weideman**<br><br>Age: 60<br><br>**EVP & GM Enterprise Division**<br><br>*Executive Officer since: August 1, 2017* | Mr. Weideman joined the Company in November 2001 and has served as EVP and GM, Enterprise Division from October 2012. He is responsible for customer self-service solutions that are used by leading organizations around the world to automate and optimize the customer care experience. In his tenure with Company, he has been the general manager for the Dragon and Imaging businesses, as well as senior vice president of international marketing in the EMEA region. Previously, Mr. Weideman served as chief marketing officer for ScanSoft, and vice president of marketing for the Adobe Systems portfolio company Cardiff Software. He has also held senior marketing and management roles at TGS.com and CA (Computer Associates). Mr. Weideman holds a BS in Computer Information Systems and Software Engineering from San Diego State University. |

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## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis section ( CD&A ) describes the material elements of our executive officer compensation programs and policies for fiscal 2018, the principles and objectives of our decisions with respect to fiscal 2018 compensation for our named executive officers (the Named Executive Officers or NEOs ) and the changes we have made to better align our programs with our pay-for-performance philosophy.

**Named Executive Officers**

Our NEOs for the fiscal year ending September 30, 2018 are:

**Current Executive Officers:**

| Name | Title |
|---|---|
| **Mark Benjamin** | Chief Executive Officer ( CEO ) (1) |
| **Daniel Tempesta** | Chief Financial Officer ( CFO ) |
| **Robert Weideman** | Executive Vice President and General Manager, Enterprise Division |
| **Alvaro Monserrat** | Executive Vice President and General Manager, Imaging Division (1) |

**Former Employees:**

| | |
|---|---|
| **Paul Ricci** | Former Chairman and CEO |
| **Satish Maripuri** | Former Executive Vice President and General Manager, Healthcare Division |
| **Kenneth Siegel** | Former Executive Vice President and Chief Legal Officer |

(1) Mr. Benjamin joined the Company in April 2018 and Mr. Monserrat joined the Company in January 2018

**Executive Transition**

Fiscal 2018 was a year of transition of our executive team. Following an extensive search process, the Board appointed Mark Benjamin as our CEO and as a member of the Board, effective in April 2018. As previously planned, our former Chairman and CEO, Paul Ricci, stepped down in March, and Daniel Tempesta, the Company s CFO, served as our interim CEO until Mr. Benjamin s start date. In addition:

- In January 2018, Alvaro Monserrat joined the Company as Executive Vice President and General Manager of our Document Imaging Division and was appointed as an executive officer in May 2018; and
- In September 2018, the employment of Satish Maripuri, our former Executive Vice President and General Manager, Healthcare Division, and Kenneth Siegel, our former Executive Vice President and Chief Legal Officer, terminated.

Further information regarding the compensation decisions related to these transitions is described below.

**Executive Summary**

***Business Overview***

We are a leading provider of voice recognition and natural language understanding solutions. We work with companies around the world, from banks and hospitals to airlines, telecommunications carriers, and automotive manufacturers and suppliers, who use our solutions and technologies to create better experiences for their customers and their users by enhancing the users interaction and increasing productivity and customer satisfaction. In addition, our solutions increasingly utilize our innovations in artificial intelligence ( AI ), including cognitive sciences and machine learning to create smarter, more natural experiences with technology.

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Using advanced analytics and algorithms, our technologies create personalized experiences and transform the way people interact with information and the technology around them. We market and sell our solutions and technologies around the world directly through a dedicated sales force, and also through a global network of resellers, including system integrators, independent software vendors, value-added resellers, distributors, hardware vendors, telecommunications carriers and e-commerce websites.

***Strategic Review***

As one of the key priorities identified by Mr. Benjamin, he and the rest of the Board and management undertook a comprehensive review of our long-term strategy and our business segments. At the conclusion of the review, the Company determined the following:

***Healthcare and Enterprise Focus:*** Nuance created a comprehensive plan to simplify its operations and enhance its focus on growth markets, including the Healthcare and Enterprise segments. Therefore, the Company will maintain its Healthcare and Enterprise business segments, where Nuance brings deep business-to-business relationships, differentiated technology and contextual expertise.

***Automotive Segment Spin-Off:*** The Automotive segment delivers critical enabling technology for transforming the passenger experience. Therefore, becoming a pure-play next generation automotive software company represents an important step in this segment s growth. Accordingly, Nuance announced its intention to spin off the Automotive segment into a new, independent, publicly-traded company.

***Imaging Business Sale:*** As announced on November 12, 2018, Nuance is selling its Imaging business to Kofax for a purchase price of $400 million, in a transaction that is expected to close by the end of the second quarter of 2019.

***Subscription Revenue Services (SRS) and Devices Wind-Down:*** Nuance decided to wind-down the Subscription Revenue Services (SRS) business because it is non-core to Nuance s AI strengths. The Company is also commencing the wind-down of the consumer-focused Devices business.

***Operational Transformation Program:*** In tandem with the Company s strategic portfolio review, Nuance is optimizing its organizational structure. This process has identified $50 million in cost savings that will be implemented in fiscal 2019, primarily during the first and second quarter.

**Nuance Business Segments**

| Healthcare | Enterprise | Automotive | Imaging | Other |
|---|---|---|---|---|
| ***48% of Revenues[1]*** | ***23% of Revenues[1]*** | ***14% of Revenues[1]*** | ***10% of Revenues[1]*** | ***5% of Revenues[1]*** |

| | | | | |
|---|---|---|---|---|
| Intelligent solutions to support a more natural and insightful approach to clinical documentation across the continuum of care | Intelligent customer service and engagement solutions powered by artificial intelligence | Unique infotainment systems that enable drivers and passengers to effortlessly interact with their cars | Document workflow and automation solutions that help customers work faster and smarter | Non-core lines of business built on voice recognition and artificial intelligence technologies |
| Real-time medical ASR and transcription<br>Diagnostics Reporting, Image Sharing & Analytics<br>Medical coding, documentation improvement, Consumer ASR | Omni-Channel Engagement<br>Security, Engines & Analytics<br>Professional Services | Conversational AI platforms<br>Automotive & Mobility Digital Assistants<br>Driver & Passenger UX | Print Management<br>Scan and Document Capture<br>OCR / Core Imaging | Subscriber Revenue Services (SRS)<br>Voicemail to Text<br>Devices |

[1] *Revenue percentages based on fiscal year 2018 Non-GAAP Revenue. For a reconciliation of GAAP to Non-GAAP financial measures, please see Annex A.*

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***Fiscal 2018 Performance Update***

We accelerated our efforts to position the Company for growth and long-term value creation with our comprehensive review of the portfolio, products, services and offerings of the business. While conducting this review, our performance remained strong as shown in our fiscal 2018 financial results by generating growth and meaningful cash flow. We believe our efforts and results in fiscal 2018 positions us for growth in 2019 and beyond. Some of the highlights of our performance supporting our belief include:

Net new bookings growth of 5% for fiscal 2018 led by Automotive and Enterprise.

Organic revenue growth of 4% driven by Dragon Medical cloud, Automotive and Enterprise.

Implementation of a capital allocation strategy focused on opportunistic share repurchase and debt payment.
Additionally, we achieved the following in fiscal 2018:

***Net New Bookings:*** Our net new bookings were $1,734.6 million, up 5% from $1,653.6 million in fiscal 2017, due primarily to growth in Automotive and Enterprise.
***Revenue.*** Our revenue under generally-accepted accounting principles ( GAAP ) was $2,051.7 million, up 6% from $1,939.4 million in fiscal 2017. Organic revenue growth of 4% for fiscal 2018 driven by Dragon Medical cloud, Automotive and Enterprise.
***Recurring Revenue.*** Our total GAAP recurring revenue for fiscal 2018 was $1,464.2 million or 71% of total revenue, compared to $1,406.4 million or 73% of total revenue in fiscal 2017.
***Gross Margin.*** Our GAAP gross margin was 57.4%, compared to 56.0% in fiscal year 2017.
***Net Loss.*** We recognized a GAAP net loss of $159.9 million, or $.55 per share, compared to a GAAP net loss of $151.0 million or $.52 per share in fiscal 2017. Non-GAAP net income in fiscal 2018 was $351.9 million or $1.19 per diluted share, compared to $309.0 million or $1.05 per diluted share in fiscal 2017.
***Cash Flow from Operations.*** Cash flow from operations in fiscal 2018 was $444.4 million, compared to $378.9 million in fiscal 2017.
***Capital Allocation.*** We implemented a capital allocation strategy focused on opportunistic share repurchase and debt repayment. During fiscal 2018, we repurchased a total of 9.7 million shares at an aggregate purchase price of $136.1 million. In addition, during fiscal 2018, we repaid $150 million of our 2020 5.375% high-yield bonds at par expected to reduce the fiscal 2019 cash interest expense by $8.1 million.
A reconciliation of the non-GAAP to GAAP financial measures is set forth in Annex A to this Proxy Statement.

[1] *For a reconciliation of GAAP to Non-GAAP financial measures, please see Annex A.*

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**Compensation Philosophy and Objectives**

Our compensation philosophy was 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 executive compensation with long-term shareholder value;
- Attracting, retaining and motivating a high-performing team;
- Rewarding executives for achieving near and long-term business goals;
- Promoting clarity and alignment with shareholders by focusing on drivers of long-term success;
- Maintaining stability and minimizing change where possible; and
- Maintaining flexibility to address potential changes in Company strategy and structure.

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.

**Compensation Governance Practices**

Our executive compensation program also includes a number of key features intended to manage compensation risk, which are highlighted below:

- Pay-for-performance philosophy and program structure
- Balance between short-term and long-term pay to incentivize sustainable long-term value creation
- Stock ownership requirements for our executive officers and directors
- Robust claw-back policy
- Anti-hedging and pledging policies

No excise tax gross-ups

No automatic acceleration of equity awards on a change of control

Independent compensation consultant advises Compensation Committee

No pension arrangements, defined benefit retirement plans or nonqualified deferred compensation plans covering our executive officers

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**Compensation Elements**

In fiscal 2018, the compensation arrangements of our NEOs included the following elements:

| Element | Purpose | Operation | Payout Range | Performance Measures |
|---|---|---|---|---|
| **Base Salary** | Forms basis for competitive compensation package | Base salary reflects competitive market conditions, individual performance, and internal parity | N/A | None, although performance of the individual is taken into account by the Compensation Committee when setting and reviewing base salary levels |
| **Annual Bonus Opportunity under our Annual Incentive Plan ( AIP )** | Motivate achievement of strategic priorities relating to key financial metrics | Target bonus opportunities are determined by competitive market practices and internal parity. | 0% 125% | Equally weighted performance against net new bookings and cash flow from operations per share |
| | | Actual bonus payouts are determined based on achievement of financial metrics established at the beginning of the performance period | | |
| **Performance-Based Restricted Stock Units ( PSUs )** | Align compensation with key drivers | Size of award determined by competitive market | 0%-125% | Corporate level metrics aligned to non-GAAP revenue, bookings, cash flow and non-GAAP EPS |

| | | | | |
|---|---|---|---|---|
| | of the business and relative TSR | practices, corporate and individual performance and internal parity | CEO new hire award<br><br>0%-200% | Segment executives aligned to segment metrics: Segment non-GAAP revenue, segment bookings, segment profits and corporate non-GAAP EPS<br><br>CEO new hire award aligned to relative TSR measured over 3-year period |
| **Restricted Stock Units ( RSUs )** | Encourage focus on long-term shareholder value creation<br><br>Promote retention | Size of award determined by competitive market practices, corporate and individual performance, internal parity and retention considerations | N/A | Common Stock price |

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 annual compensation opportunities of our executive officers, including the NEOs, is variable in nature, the payment and value of which depends on our financial results.

To achieve this objective, we use performance-based annual bonuses under the AIP that may be paid out in cash or RSUs, or a combination of both, with or without additional vesting requirements. We also grant long-term incentive compensation under our Long-Term Incentive Program ( LTIP ) in the form of time-based RSUs and PSUs that are settled in shares of our Common Stock.

The performance measures we establish for the performance-based annual bonuses and the PSUs are designed to promote shareholder returns, market share increase and revenue and earnings growth.

In addition, the Compensation Committee uses a combination of different financial measures, both GAAP and non-GAAP, in designing the performance-based awards for our executive officers short-term and long-term incentive compensation opportunities. Our definition of these measures, as well as a discussion of how they are used in our executive compensation program, is set forth in this CD&A. A reconciliation of the GAAP to non-GAAP financial measures is set forth in Annex A to this Proxy Statement.

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***2018 Shareholder Engagement***

At the 2018 Annual Meeting, we received 9.7% support for the shareholder advisory vote on the compensation of our NEOs for the fiscal year ended September 30, 2017 (the Say-on-Pay vote ). Given poor results from the shareholder advisory vote and the feedback received from shareholders following the 2018 Annual Meeting, the Board embarked on a wholesale review and redesign of our executive compensation program, led by a completely refreshed Compensation Committee.

Shareholder feedback was an essential element in the redesign of our executive compensation program. In total, following the 2018 Annual Meeting, we reached out to shareholders owning approximately 65% of our outstanding shares and spoke with shareholders owning approximately 40% of our outstanding shares, to solicit feedback on a variety of governance-related topics, including the executive compensation program changes under consideration. Our Chairman of the Board, Lloyd Carney, and our Compensation Committee Chairman, Sanjay Vaswani, participated in a majority of the discussions with shareholders.

The steps taken to ensure thoughtful responsiveness to shareholder feedback are summarized below:

**Robust Process to Ensure Responsiveness to Shareholder Feedback**

The Compensation Committee was completely refreshed

A new Compensation Committee Chair was named

A new Compensation consultant was hired

The Compensation Committee conducted a comprehensive review of our executive compensation program and practices

We reached out to holders of approximately 65% of our outstanding shares to solicit feedback on the changes contemplated for the executive compensation program. We engaged with approximately 40% of shareholders, and our new Chairman and new Compensation Committee Chair participated in a majority of the conversations with shareholders

**Shareholder feedback was relayed to the entire Board and the Compensation Committee approved a redesigned executive compensation program for fiscal 2019 which is structured to be directly responsive to shareholder feedback**

Shareholder feedback from these meetings was communicated to the entire Board and helped inform the Compensation Committee s decision-making for our fiscal 2019 executive compensation program. Broadly, our shareholders expressed support for refreshing the Compensation Committee and articulating our executive compensation philosophy and principles as a guide to align executive pay with Company performance and the creation of long-term shareholder value. More specifically, a few common themes arose from shareholder engagement, which are described in more detail below and which were reflected in the redesign of our 2019 executive compensation programs.

**Key Elements of NEO Compensation Program for Fiscal 2018 and Fiscal 2019**

The Compensation Committee began the transformation of our executive compensation program in fiscal 2018 and intends to continue that progress in fiscal 2019. In designing our fiscal 2019 executive compensation program, the Compensation Committee was focused on migrating all NEOs to the same incentive structure. During the shareholder engagement process, we received consistent positive feedback regarding the design structure of Mr. Benjamin s compensation, which incorporates many of our shareholder s requests.

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As a result, the Compensation Committee aligned our fiscal 2019 executive compensation program for our NEOs to be consistent with Mr. Benjamin s compensation arrangements, while incorporating further shareholder feedback solicited during the year. Below is a summary of the year-over-year changes to our executive compensation program:

Please note that because Mr. Benjamin was hired after the start of fiscal 2018, for fiscal 2018 the chart above refers to the executive compensation program for our NEOs other than Mr. Benjamin.

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***Feedback Under Consideration for Fiscal 2020 Program***

As discussed, our shareholder engagement efforts were integral to informing the Compensation Committee s decisions regarding changes to the executive compensation program. Shareholders were largely complimentary of the changes the Compensation Committee was considering and understood that given that the Company is undergoing a strategic review and evaluating the proper business mix for the long-term, the executive compensation program would continue to evolve.

In connection with our outreach efforts, shareholders provided feedback for the Compensation Committee to consider in the evolution of the program:

- In addition to relative TSR, consider incorporating one or two operational metrics for PSUs; and

- Consider increasing the ratio of PSUs to RSUs so that PSUs are a majority of the equity awards granted under the LTIP.

The Board and the Compensation Committee are committed to being responsive to shareholder feedback. In light of the meaningful changes arising from the Strategic Review, including the commitment to spin off the Automotive Segment, the sale of our Imaging Business Segment and the wind down of two non-core businesses, the Compensation Committee felt the 2019 long-term incentive program structure described above would best align the full management team during this transition. The Compensation Committee plans to revisit the compensation program design in 2019 and will strongly consider this feedback as we design the 2020 executive compensation program. In advance of formalizing the 2020 executive compensation program, the Company intends to continue to engage with shareholders to further solicit their feedback.

***New CEO Compensation***

In March 2018, Nuance s long-term CEO and Chairman, Paul Ricci, resigned. The Board conducted an extensive search for a new CEO and appointed Mr. Benjamin on April 23, 2018. Further details regarding Mr. Benjamin s hiring and employment agreement can be found in the Employment Agreement with Mr. Benjamin section.

As mentioned above, in response to shareholder feedback through the Say-on-Pay vote as well as engagement, the Board was in the process of considering a number of changes in order to ensure our fiscal 2019 executive compensation program design was responsive to shareholder feedback. During this time, Mark Benjamin was hired and a new hire package was needed in order to recruit him as CEO. Below is a summary of Mr. Benjamin s initial compensation arrangement, which was structured to take into account shareholder feedback received up until that point:

| Award | Amount | Performance Metric |
|---|---|---|
| | $800,000 | N/A |

| | | |
|---|---|---|
| **Base Salary** | | |
| **AIP** | Targeted $1.2M (150% base) | Net new bookings and cash flow from operations per share<br>Fiscal 2018: Bonus guaranteed at 50% of target |
| **LTIP** | $5M RSUs(1) | Vest annually over three years |
| | $5M PSUs(1) | 3-year relative TSR compared to S&P Software Services Select Industry Index |

(1) Values based on the value of the shares underlying the awards (assuming vesting at target levels in the case of the PSUs). Please note that the value for the PSUs in the Summary Compensation Table reflects an approximately 25% higher value than the value of PSUs assuming target performance due to the assumptions used in calculating the accounting value of the award, as described in the footnotes to the Summary Compensation Table.

Additionally, in order to recruit Mr. Benjamin in light of compensation forfeited by leaving his prior employer, the Board committed to a $2 million make-whole RSU grant in fiscal 2018 and a guarantee that Mr. Benjamin s 2019 LTIP will have a grant date fair value of at least $6 million.

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The Board believed that this level of compensation and structure was appropriate to attract a high caliber CEO with the potential to drive significant value to Nuance shareholders.

**Compensation-Setting Process**

***Compensation-Setting Process***

The Compensation Committee reviews the compensation of our executive officers, including the NEOs, 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 review process, the Compensation Committee conducts a review of the performance of each executive officer, including our CEO.

Our CEO typically presents to the Compensation Committee his evaluation of each executive officer (other than himself), which includes a review of the executive officer s contribution and performance during the last fiscal year (compared against the performance objectives established at the beginning of the fiscal year for the executive officer), strengths, weaknesses, and development plans. Our human resources department also assists in the performance reviews of our executive officers.

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 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.

In addition, in making its compensation decisions for our executive officers for fiscal 2018, the Compensation Committee considered the competitive job market, its desire to retain our executive officers so as to not jeopardize the business transformation and the costs (both direct and indirect) associated with having to replace one or more executive officers when making its compensation decisions.

***Compensation Peer Group***

The Compensation Committee reviews annually the compensation for comparable positions within our industry, the historical compensation levels of our executive officers and the individual performance of our executive officers evaluated against their individual objectives established for the preceding fiscal year.

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 the case of one survey) and above $1 billion (in the case of another).

The Compensation Committee, with the assistance of Compensia, updated the compensation peer group in June 2017 to frame and evaluate the Compensation Committee s fiscal 2018 compensation analysis. The group consisted of the following companies:

| | |
|---|---|
| Akamai Technologies, Inc. | Fair Isaac Corporation |
| Allscripts Healthcare Solutions, Inc. | PTC, Inc. |
| ANSYS, Inc. | Red Hat, Inc. |
| athenahealth, Inc. | Synopsys, Inc. |
| Autodesk, Inc. | Teradata Corporation |
| Cadence Design Systems, Inc. | Verifone Systems, Inc. |
| Cerner Corporation | Verint Systems, Inc. |
| Citrix Systems, Inc. | VeriSign, Inc. |

The Compensation Committee, with the assistance of Compensia, made several changes to the peer group in July 2018 for purposes of fiscal 2019 compensation analyses to adjust for M&A activity and to better align with our revenue and market capitalization. At that time, the Compensation Committee removed Autodesk, Cerner, Red Hat, Inc., VeriFone

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Systems, Inc. and Verisign, Inc. from the group used for fiscal 2019 and added Open Text, CDK Global, WEX, Dolby Laboratories, LogMein, and Pegasystems.

**Fiscal 2018 Executive Compensation Actions and Decisions**

During fiscal 2018, the Compensation Committee took the following actions with respect to the compensation of the NEOs:

| Compensation Element | Action Taken |
|---|---|
| Base Salaries | Reviewed the base salaries for the NEOs and adjusted the base salaries of Mr. Tempesta and Mr. Siegel to bring them more in line with market. |
| Annual Bonus Opportunities | Reviewed the target annual bonus opportunities for the NEOs and maintained such opportunities at their fiscal 2017 levels. |
| AIP and LTIP Performance Metrics | Established performance metrics for the AIP and LTIP, as described below. |
| LTIP Awards for other NEOs | Approved equity awards to the other NEOs in amounts that we believe to be competitive, satisfy our retention objectives and reward them for individual performance and expected future contributions, with the value of these awards (based on assumed target performance) generally to be delivered 50% in the form of PSU awards to be earned upon the achievement of pre-established performance objectives for each of fiscal 2018, 2019 and 2020 and 50% in the form of RSU awards for shares of our Common Stock to vest over a three-year period (not taking into account any one-time TSR PSUs or Enhanced Performance Incentive Awards, which are described below). |
| Change of Control and Severance Agreements | Amended our change of control and severance agreements with each of the Named Executive Officers (excluding Mr. Benjamin and Mr. Ricci). The amendments were generally intended to prescribe the treatment of outstanding performance-based awards that are aligned to a relative total shareholder return in the event of a change of control. In addition, certain minor changes to definitions were made and Mr. Tempesta s agreement was amended to provide certain enhanced severance benefits. For additional information about these agreements please see the section entitled Change of Control and Severance Agreements with other NEOs below. |
| Employment Agreement with Mr. Benjamin | In March 2018, approved a new employment agreement with Mr. Benjamin. For additional information about the terms of Mr. Benjamin s employment agreement, see the section entitled Employment Agreement with Mr. Benjamin below, as well as our current report on Form 8-K filed with the SEC on March 22, 2018. |
| Separation Agreements | Approved separation agreements with Messrs. Ricci, Maripuri and Siegel. For additional information about the agreements please see the section entitled Separation Agreement with Mr. Ricci, Separation Agreement with Mr. Maripuri and Separation Agreement with Mr. Siegel below. |

Additionally, in December 2017, recognizing the transition the Company was undergoing, the Compensation Committee granted a one-time additional TSR PSU award to each of Messrs. Tempesta, Weideman, and Maripuri to ensure they remained focused on business operations during the leadership transition. These awards are scheduled to vest on September 30, 2019, generally subject to the applicable Named Executive Officer s continued employment through that date, if relative TSR is at or above the 60th percentile relative to the S&P Software & Services Select Industry Index. Due to Mr. Maripuri s separation from the Company, his award was forfeited and will not be eligible to vest. The Compensation Committee granted these Enhanced Performance Incentive Awards because it believed they would be an effective tool to promote retention among the executive team and facilitate a seamless onboarding process for Mr. Benjamin, while further aligning the executives interests with shareholders and incentivizing long-term value creation. The TSR PSU awards granted to Messrs. Tempesta, Weideman, and Maripuri are described in more detail below.

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***Base Salary***

We use base salary to provide our executive officers, including the NEOs, 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 a review of 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. Based on these considerations, the Compensation Committee approved an increase in the base salaries of Messrs. Tempesta and Siegel for fiscal 2018, which the Compensation Committee believes brought their base salaries more in line with market levels. Generally, we tie the performance-based incentive compensation opportunities and post-employment compensation arrangements for each executive officer to his or her base salary.

The base salaries of the NEOs during fiscal 2018 were as follows:

| NEO | Fiscal 2017 Base Salary | Fiscal 2018 Base Salary | Percentage Change |
|---|---|---|---|
| CURRENT EMPLOYEES: | | | |
| Mr. Benjamin | $ | $ 800,000 | |
| Mr. Tempesta | $ 400,000 | $ 450,000 | 12.5% |
| Mr. Weideman | $ 500,000 | $ 500,000 | |
| Mr. Monserrat | $ | $ 450,000 | |
| FORMER EMPLOYEES: | | | |
| Mr. Ricci | $ 800,000 | $ 800,000 | |
| Mr. Maripuri | $ 500,000 | $ 500,000 | |
| Mr. Siegel | $ 400,000 | $ 430,000 | 7.5% |

***Fiscal 2018 Performance-Based Annual Bonus***

Consistent with our compensation philosophy, the Compensation Committee has designed our executive compensation program to provide that a significant level of our executive officers compensation opportunities are performance-based. To help accomplish this objective, under our AIP, we provide for performance-based annual bonus opportunities for our executive officers, including the NEOs, based on the achievement of corporate performance objectives established at the beginning of the fiscal year.

During fiscal 2018, the Compensation Committee established performance objectives and payout targets under our AIP for our executive officers, including the NEOs, which were 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 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 annual bonus opportunity expressed as a percentage of his or her base salary. The target annual bonus opportunity for each executive officer for fiscal 2018 was determined by the Compensation Committee based, in part, on a review of market data for our compensation peer group, as well as internal pay parity considerations. The amount of each executive officer s actual bonus payment was based on the extent to which we achieved or exceeded the pre-established target level for each performance measure (up to a maximum percentage of 125%) that may be paid to any executive officer. Our bonus program grants the Compensation Committee the authority to modify individual bonuses up or down if in the view of the Compensation Committee, such an adjustment would be appropriate under the circumstances. The Compensation Committee did not exercise such discretion with respect to fiscal 2018 bonus payouts, which were based solely on financial results.

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The target bonus opportunities of the NEOs for fiscal 2018 were as follows:

| NEOs | Fiscal 2018 Target Bonus Opportunity (as a percentage of base salary) |
|---|---|
| CURRENT EMPLOYEES: | |
| Mr. Benjamin | 150% |
| Mr. Tempesta | 75% |
| Mr. Weideman | 75% |
| Mr. Monserrat | 75% |
| FORMER EMPLOYEES: | |
| Mr. Ricci | 150% |
| Mr. Maripuri | 75% |
| Mr. Siegel | 75% |

Corporate Performance Measures

For fiscal 2018, annual bonuses were to be earned based on our actual performance as measured against two equally-weighted financial performance measures: net new bookings and cash flow from operations-per-share, which the Compensation Committee determined were critical to the successful execution of our fiscal 2018 operating plan. The minimum, target and maximum performance levels for each of these measures for fiscal 2018 were as set forth below and the plan provides for interpolation between minimum and target levels, and between target and maximum levels:

| Financial Performance Measure(1) | Minimum | Target | Maximum |
|---|---|---|---|
| Net New Bookings | $ 1,675,900 | $ 1,785,900 | $ 1,845,900 |
| Cash Flow from Operations per Share(2) | $ 1.41 | $ 1.47 | $ 1.53 |

(1) The amount earned is determined under a matrix that specifies payment levels based on both net new bookings and cash flow from operations per share. If both metrics had been achieved at the minimum levels specified above, the notional funding level for the annual bonus pool would be equal to 25% of target; however, if net new bookings were at least $1,725,900, cash flow from operations per share could have been achieved at only $1.37 and the notional funding level for the annual bonus pool would be equal to 30% of target. If both metrics had been achieved at the maximum levels, the notional funding level for the annual bonus pool would be equal to 125% of target.

(2) Cash Flow from Operations per Share is calculated by dividing cash provided by operating activities divided by the weighted average number of shares of our Common Stock, giving effect to potentially dilutive shares outstanding.

*For additional information on these performance measures, please refer to the GAAP to Non-GAAP Reconciliation provided set forth in Annex A to this Proxy Statement*

These corporate performance measures were selected by the Compensation Committee after considering the financial objectives contained in our annual operating plan, our longer-term strategic objectives, the relationship between our annual and long-term incentive compensation plans and feedback from our shareholders concerning the selection of performance measures for our incentive compensation awards.

Fiscal 2018 Bonus Decisions

For fiscal 2018, our reported net new bookings were $1.74 million and our cash flow from operations-per-share was $1.50 per share. After reviewing these financial results, the Compensation Committee approved the payment of bonuses at 94% of the target bonus opportunity levels, based on the weighted achievement of the net new bookings target and the cash flow from operations per share target and consistent with our annual bonus plan matrix for fiscal 2018, as described above. The Compensation Committee did not exercise its discretion to adjust the notional funding level of the annual bonus pool for fiscal 2018.

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The actual bonus payments to the NEOs for fiscal 2018 were as follows:

| NEOs | Fiscal 2018 Target Bonus Opportunity (as a percentage of base salary) | Percentage of Fiscal 2018 Target Bonus Opportunity Earned | Actual Fiscal 2018 Bonus ($)(1) | Actual Fiscal 2018 Bonus (as a number of shares of Common Stock) |
|---|---|---|---|---|
| Mr. Benjamin(2) | 150% | 94% | $ 600,000 | 37,807 |
| Mr. Tempesta | 75% | 94% | $ 317,250 | 19,990 |
| Mr. Weideman | 75% | 94% | $ 352,500 | 22,211 |
| Mr. Monserrat(3) | 75% | 94% | $ 224,930 | 14,173 |
| FORMER EMPLOYEES: | | | | |
| Mr. Ricci(4) | 150% | 94% | $ 564,000 | |
| Mr. Maripuri(5) | 75% | | $ | |
| Mr. Siegel(5) | 75% | | $ | |

(1) The amount shown above was not paid in cash but rather converted into a number of RSUs with an equal value based on the closing price of our common stock on November 20, 2018, or $15.87 per share, which was the date the Compensation Committee approved the fiscal 2018 bonuses, except in the case of Mr. Ricci, who was paid in cash. These RSU awards vested in full on November 30, 2018.

(2) Pursuant to Mr. Benjamin s employment agreement, he was guaranteed a minimum bonus equal to 50% of his full target annual bonus opportunity for fiscal 2018 only (his year of hire). Because the bonus he would have been paid based on actual achievement, pro-rated based on his hire date of April 23, 2018, would have yielded a lower bonus payment, he was paid the minimum bonus amount under his employment agreement.

(3) Mr. Monserrat s bonus payout was pro-rated based on his hire date of January 16, 2018.

(4) Pursuant to his employment agreement. Mr. Ricci was paid an annual bonus for fiscal 2018 based on actual performance, pro-rated based on the date his employment with us terminated (March 29, 2018).

(5) Pursuant to separation agreements entered into with Messrs. Maripuri and Siegel, they were both paid out 100% of their target bonus as part of their separation pay.

***Fiscal 2019 Annual Performance-Based Bonuses***

For fiscal 2019 the Compensation Committee has approved a redesign of the AIP to put an emphasis on combination of both Company and business line financial performance, with appropriate weighting based on the participating employee s role. The new structure of the AIP for fiscal 2019 is as follows:

*This may be based on net new bookings (NNB) or similar metrics.

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### *Long-Term Incentive Compensation*

We provide long-term incentive compensation to our executive officers, including the NEOs, under our LTIP in the form of RSUs and PSUs. These awards are designed to align the interests of our executive officers and our shareholders 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 of generally granting at least 50% of all long-term incentive awards for each executive officer (based on the nominal number of shares underlying the award as of the grant date) in the form of performance-based equity awards that vest based on the achievement of pre-established performance measures, generally subject to the executive officer s continued employment through the end of the performance period. The Compensation Committee believes that this provides an effective alignment of the interests of our executive officers and our shareholders.

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 that will be earned only if they remain employed with us for several years.

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 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 the section entitled Competitive Positioning above and replacement costs.

Design of Performance-Based Equity Awards

Annual PSU awards granted to the NEOs (other than Mr. Benjamin) in fiscal 2018 were, when granted, generally eligible to be earned and vest based on the achievement of financial measures over three one-year performance periods, generally subject to the NEO s employment through the date the Compensation Committee certifies achievement of the applicable performance objectives. This design was intended to reflect certain characteristics of our business:

- The expected transition of our CEO within six months of the beginning of the fiscal year;
- The continued transformation of our business model;
- The highly-competitive and rapidly-changing industry in which we operate; and
- Our long-term growth strategy based on both acquisitions as well as organic growth.

Prior to November 2018, annual PSU awards granted in fiscal 2017 that were aligned to fiscal 2019 performance objectives, and annual PSU awards granted in fiscal 2018 that were aligned to fiscal 2020 performance objectives were also subject to a modifier based on relative TSR over a three-year performance period, which could adjust the number of PSUs earned up or down by up to 25% of the PSUs otherwise earned. In November 2018, after an extensive outreach with our shareholders, the Compensation Committee eliminated this relative TSR modifier for these outstanding awards and implemented one- and two-year relative TSR performance conditions for these PSUs. As a result, outstanding PSUs granted in fiscal 2017 are now eligible to vest based on our TSR in fiscal 2019 relative to the TSR or the S&P Software & Services Select Industry Index for that period, and PSUs granted in fiscal 2018 are now eligible to vest based on our TSR from the beginning of fiscal 2019 and ending at the end of fiscal 2020 relative to the TSR of the S&P Software & Services Select Industry Index for that period.

The Compensation Committee structured Mr. Benjamin s PSU award to be earned and vest based on relative TSR (measured against the S&P Software & Services Select Industry Index) over a 3-year performance period, at a range of 0%-200% of the PSUs subject to the award, generally subject to Mr. Benjamin s continued employment through the end of the performance period. In addition to approving the TSR PSU awards for Messrs. Tempesta, Maripuri and Weideman and making the adjustments with respect to previously granted PSUs, each as described above, the Compensation Committee, after receiving positive feedback with respect to Mr. Benjamin s PSU award in connection with our

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shareholder outreach efforts, approved changes to our LTIP program beginning fiscal 2019 to provide that PSUs will be earned and vest based on relative TSR (measured against the S&P Software & Services Select Industry Index) over a 3-year performance period, at a range of 0%-200% of the PSUs subject to the award, generally subject to continued employment through the date that performance is determined.

Fiscal 2018 Equity Award Decisions and Outcomes

In December 2017, the Compensation Committee approved annual equity awards for our executive officers, including the NEOs (other than Messrs. Benjamin and Ricci). As in prior years, the Compensation Committee determined that, with respect to the PSU awards granted to Messrs. Siegel, Tempesta, Maripuri, Monserrat and Weideman, it would establish the performance measures for PSUs and set target levels for such measures at or shortly after the beginning of each fiscal year covered by the award. In connection with Mr. Benjamin s appointment as our CEO, he was granted RSUs and PSUs as described above. Mr. Ricci was not granted any equity awards in fiscal 2018.

In addition, to ensure retention during the CEO transition, as well as to maintain their focus on driving the achievement of key financial objectives, in December 2017, the Compensation Committee approved a one-time TSR PSU award for each of Messrs. Tempesta, Maripuri and Weideman. These PSU awards will vest only if we achieve or exceed the 60th percentile of stock performance as compared to the S&P Software & Services Select Industry Index over a 2-year performance period and the NEO remains employed through the end of the performance period.

A summary of the equity awards authorized for each of our NEOs during fiscal 2018, and the achievement of performance objectives for previously-authorized equity awards with a fiscal 2018 performance period, is below. Note that the awards included in the summary below as authorized during fiscal 2018 for each NEO do not include equity awards that were authorized in previous years, even if the applicable performance objectives were determined, and the award was considered granted for accounting purposes, during fiscal 2018. For this reason, the number of shares and the dollar values listed in the tables below differ from the shares and dollar values listed in the tables that follow this CD&A. In addition, certain of the awards listed in the tables below are listed as multiple grants in such tables.

Mr. Benjamin:

On May 7, 2018, the Compensation Committee authorized the following equity awards for Mr. Benjamin:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | May 7, 2018 | 328,256 | $4,986,209 | 1/3 annual vesting on each April 23rd for a period of three years, generally subject to continued employment through the applicable vesting date |
| RSU | May 7, 2018 | 131,303 | $1,994,493 | 50% annual vesting on each April 23rd for a period of two years, generally subject to continued employment through the applicable vesting date |
| PSU | May 7, 2018 | 328,256 (at target) | $6,242,050(2) | Relative TSR measured over a three-year performance period, generally subject to continued employment through the end of the performance period (3) |

(1) The Authorization Date Fair Value is equal to the closing price ($15.19) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award, with the exception of the PSU award as noted in footnote 2. The Compensation Committee approved the aggregate value to be delivered in respect of the awards listed in the table above, and the number of shares was determined by dividing that value by $15.23, the 20-day average closing price leading up to and including the grant date as quoted on Nasdaq.

(2) Due to the performance conditions on the award and the opportunity for the award to be settled for up to 200% of the underlying shares, the accounting value for Mr. Benjamin s PSUs is approximately 25% higher than for his RSUs ($19.01 per share). The Authorization Date Fair Value for the PSUs would be $4,986,209 if earned at the target level.

(3) Between 0% 200% of the target number of shares will be earned and vest based upon our relative TSR measured over a 3-year performance period commencing April 23, 2018 and ending April 23, 2021, generally subject to Mr. Benjamin s continued employment through the end of the performance period.

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Mr. Tempesta:

On December 29, 2017, the Compensation Committee authorized the following equity awards for Mr. Tempesta:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | December 29, 2017 | 75,000 | $1,226,250 | 1/3 annual vesting over a 3-year period, generally subject to continued employment through the applicable vesting date |
| PSU | December 29, 2017 | 75,000 (at target) | $1,226,250 | 25,000 shares (at target) are eligible to be earned and vest upon the achievement of performance objectives related to each of fiscal 2018, fiscal 2019 and fiscal 2020, generally subject to continued employment through the end of the applicable performance period. In November 2018, the Compensation Committee set the performance targets for the PSUs eligible to vest based on fiscal 2019 and fiscal 2020 performance to be measured against a 1 and 2-year relative TSR metric measured against the S&P Software & Services Select Industry Index. |
| TSR PSU | December 29, 2017 | 33,333 (at target) | $298,600 | Subject to achievement of at least 60$^{th}$ percentile performance of Company stock as compared to the S&P Software & Services Select Industry Index measured over a 2-year period ending on September 30, 2019, generally subject to continued employment through the end of the performance period |

(1) The Authorization Date Fair Value is the closing price ($16.35) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award, except in the case of TSR PSU, which for accounting purposes is valued based on a price per share of $8.96 multiplied by the number of shares subject to the award.

On December 29, 2017, the Compensation Committee selected the performance measures and set the related target levels for the fiscal 2018 performance periods for PSU awards that were authorized for grant to Mr. Tempesta on July 21, 2015, November 20, 2015, November 15, 2016 and December 29, 2017.

On May 7, 2018, the Compensation Committee approved an adjustment to the measurement of non-GAAP earnings-per-share and the cash flow from operations target to neutralize the impact of 2017 U.S. tax reform legislation. On November 19, 2018, the Compensation Committee certified the level of achievement of the performance objectives for PSU awards with a fiscal 2018 performance period.

Details of these performance objective targets and levels of achievement are as follows:

| Target PSUs | Fiscal 2018 Performance Measure | Minimum | Target | Maximum | Percentage Achievement | PSUs Earned |
|---|---|---|---|---|---|---|
| 15,000 | Non-GAAP Revenue | $1,967M | $2,070M | $2,174M | 100.0% | 15,000 |
| 15,000 | Corporate Gross Bookings | $2,403M | $2,612M | $2,743M | 102.0% | 16,200 |
| 15,000 | Non-GAAP Earnings-Per-Share | $1.15 | $1.21 | $1.27 | 98.4% | 12,600 |
| 15,000 | Functional Operating Expense | $47,449K | $46,748K | $45,813K | 90.8% | 18,750 |
| 15,000 | Cash Flow from Operations as a percentage of non-GAAP Net Income | 111% | 121% | 126% | 137.0% | 18,750 |
| 33,333 | Weighted average achievement of at least 100% on metrics outlined above | N/A | N/A | N/A | 104.7% | 33,333 |
| **Total: 108,333** | | | | | | **Earned: 114,633** |

*For additional information on these performance measures, please refer to the GAAP to Non-GAAP Reconciliation provided set forth in Annex A to this Proxy Statement. Percentage achievement is based on interpolation between minimum and target and target and maximum.*

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Mr. Weideman:

On December 29, 2017, the Compensation Committee authorized the following equity awards for Mr. Weideman:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | December 29, 2017 | 75,000 | $1,226,250 | 1/3 annual vesting over a 3-year period, generally subject to continued employment through the applicable vesting date |
| RSU | December 29, 2017 | 25,000 | $408,750 | Shares vested 100% on September 30, 2018 |
| PSU | December 29, 2017 | 75,000 (at target) | $1,226,250 | Up to 25,000 shares (at target) are eligible to be earned and vest upon achievement of performance objectives over each of fiscal 2018, fiscal 2019 and fiscal 2020, generally subject to continued employment through the end of the applicable performance period. In November 2018, the Compensation Committee set the performance targets for the PSUs eligible to vest based on fiscal 2019 and fiscal 2020 performance to be measured against a 1 and 2-year relative TSR metric measured against the S&P Software & Services Select Industry Index. |
| TSR PSU | December 29, 2017 | 50,000 (at target) | $447,905 | Subject to achievement of at least 60th percentile performance of Company stock as compared to the S&P Software & Services Select Industry Index measured over a 2-year period ending on September 30, 2019, generally subject to continued employment through the end of the performance period |

(1) The Authorization Date Fair Value is the closing price ($16.35) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award, except in the case of the TSR PSU, which for accounting purposes is valued based on a price per share of $8.96 multiplied by the number of shares subject to the award.

On December 29, 2017, the Compensation Committee selected the performance measures and set the related target levels for the fiscal 2018 performance periods for PSU awards that were authorized for grant to Mr. Weideman on December 1, 2015, December 22, 2016 and December 29, 2017. On May 7, 2018, the Compensation Committee approved an adjustment to the measurement of the non-GAAP earnings per share target to neutralize the impact of 2017 U.S. tax reform legislation. In January 2018 the Dragon TV line of business was moved into the Enterprise segment and came under Mr. Weideman s oversight. Mr. Weideman s targets were not amended to reflect this change at the time of the reorganization. On November 19, 2018, the Compensation Committee certified the level of achievement of the performance objectives for PSU awards with a fiscal 2018 performance period, which at this time included a modification to the performance objectives to include the Dragon TV line of business because this was under Mr. Weideman s leadership during this period. This adjustment positively affected the achievement of the performance objectives associated with his awards. With this adjustment, Mr. Weideman received an additional 59,653 shares. Details of the performance objective targets and levels of achievement for PSUs with a fiscal 2018 performance period are as follows:

| **Target PSUs** | **Fiscal 2018 Performance Measure** | **Minimum** | **Target** | **Maximum** | **Percentage Achievement** | **PSUs Earned** |
|---|---|---|---|---|---|---|
| 15,000 | Non-GAAP Earnings Per Share $1.21 | $1.15 | $1.21 | $1.27 | 98.4% | 12,600 |
| 18,750 | Non-GAAP Enterprise Revenue | $484M | $510M | $520M | 94.8% | 0 |
| 11,250 | Enterprise Net New Bookings | $352M | $383M | $390M | 107.1% | 14,063 |
| 11,250 | Enterprise Gross Bookings | $582M | $633M | $645M | 107.3% | 14,063 |
| 18,750 | Enterprise Segment Profit Margin | 28.0% | 29.5% | 30.1% | 99.8% | 18,188 |
| 50,000 | Weighted average achievement of at least 100% on metrics outlined above | N/A | N/A | N/A | 101.0% | 50,000 |
| **Total: 125,000** | | | | | | **Earned: 108,914** |

*For additional information on these performance measures, please refer to the GAAP to Non-GAAP Reconciliation provided set forth in Annex A to this Proxy Statement Percentage achievement is based on interpolation between minimum and target and target and maximum.*

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Mr. Monserrat:

On February 1, 2018, prior to Mr. Monserrat being elected an executive officer, the following equity awards were authorized for Mr. Monserrat:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | February 1, 2018 | 87,500 | $1,548,750 | 37,500 shares vested on September 30, 2018, 33,500 shares vest on September 30, 2019; and 16,500 shares vest on September 30, 2020, generally subject to continued employment through the applicable vesting date |
| PSU | February 1, 2018 | 87,500 (at target) | $1,548,750 | 37,500 shares (at target) are eligible to be earned and vest upon the achievement of performance objectives established for fiscal 2018, 33,500 shares (at target) are eligible to be earned and vest upon achievement of performance objectives established for fiscal 2019 and 16,500 shares (at target) are eligible to be earned and vest upon the achievement of performance objectives established for fiscal 2020, generally subject to continued employment through the end of the applicable performance period. |
| | | | | In November 2018, the Compensation Committee set the performance targets for the PSUs eligible to vest based on fiscal 2019 and fiscal 2020 performance to be measured against a 1 and 2-year relative TSR metric measured against the S&P Software & Services Select Industry Index. |

(1) The Authorization Date Fair Value is the closing price ($17.70) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award.

On March 29, 2018, prior to being elected an executive officer, the performance measures were selected, and related target levels were set for the PSU awards that were approved for grant to Mr. Monserrat on February 1, 2018. On May 7, 2018, the Compensation Committee approved an adjustment to the measurement of non-GAAP earnings-per-share to neutralize the impact of 2017 U.S. tax reform legislation. In addition, the Compensation Committee amended the segment targets for Mr. Monserrat as detailed below. Mr. Monserrat s PSU vesting condition was originally aligned to a full-year Imaging segment target. However, because he did not commence employment with the Company until January 2018, the Compensation Committee felt it was appropriate to base the vesting of Mr. Monserrat s award solely on achievement related to the second half of fiscal 2018 and adjusted his award accordingly. On November 19, 2018, the Compensation Committee certified the level of achievement of the performance objectives for Mr. Monserrat s PSUs.

Details of these performance objective targets and levels of achievement are as follows:

| **Target PSUs** | **Fiscal 2018 Performance Measure** | **Minimum** | **Target** | **Maximum** | **Percentage Achievement** | **PSUs Earned** |
|---|---|---|---|---|---|---|
| 7,500 | Non-GAAP Earnings-Per-Share | $1.15 | $1.21 | $1.27 | 98.4% | 6,300 |
| 9,375 | Non-GAAP Imaging Revenue | $209M | $219M | $224M | 97.0% | 5,156 |
| 5,625 | Imaging Net New Bookings | $128M | $139M | $142M | 91.2% | 0 |
| 5,625 | Imaging Gross Bookings | $176M | $192M | $195M | 96.4% | 3,600 |
| 9,375 | Imaging Segment Profit Margin | 29.9% | 31.5% | 32.1% | 100.5% | 9,844 |
| **Total: 37,500** | | | | | | **Earned: 24,900** |

*For additional information on these performance measures, please refer to the GAAP to Non-GAAP Reconciliation provided set forth in Annex A to this Proxy Statement. Percentage achievement is based on interpolation between minimum and target and target and maximum.*

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Mr. Maripuri:

On December 29, 2017, the Compensation Committee authorized the following equity awards for Mr. Maripuri:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | December 29, 2017 | 75,000 | $1,226,250 | 1/3 annual vesting over a 3-year period, generally subject to continued employment through the applicable vesting date |
| PSU | December 29, 2017 | 75,000 (at target) | $1,226,250 | 25,000 shares (at target) are eligible to be earned and vest upon the achievement of performance objectives over each of fiscal 2018, fiscal 2019 and fiscal 2020, generally subject to continued employment through the end of the applicable performance period.<br><br>In November 2018, the Compensation Committee set the performance targets for the PSUs eligible to vest based on fiscal 2019 and fiscal 2020 performance to be measured against a 1 and 2-year relative TSR metric measured against the S&P Software & Services Select Industry Index. |
| TSR PSU | December 29, 2017 | 50,000 (at target) | $447,905 | Subject to achievement of at least 60th percentile performance of Company stock as compared to the S&P Software & Services Select Industry Index measured over a 2-year period ending on September 30, 2019, generally subject to continued employment through the end of the performance period |

(1) The Authorization Date Fair Value is the closing price ($16.35) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award, except in the case of the TSR PSU, which for accounting purposes is valued based on a price per share of $8.96 multiplied by the number of shares subject to the award.

On December 29, 2017, the Compensation Committee selected the performance measures and set the related target levels for the fiscal 2018 performance periods for PSU awards that were authorized for grant to Mr. Maripuri on December 22, 2016 and December 29, 2017. On May 7, 2018, the Compensation Committee approved an adjustment to the measurement of the non-GAAP earnings per share target to neutralize the impact of 2017 U.S. tax reform legislation. On November 19, 2018, the Compensation Committee certified the level of achievement of the performance objectives for the PSU awards with a fiscal 2018 performance period.

Mr. Maripuri s employment terminated on September 28, 2018. Pursuant to Mr. Maripuri s separation agreement, he is to be provided with an enhanced cash severance based on the final achievement of his fiscal 2018 performance-based awards, not to exceed 125,000 shares, which will be paid in cash on September 30, 2019, subject to compliance with certain restrictive covenants in favor of the Company and its affiliates. Please see the section named Separation Agreement with Mr. Maripuri for further details on his separation terms.

Details of performance measures and outcomes for Mr. Maripuri are as follows:

| **Target PSUs** | **Fiscal 2018 Performance Measure** | **Minimum** | **Target** | **Maximum** | **Percentage Achievement** | **PSUs Earned** |
|---|---|---|---|---|---|---|
| 15,000 | Non-GAAP Earnings-Per-Share | $1.15 | $1.21 | $1.27 | 98.4% | 12,600 |
| 18,750 | Non-GAAP Healthcare Revenue | $893M | $940M | $959M | 104.8% | 23,438 |
| 11,250 | Healthcare Net New Bookings | $715M | $777M | $793M | 95.8% | 8,888 |
| 11,250 | Healthcare Gross Bookings | $1,123M | $1,221M | $1,245M | 102.6% | 14,063 |
| 18,750 | Healthcare Segment Profit Margin | 30.7% | 32.3% | 32.9% | 104.2% | 23,438 |
| 50,000 | Weighted average achievement of at least 100% on metrics outlined above | N/A | N/A | N/A | 101.7% | 50,000 |
| **Total: 125,000** | | | | | | **Earned: 132,427** |
| | | | | | | Capped at 125,000 per separation agreement |

*For additional information on these performance measures, please refer to the GAAP to Non-GAAP Reconciliation provided set forth in Annex A to this Proxy Statement. Percentage achievement is based on interpolation between minimum and target and target and maximum.*

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Mr. Siegel:

On December 29, 2017, the Compensation Committee authorized the following equity awards for Mr. Siegel:

| Type of Award | Date of Authorization | Number of Shares | Authorization Date Fair Value(1) | Vesting/Performance Requirements |
|---|---|---|---|---|
| RSU | December 29, 2017 | 40,250 | $658,088 | 15,750 shares were scheduled to vest on September 30, 2018; 13,500 shares were scheduled to vest on September 30, 2019; and 11,000 shares were scheduled to vest on September 30, 2020, subject to continued employment through the applicable vesting date |
| PSU | December 29, 2017 | 40,250 (at target) | $658,088 | 15,750 shares (at target) were eligible to be earned and vest upon achievement of performance objectives established for fiscal 2018; 13,500 shares (at target) were eligible to be earned and vest upon achievement of performance objectives established for fiscal 2019; and 11,000 shares (at target) were eligible to be earned upon achievement of performance objectives established for fiscal 2020, generally subject to continued employment through the end of the applicable performance period. |

(1) The Authorization Date Fair Value is the closing price ($16.35) of our Common Stock as quoted on Nasdaq on the date of grant multiplied by the number of shares subject to the award.

Mr. Siegel s employment terminated on September 28, 2018. Pursuant to Mr. Siegel s Release and Separation Agreement, performance-based equity awards that were subject to performance measurements for fiscal 2018 and thereafter were paid out as an enhanced severance payment as to 67% of the shares subject to such awards aligned to fiscal 2018 performance (with respect to 21,775 shares in the aggregate) and the remainder of such awards were forfeited upon his termination. Time-based equity awards (with respect to 32,500 shares in the aggregate) that were scheduled to vest on September 30, 2018 were paid out in an equivalent cash value using the closing price as quoted on Nasdaq on September 28, 2018 ($17.32). Please see the section named Separation Agreement with Mr. Siegel for further details on his separation terms.

### Other Compensation-Related Information

### Compensation Risk Assessment

In November 2018, 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 within market norms for our industry and that our compensation policies and practices do not create incentives to take excessive or unreasonable risk.

**Stock Ownership Guidelines**

In 2006, the Board of Directors adopted stock ownership guidelines for our executive officers and the non-employee directors. These guidelines were adopted to further align the interests of our executive officers and non-employee directors with the interests of our shareholders.

Required share ownership levels are five times base salary for our CEO, three times base salary for our other executive officers, and three times the annual cash retainer for the non-employee directors.

Only shares owned outright are counted towards satisfaction of the guideline. Unvested and unearned awards, do not count 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.

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As of the end of fiscal 2018, Messrs. Tempesta and Weideman had satisfied our stock ownership guidelines and Messrs. Benjamin and Monserrat (who joined the Company in fiscal 2018) had not yet. All NEOs currently employed by us are in compliance with the 25% retention requirement.

**Compensation Recovery Policy ( Clawback )**

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 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.

**Derivatives Trading, Hedging and Pledging Policies**

We prohibit our executive officers and members of the Board 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 the Board from pledging their equity securities or using such securities as collateral for a loan.

**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 protection. 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 NEOs, with certain perquisites and personal benefits, including reimbursement for tax and financial planning services, 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, certain of 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.

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

| Enhanced Wellness Benefit | Term Life Insurance Policy | Enhanced Long-Term Disability Coverage | Personal Aircraft Use(1) | Tax, Financial Planning and Legal Expense Reimbursement(2) |
|---|---|---|---|---|
| Coverage of enhanced Executive physical examination | $500,000 term life policy, subject to medical clearance | Coverage of 60% of eligible earnings capped at a maximum benefit of $18,500 per month | CEO: Use for commuting from home to Company headquarters until such time that he relocates his residence. | CEO: $10,000 per calendar year benefit |
| | | | | Executive Officers: $5,000 per calendar year benefit |
| | | | Other Executive Officers: Generally only business travel but family members may accompany Executive Officer on business travel and, in limited cases, the Board may approve other personal aircraft use | |

(1) 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 a 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 our CEO for his protection and the protection of our assets, 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 and Mr. Tempesta in fiscal 2018 and reviewed the personal usage. We determine the value of personal use of corporate-owned or leased aircraft based on the aggregate incremental cost to us for such use as described further below.

In July 2018, the Compensation Committee approved the use of the corporate aircraft for Mr. Benjamin for commuting from his personal residence to the Company headquarters until such time that he relocates to the area. This was to reduce travel time and allow him to devote more time for work duties. The Compensation Committee further approved the use of the corporate aircraft for each of the other NEOs and other executive officers to bring a family member in the event the executive is required to travel for business.

(2) Reimbursement for legal fees: In connection with the entering into of Mr. Benjamin s contract, he was provided with a reimbursement of $25,000 for legal fees.

**Post-Employment Compensation**

The Compensation Committee has approved agreements with our CEO and certain other executive officers, including each of the other NEOs, which provide for certain payments and benefits upon certain specified terminations of employment, including certain specified terminations of employment following a change of 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.

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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 shareholder value when analyzing a potential transaction that could involve a change of control of the Company.

Further details of these agreements are outlined in the narrative following the Potential Payments upon Termination or Change of Control table further in this proxy.

**Equity Granting Policy**

We grant promotion or retention awards, or newly-hired employee equity awards, generally 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 inducement awards, which may be granted promptly following the closing of an acquisition or upon the hiring of an employee. Effective with the hiring of Mr. Benjamin, we changed the granting frequency from monthly to quarterly beginning with the July 2018 granting cycle.

Equity awards issued in lieu of paying cash for annual bonuses are granted promptly following final determination of achievement and payout levels by the Compensation Committee and vest shortly after the date of grant.

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.

**Tax Considerations**

Section 162(m) of the Internal Revenue Code (Section 162(m)) limits the tax deductibility of compensation for certain executive officers that is more than $1 million. Prior to the enactment of 2017 U.S. tax reform legislation, there was an exception to this deduction limitation for compensation that qualified as performance-based compensation. The 2017 U.S. tax reform legislation repealed the performance-based compensation exception to Section 162(m) and made certain other changes Section 162(m), generally effective for taxable years beginning after December 31, 2017. As a result, beginning in fiscal 2019, compensation paid to certain current and former executive officers in excess of $1 million in a taxable year generally will not be deductible unless such compensation qualifies for transition relief applicable to legally-binding contracts that were in effect on November 2, 2017. The Compensation Committee takes into consideration the potential deductibility of the compensation as one of the factors to be considered when establishing the Company s executive compensation program. However, the Compensation Committee believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive officers and other key employees that are important to the Company s success. Accordingly, the Compensation Committee may, in its judgment, authorize compensation payments that are limited as to tax deductibility. The Compensation Committee will continue to monitor the effect of tax reform on the Company s executive compensation program.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the 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, through incorporation by reference, in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

**The Compensation Committee:**

*Sanjay Vaswani, Chairman*

*Thomas Ebling*

*Laura Kaiser*

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## FISCAL 2018 SUMMARY COMPENSATION TABLE

The following table sets forth, for the period indicated, the compensation earned, paid to, or received by the Company to the NEOs during fiscal 2018, fiscal 2017, and fiscal 2016.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)(1)(2) | Non-Equity Incentive Plan Compensation ($)(1)(2) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| **Mark Benjamin** | 2018 | $ 338,462 | 850,000(2)(3) | $ 13,222,752(4) | $ | $ 138,946(5) | $ 14,550,160 |
| *CEO* | | | | | | | |
| **Daniel Tempesta** | 2018 | $ 436,538 | | $ 3,296,095 | $ 317,250 | $ 12,677(6) | $ 4,062,560 |
| *Executive Vice President* | 2017 | 400,000 | | 3,331,572 | 150,000 | 10,604 | 3,892,176 |
| *and CFO* | 2016 | 400,000 | | 2,073,509 | 300,000 | 7,969 | 2,781,478 |
| **Robert Weideman** | 2018 | $ 500,000 | | $ 4,126,655 | $ 352,500 | $ 1,742(7) | $ 4,980,897 |
| *Executive Vice President* | 2017 | 500,000 | | 4,100,750 | 187,500 | 1,742 | 4,789,992 |
| *GM, Enterprise Division* | | | | | | | |
| **Alvaro Monserrat** | 2018 | $ 309,808 | | $ 2,118,375 | $ 224,930 | $ 6,963(8) | $ 2,660,076 |
| *Executive Vice President* | | | | | | | |
| *GM, Imaging Division (Hired Jan. 2018)* | | | | | | | |
| **Paul Ricci** | 2018 | $ 312,308 | | $ | $ 564,000 | $ 10,133,581(9) | $ 11,009,889 |
| *Former CEO* | 2017 | 800,000 | | 17,235,000 | 600,000 | 182,406 | 18,817,406 |
| | 2016 | 800,000 | | 5,045,000 | 1,200,000 | 246,458 | 7,291,458 |
| **Satish Maripuri** | 2018 | $ 500,000 | | $ 3,717,905 | $ | $ 892,003(10) | $ 5,109,908 |
| *Former Executive Vice President,* | 2017 | 500,000 | | 4,100,750 | 187,500 | 16,853 | 4,805,103 |
| *GM, Healthcare Division* | | | | | | | |
| **Kenneth Siegel** | 2018 | $ 421,923 | | $ 1,189,463 | $ | $ 1,703,595(11) | $ 3,314,981 |
| *Former Chief Legal Officer* | | | | | | | |

(1) The amounts reported represent the grant date fair value of the stock awards granted in each covered fiscal year, as determined in accordance to FASB ASC Topic 718. The stock awards included in the table for each fiscal year include stock awards that were treated as granted in the fiscal year under FASB ASC Topic 718, even if the stock award was authorized by the Board or Compensation Committee in an earlier fiscal year. The assumptions used to calculate the grant date fair value of the stock awards reported in the Stock Awards column are set forth in Note 15 to the Consolidated Financial Statements included within the Company s Annual Report on Form 10-K for fiscal 2018 filed with the SEC on November 20, 2018. For PSUs granted to our Named Executive Officers in fiscal 2018, the amount reported above was based on the probable outcome of the performance conditions associated with the awards as of the grant date. The grant date fair value of all stock awards granted to our Named Executive Officers in fiscal 2018, assuming the highest level of achievement of the performance conditions, was $19,464,802 for Mr. Benjamin, $3,602,657 for Mr. Tempesta, $4,024,468 for Mr. Maripuri, $2,260,781 for Mr. Monserrat, $1,289,095 for Mr. Siegel and $4,433,218 for Mr. Weideman. The grant date fair

value of all stock awards granted to our Named Executive Officers in fiscal 2017, assuming the highest level of achievement of the performance conditions, was $20,276,000 for Mr. Ricci, $3,610,197 for Mr. Tempesta, $4,420,063 for Mr. Maripuri, and $4,420,063 for Mr. Weideman. The grant date fair value of all the stock awards granted to our Named Executive Officers in fiscal 2016, assuming the highest level of achievement of the performance conditions, was $6,306,250 for Mr. Ricci and $2,642,706 for Mr. Tempesta. The amounts reported in this column do not correspond to the actual value that may ultimately be realized by the Named Executive Officer from his equity awards.

(2) Mr. Benjamin, Mr. Tempesta, Mr. Monserrat and Mr. Weideman received their fiscal 2018 bonus in the form of RSUs, which vested in full on November 30, 2018. Mr. Ricci, in accordance with the terms of his severance

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agreement, received his fiscal 2018 bonus in cash, prorated for service. Mr. Maripuri and Mr. Siegel terminated employment on September 28, 2018.

| Name | Annual Incentive Plan Value Earned or Paid | Restricted Stock Units Issued | Vesting Date |
|---|---|---|---|
| Mark Benjamin | $ 600,000 | 37,807 | November 30, 2018 |
| Daniel Tempesta | $ 317,250 | 19,990 | November 30, 2018 |
| Robert Weideman | $ 352,500 | 22,211 | November 30, 2018 |
| Alvaro Monserrat | $ 224,930 | 14,173 | November 30, 2018 |
| Paul Ricci | $ 564,000 | | n/a |

(3) Mr. Benjamin received a one-time cash signing bonus of $250,000 upon joining the Company on April 23, 2018. Pursuant to his employment agreement, Mr. Benjamin was also paid a guaranteed bonus of $600,000 in lieu of the otherwise earned annual bonus for fiscal 2018, as described above.

(4) Mr. Benjamin received an RSU, a PSU aligned to relative TSR and a one-time make-whole RSU grant upon joining the Company. The grant date fair value associated with Mr. Benjamin s PSU, which may be settled at up to 200% of the number of underlying shares depending on the Company s relative TSR over the performance period, reflects a value that is approximately 25% higher than would be reflected by a comparable grant of time-vesting RSUs. Terms of the award are outlined in the CD&A and Mr. Benjamin s employment agreement.

(5) The amount reported in the All Other Compensation column for Mr. Benjamin consists of the following items:

| | |
|---|---|
| Commuting/Temporary housing reimbursement | $ 52,860 |
| Commuting/Temporary housing tax gross up | 22,065 |
| Relocation reimbursement | 4,638 |
| Relocation tax gross up | 1,936 |
| Reimbursement for legal fees | 25,000 |
| Aircraft-related benefit* | 27,628 |
| Matching contributions to 401(k) plan | 4,615 |
| Enhanced long term disability benefits | 204 |