

BOTTOMLINE TECHNOLOGIES INC /DE/  
Form DEF 14A  
October 10, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Bottomline Technologies (de), 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:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**BOTTOMLINE TECHNOLOGIES (de), INC.**

**325 Corporate Drive**

**Portsmouth, New Hampshire 03801**

**Notice of Annual Meeting of Stockholders**

**To be held on November 20, 2014**

To the stockholders of Bottomline Technologies (de), Inc.:

The annual meeting of stockholders of Bottomline Technologies (de), Inc., a Delaware corporation, will be held on Thursday, November 20, 2014 at 4:00 p.m., local time, at the International Office Suites at One New Hampshire Avenue, New Hampshire Room, Portsmouth, New Hampshire 03801, for the purpose of considering and voting upon the following matters:

1. To elect the three nominees named in the attached proxy statement as Class I directors until the 2017 Annual Meeting of Stockholders;
2. To approve an amendment to our 2009 Stock Incentive Plan;
3. To hold a non-binding advisory vote to approve executive compensation;
4. To ratify the selection of Ernst & Young LLP as our registered public accounting firm for the fiscal year ending June 30, 2015; and
5. To transact such other business as may properly come before the annual meeting, including any postponements or adjournments thereof.

Our Board of Directors has no knowledge of any other business to be transacted at the annual meeting.

We are enclosing a copy of our annual report to stockholders for the fiscal year ended June 30, 2014 with the proxy statement that accompanies this notice of meeting. The annual report contains consolidated financial statements and other information of interest to you.

Holders of record of our common stock at the close of business on September 24, 2014 are entitled to receive this notice and to vote at the annual meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible.

*In order to make sure that you are represented at the annual meeting, we urge you to complete, sign and return the enclosed proxy card in the enclosed postage-prepaid envelope, or vote by phone or internet according to the instructions on the proxy card, as promptly as possible. If the shares you own are held in street name by a bank or broker, such that you are the beneficial owner of your shares, you should follow the voting instructions provided to you by your bank or broker.*

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on November 20, 2014.**

The Proxy Statement and Annual Report to Stockholders are available at [www.envisionreports.com/epay](http://www.envisionreports.com/epay) for registered stockholders and [www.edocumentview.com/epay](http://www.edocumentview.com/epay) for beneficial owners.

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By order of the Board of Directors,

/s/ Joseph L. Mullen  
Joseph L. Mullen

*Chairman of the Board of Directors*

October 10, 2014

Portsmouth, New Hampshire

**BOTTOMLINE TECHNOLOGIES (de), INC.**

**325 Corporate Drive**

**Portsmouth, New Hampshire 03801**

**Proxy Statement**

***For the Annual Meeting of Stockholders***

***To be held on November 20, 2014***

This proxy statement is furnished to you in connection with the solicitation of proxies by the Board of Directors of Bottomline Technologies (de), Inc. (the company, Bottomline, we or us ) for the annual meeting of stockholders to be held on Thursday, November 20, 2014 at 4:00 p.m. local time, at the International Office Suites at One New Hampshire Avenue, New Hampshire Room, Portsmouth, New Hampshire 03801, including any postponements or adjournments thereof. You may obtain directions to the location of our 2014 Annual Meeting by writing or calling us at Bottomline Technologies (de) Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary, (603) 436-0700.

The notice of the annual meeting, this proxy statement, our annual report to stockholders for the fiscal year ended June 30, 2014, which we sometimes refer to as fiscal 2014, and the enclosed proxy card are first being mailed to stockholders on or about October 10, 2014.

You may obtain a copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, as filed with the Securities and Exchange Commission, except for exhibits thereto, without charge upon written request to Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attn: Corporate Secretary.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on November 20, 2014.**

**The Proxy Statement and Annual Report to Stockholders are available at [www.envisionreports.com/epay](http://www.envisionreports.com/epay) for registered stockholders and [www.edocumentview.com/epay](http://www.edocumentview.com/epay) for beneficial owners.**

**Voting of Proxies**

All shares held by stockholders who are entitled to vote and who are represented at the annual meeting by properly executed proxies received prior to or at the annual meeting will be voted in accordance with the instructions indicated on the proxy card, unless it is revoked prior to the vote. If you return a proxy card but do not specify how the proxy is to be voted with respect to a particular proposal, your shares will be voted as follows: FOR the election of all director nominees in the case of Proposal 1 and FOR Proposals 2, 3 and 4.

You may revoke your proxy before it is used to cast a vote. If you are a stockholder of record, to revoke a proxy you must:

file with the corporate secretary of the company, at or before the taking of the vote, a written notice of revocation bearing a later date than the proxy;

execute a later dated proxy relating to the same shares and deliver it to the corporate secretary of the company before the taking of the vote;

vote again by telephone or internet; or

attend the annual meeting and vote in person. Your attendance at the annual meeting, if you do not vote, will not be sufficient to revoke a proxy.



You should send any written notice of revocation or subsequent proxy to us at the following address: Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary.

If the shares you own are held in street name by a bank or brokerage firm, you should follow the instructions provided by your bank or brokerage firm if you wish to revoke your proxy.

### **Stockholders Entitled to Vote**

Our Board of Directors has fixed September 24, 2014 as the record date for the determination of stockholders entitled to vote at the annual meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of, and to vote at, the annual meeting. On September 24, 2014, there were 39,798,867 shares of our common stock outstanding and entitled to vote. Each share of common stock will have one vote for each matter to be voted upon at the annual meeting.

### **Votes Required**

The holders of at least a majority of the shares of our common stock issued and outstanding and entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the annual meeting. Shares of common stock present in person or represented by proxy, including shares which abstain or are treated as broker non-votes as discussed below, will be counted for purposes of determining whether a quorum is present at the annual meeting.

If the shares you own are held in street name by a bank or brokerage firm, then your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. If you do not give instructions to your bank or brokerage firm, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to non-discretionary items. Of the four proposals to be voted on at our 2014 annual meeting, only Proposal 4, the ratification of the selection of our registered public accounting firm, is considered to be a discretionary item on which banks and brokerage firms may vote without instructions from you. Proposals 1, 2 and 3 are considered non-discretionary items on which banks and brokerage firms may not vote without instructions. Therefore, if you do not instruct your broker or bank representative regarding how you would like your shares to be voted, your bank or brokerage firm will not be able to vote on your behalf with respect to Proposals 1, 2 or 3, and your shares will be treated with respect to these items as broker non-votes.

The affirmative vote of the holders of shares representing at least a plurality of the votes cast by the holders of our common stock entitled to vote at the annual meeting is required for Proposal 1, the election of the Class I directors. The affirmative vote of the holders of shares representing at least a majority of the stock present or represented and voting on the matter is required for the approval of each of Proposal 2, the amendment of our 2009 Stock Incentive Plan; Proposal 3, the non-binding advisory vote to approve executive compensation and Proposal 4, the ratification of the selection of our registered public accounting firm. Broker non-votes and abstentions are not counted as votes on these matters, and therefore will have no effect on the outcome of these proposals.

### **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information, as of August 31, 2014, regarding the beneficial ownership of shares of our common stock by (a) each person or entity known by us to own beneficially more than 5% of the outstanding shares of our common stock, (b) each of the named executive officers, as described in the Summary Compensation Table below, (c) each director of the company, and (d) the directors and executive officers of the company as a group. The address of each of our directors and named executive officers is c/o Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801. Beneficial



ownership is determined in accordance with the rules of the Securities and Exchange Commission, which we sometimes refer to as the SEC, and generally includes voting power and/or investment power with respect to securities. As of August 31, 2014, there were 39,721,166 shares of our common stock outstanding. Shares of common stock subject to options currently exercisable or exercisable within 60 days of August 31, 2014 are deemed outstanding for purposes of computing the percentage beneficially owned by the person or entity holding the options, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Except as indicated by footnote, we believe that the persons and entities named in this table, based on information provided by them, have sole voting and investment power with respect to the shares of common stock indicated.

| Name and Address of Beneficial Owner   | Shares Beneficially Owned<br>Number | Percent | Options<br>Included in<br>Shares<br>Beneficially Owned<br>Number |
|--|-------------------------------------|---------|--|
| <i>5% Stockholders</i>   |                                     |         |  |
| T. Rowe Price Associates, Inc.<br><br>100 E. Pratt Street<br><br>Baltimore, MD 21202 | 3,920,670(1)                        | 9.9     |  |
| BlackRock, Inc.<br><br>40 East 52 <sup>nd</sup> Street<br><br>New York, NY 10022     | 3,562,520(2)                        | 9.0     |  |
| The Vanguard Group, Inc.<br><br>100 Vanguard Blvd.<br><br>Malvern, PA 19355          | 2,383,949(3)                        | 6.0     |  |
| Franklin Resources, Inc.<br><br>One Franklin Parkway<br><br>San Mateo, CA 94403-1906 | 2,112,913(4)                        | 5.3     |  |
| <i>Executive Officers and Directors</i>  |                                     |         |  |
| Robert A. Eberle   | 316,409(5)                          | *       |  |
| Kevin M. Donovan   | 69,415(6)                           | *       |  |
| Nigel K. Savory  | 121,558(7)                          | *       |  |
| Joseph L. Barry, Jr.   | 154,145(8)                          | *       |  |
| Michael J. Curran  | 31,000(9)                           | *       |  |
| Jennifer M. Gray   | 8,000(10)                           | *       |  |
| Jeffrey C. Leathe  | 32,000(11)                          | *       | 15,000   |
| James L. Loomis  | 121,750(12)                         | *       |  |
| Daniel M. McGurl   | 54,000(13)                          | *       |  |
| Joseph L. Mullen   | 87,061(14)                          | *       | 29,006   |
| James W. Zilinski  | 17,000(15)                          | *       |  |
| All executive officers and directors as a group (11 persons)                         | 1,012,338                           | 2.5     | 44,006   |

\* Represents less than 1% of the outstanding shares of common stock.

- (1) T. Rowe Price Associates, Inc. ( Price Associates ) has sole voting power over 520,520 of the shares and sole dispositive power over all 3,920,670 shares. These shares are owned by various individual and institutional investors, for which Price Associates serves as investment adviser with power to direct investments and/or power to vote the shares. Price Associates disclaims beneficial ownership of such shares. This information is based on Amendment No. 9 to Schedule 13G filed by T. Rowe Price Associates, Inc., on February 14, 2014.
- (2)

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These shares are held by subsidiaries of BlackRock, Inc. BlackRock, Inc. has sole voting power over 3,447,188 of the shares and sole dispositive power over all 3,562,520 shares. This information is based on Amendment No. 4 to Schedule 13G filed by BlackRock, Inc. on January 17, 2014.

- (3) The Vanguard Group, Inc. has sole voting power over 54,585 of the shares, sole dispositive power over 2,332,664 of the shares and shared dispositive power over 51,285 of the shares. The Vanguard Fiduciary Trust Company ( VFTC ), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 51,285 of the shares as a result of its serving as an investment manager of collective trust accounts. VFTC directs the voting of these shares. Vanguard Investments Australia, Ltd ( VIA ), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 3,300 of the shares as a result of its serving as investment manager of Australian investment offerings. VIA directs the voting of these shares. This information is based on Amendment No. 2 to Schedule 13G filed by The Vanguard Group, Inc. on February 6, 2014.
- (4) These shares are beneficially owned by one or more open or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries (collectively, the Investment Management Subsidiaries ) of Franklin Resources, Inc. ( FRI ), including Franklin Advisers, Inc., Franklin Templeton Portfolio Advisors, Inc. and Fiduciary Trust Company International. Investment management contracts grant to the Investment Management Subsidiaries investment and/or voting power over the securities owned by such investment management clients. Franklin Advisers, Inc. has sole voting power over 1,874,092 and sole dispositive power over 1,968,992 of the shares. Franklin Templeton Portfolio Advisors, Inc. has sole voting and dispositive power as to 117,721 of the shares. Fiduciary Trust Company International has sole voting and dispositive power as to 26,200 of the shares. Charles B. Johnson and Rupert H. Johnson, Jr. (the Principal Shareholders ) each own in excess of 10% of the outstanding common stock of FRI and are the principal shareholders of FRI. FRI, the Principal Shareholders and each of the Investment Management Subsidiaries disclaim any pecuniary interest or beneficial ownership in any of these shares. This information is based on the Amendment No. 7 to Schedule 13G filed by Franklin Resources, Inc. on February 3, 2014.
- (5) Includes prior awards of restricted stock, of which 250,000 shares were unvested as of August 31, 2014.
- (6) Includes prior awards of restricted stock, of which 51,000 shares were unvested as of August 31, 2014
- (7) Includes prior awards of restricted stock, of which 110,500 shares were unvested as of August 31, 2014.
- (8) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (9) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (10) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (11) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (12) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (13) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (14) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.
- (15) Includes prior awards of restricted stock, of which 4,000 shares were unvested as of August 31, 2014.

**PROPOSAL I ELECTION OF CLASS I DIRECTORS**

We have three classes of directors, currently consisting of three Class I directors, three Class II directors and three Class III directors. At each annual meeting, directors are elected for a full term of three years to succeed those whose terms are expiring. The terms of the three classes are staggered in a manner so that only one class is elected by stockholders annually. Mr. Joseph L. Barry, Jr., Mr. Robert A. Eberle, and Mr. Jeffrey C. Leathe are currently serving as Class I directors. The Class I directors elected this year will serve as members of our Board of Directors until the 2017 annual meeting of stockholders, or until their respective successors are elected and qualified. Proxies cannot be voted cumulatively.

The Nominations and Corporate Governance Committee has recommended to the Board, and the Board proposes, that Mr. Barry, Mr. Eberle, and Mr. Leathe be re-elected as directors. The persons named in the enclosed proxy will vote to re-elect Mr. Barry, Mr. Eberle, and Mr. Leathe as Class I directors unless the proxy is marked otherwise. Mr. Barry, Mr. Eberle, and Mr. Leathe have indicated their willingness to serve on our Board of Directors, if elected; however, if any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by our Board of Directors. Our Board of Directors has no reason to believe that Mr. Barry, Mr. Eberle, or Mr. Leathe would be unable to serve if elected.

*The Board recommends a vote FOR each of the persons nominated by the Board.*

Set forth below is information about our directors, including the Class I director nominees. The information presented includes their years of service as a director as well as information each director has given us about his age, all positions he holds, principal occupation and business experience for at least the last five years and names of other publicly-held companies of which he currently serves as a director. In addition to the information presented below in respect of each director's specific experience, qualifications and skills that lead the Board to the conclusion that he should serve as a director, we also believe that each director has a reputation for integrity, honesty and high ethical standards.

**Principal Occupation, Age, Other Business Experience  
During the Past Five Years and Other Directorships**

| Name  |   |
|---|---|
| <b>Class I directors (terms expiring in 2014)</b> |   |
| Joseph L. Barry, Jr.                              | Mr. Barry, age 81, has been a director since 1990. Mr. Barry has served as President of Hallmark Mechanical Corp., a machinery service company, since 1990, and as Chairman of Hallamore Corp., a transportation and rigging company, since 1956. Since 1975, Mr. Barry has served as Chairman of Northeast Concrete Products, and since 1978, as co-Chairman of the New England Teamsters Pension Fund. Mr. Barry also served as a board member of Heritage Property Investment Trust, Inc. We believe Mr. Barry's qualifications to serve on our Board include his executive and operational business experience of over 50 years, including knowledge of investment markets and strategies and his general business acumen. #  |
| Robert A. Eberle                                  | Mr. Eberle, age 53, has been a director since 2000 and has served as our Chief Executive Officer since November 2006 and our President since August 2004. Mr. Eberle served as our Chief Operating Officer from April 2001 to November 2006 and as our Chief Financial Officer from September 1998 to August 2004. Prior to his tenure at Bottomline, Mr. Eberle served as Executive Vice President of Telxon Corporation, a mobile computing and wireless data company. In addition, Mr. Eberle has served on the boards of a number of venture backed technology companies. We believe Mr. Eberle's qualifications to serve on our Board include his two decades of experience in the technology industry, including his current role as our Chief Executive Officer, and his proven performance as our Chief Executive Officer since 2006. |

| Name   | Principal Occupation, Age, Other Business Experience<br>During the Past Five Years and Other Directorships   |
|--|--|
| Jeffrey C. Leathe                                  | Mr. Leathe, age 58, has served as a director since 2005. Since June 2011, Mr. Leathe has served as Chairman and Chief Executive Officer of Lantos Technologies, Inc., a medical imaging company. From December 2009 through February 2011, Mr. Leathe served as Chairman and Chief Executive Officer of Biocius Life Sciences, Inc. and from October 2007 to December 2009 served as Senior Vice President and Chief Financial Officer of Biotrove, Inc, companies involved in drug discovery research and clinical diagnostic testing. Since November 2004, Mr. Leathe has served as Principal of Leathe & Associates, LLC, a private investment advisory firm and is a registered investment advisor (RIA). From 1990 to 2003, Mr. Leathe served as Executive Vice President, Chief Financial Officer and Treasurer of Apogent Technologies, a publicly-held manufacturer of healthcare and life sciences research products with over \$1.0 billion in revenues. Mr. Leathe is also a certified public accountant (CPA). We believe Mr. Leathe's qualifications to serve on our Board include his business experience as a senior executive officer and 13 years as an executive officer of a public company, including his experience as a principal financial officer of a public company and as a CPA. *  |
| <b>Class II directors (terms expiring in 2015)</b> |  |
| Michael J. Curran                                  | Mr. Curran, age 59, has served as a director since 2006. Mr. Curran served as Executive Vice President and Managing Director, Corporate Banking Services at Banco Santander from January 2009 to June 2013. Mr. Curran served as Executive Vice President, Global Solutions Group of Sovereign Bank, from June 2007 to January 2009. From March 1995 to April 2006, Mr. Curran served as Executive Vice President, Global Treasury Services of Bank of America. Mr. Curran was also a member of Bank of America's Management Operations Committee. Prior to his tenure at Bank of America, Mr. Curran was Executive Vice President at FleetBoston Financial Corporation where he managed the bank's Cash Management, Corporate Trust, Government Banking and Financial Institutions lines of business and was a member of the bank's Leadership Advisory Group, Payments Council, Corporate Diversity Council, and a trustee of the FleetBoston Financial Foundation. Prior to joining FleetBoston, Mr. Curran was a business unit manager for structured finance at Chemical Bank and held several management positions at Manufacturers Hanover Trust Co. in both New York and London. Mr. Curran has approximately 30 years of experience in the financial services industry, much of which was specifically oriented around corporate payments, cash management and technology, which we believe qualifies Mr. Curran to serve on our Board. |
| Joseph L. Mullen                                   | Mr. Mullen, age 62, has served as a director since 1996. Mr. Mullen has served as our Chairman since May 2007, and served as our Vice Chairman from November 2006 to May 2007. Mr. Mullen served as our Chief Executive Officer from August 2002 to November 2006. From September 2000 to August 2004, Mr. Mullen served as President of Bottomline, and he served as Chief Operating Officer from September 2000 to April 2001. From 1977 to 1989, Mr. Mullen held a variety of positions at IBM Corporation. We believe Mr. Mullen's qualifications to serve on our Board include his experience in the technology industry, particularly his expertise around payments and payment methodologies. Further, given Mr. Mullen's prior executive experience within Bottomline, he has a deep understanding of our company and our operations.  |

| Name              | <b>Principal Occupation, Age, Other Business Experience<br/>During the Past Five Years and Other Directorships</b>   |
|-------------------|--|
| James W. Zilinski | Mr. Zilinski, age 70, has served as a director since 1994. From July 1995 until his retirement in December 2004, Mr. Zilinski served as President and Chief Executive Officer of Berkshire Life Insurance Company of America and as a director of its subsidiary, Berkshire Securities Corp. Prior to this, Mr. Zilinski served as President of the Investment Services Group of the BISYS Group, Inc., a provider of outsourced services to financial institutions, as Executive Vice President and Chief Marketing Officer of New England Mutual Life Insurance Company and in a variety of leadership roles at IBM. We believe Mr. Zilinski's prior executive positions, including at financial institutions, general business knowledge and his knowledge of our company qualify him to serve on our Board. *# |

**Class III directors (terms expiring in 2016)**

|                  |   |
|------------------|---|
| Jennifer M. Gray | Ms. Gray, age 39, has been a director since 2012. Since 2008, Ms. Gray has served as the Founder and Chief Executive Officer of Market Street Talent, Inc., an information technology staffing and consulting company. From 2006 to 2008, Ms. Gray was an account executive at Digital Prospectors Corp., a technology staffing and consulting company. Ms. Gray's qualifications to serve on our board include her background as an entrepreneur and technology executive, her demonstrated ability to create innovative and successful companies and her extensive experience with technology talent recruitment and retention. |
|------------------|---|

|                 |  |
|-----------------|--|
| James L. Loomis | Mr. Loomis, age 64, has been a director since May 1989, when he co-founded Bottomline. From 1989 to 1996, Mr. Loomis served as our Executive Vice President and Treasurer. From 1996 until his retirement in September 2000, Mr. Loomis served as Senior Executive Advisor of Bottomline. Prior to his involvement with Bottomline, Mr. Loomis spent approximately 15 years in a variety of executive finance positions with Nashua Corporation, including Treasurer and Director of International Finance. We believe Mr. Loomis's qualifications to serve on our Board include his experience in the software and technology industry including as our co-founder and his experience in corporate finance. * |
|-----------------|--|

|                  |   |
|------------------|---|
| Daniel M. McGurl | Mr. McGurl, age 78, has been a director since May 1989, when he co-founded Bottomline. Mr. McGurl served as Chairman of the Board of Directors from May 1989 to May 2007. From May 1989 until his retirement in August 2002, Mr. McGurl served as our Chief Executive Officer, and from May 1989 to September 2000, Mr. McGurl also served as President of Bottomline. Prior to co-founding Bottomline, Mr. McGurl spent 26 years at IBM Corporation in a variety of senior positions including Director of Marketing Planning and Director of Far East Operations. We believe Mr. McGurl's qualifications to serve on our Board include his over 40 years of experience in the software and technology industry including as our co-founder, Chairman for 18 years and Chief Executive Officer for 13 years. |
|------------------|---|

Member of leadership development and compensation committee.

# Member of nominations and corporate governance committee.

\* Member of audit committee.

**Director Compensation**

Compensation for our directors is reviewed from time to time by our Chairman, our Board and its committees. Any determinations with respect to Board compensation are made by our Board of Directors.

Mr. Eberle was our sole management director during fiscal 2014 and as a management director he received no compensation for his services as a director.

Each of our non-employee directors receives a restricted stock award of 4,000 shares of our common stock upon his or her initial election to the Board and on the date of each annual meeting of stockholders thereafter. Each of these awards vests in full on the first anniversary of its respective grant date.

In November 2013, each of our directors other than Mr. Eberle received a restricted stock award for 4,000 shares of our common stock.

Equity awards to our directors vest in full upon a change in control. For purposes of this provision, a change in control occurs if:

we are acquired through a merger or consolidation which results in the company's voting shares before the transaction retaining less than 50% of the voting power of the company or the acquiring entity after the transaction;

we are liquidated; or

all or substantially all of our assets are sold.

We reimburse our directors for expenses incurred to attend Board of Directors and committee meetings and other business related travel. In addition, directors who were formerly executive officers are eligible for company-provided medical and dental insurance should they so elect. We provided this benefit to Mr. Mullen and Mr. Loomis in fiscal 2014.

Our non-employee directors also receive annual fees, per-meeting fees and fees for serving as Board committee members and chairpersons. In fiscal 2014, each non-employee director other than Mr. Mullen received an annual fee of \$17,500, payable quarterly in arrears, and a fee of \$1,250 for each meeting of the Board of Directors that the non-employee director attended. Each non-employee director who served as a member of the audit committee, other than the chairperson of such committee, received an annual fee of \$3,500. Each non-employee director who served as a member of the leadership development and compensation committee or nominations and corporate governance committee, other than the respective chairpersons of those committees, received an annual fee of \$1,000 for each committee in which they participated. The chairman of the audit committee received an annual fee of \$15,000 and the chairman of the leadership development and compensation committee and the nominations and corporate governance committee each received an annual fee of \$2,000.

#### ***Joseph Mullen Letter Agreement***

On November 14, 2013, we entered into a letter agreement (the 2013 Letter Agreement) with Mr. Mullen. The 2013 Letter Agreement extended the term of Mr. Mullen's prior agreement with us (the 2010 Letter Agreement) for an additional three years, through November 17, 2017.

Under the 2013 Letter Agreement, Mr. Mullen will serve as chairman of the Board of Directors during any periods he is appointed to such position by the Board, for a fee of \$115,000 per year. As part of his role as Chairman, Mr. Mullen will be available as required or requested by management for services including strategy analysis, merger and acquisition evaluation and analysis, strategic partnerships and executive coaching. Under the terms of the 2013 Letter Agreement, Mr. Mullen is also eligible to receive 4,000 shares of restricted stock (or such other equity award as shall be made to our other non-employee directors) each year on the date of our annual meeting of stockholders (provided that he is serving as a director of Bottomline at that time), and these shares will vest on the first anniversary of the grant date.

If the 2013 Letter Agreement is terminated by us without cause, Mr. Mullen will be entitled to be paid a lump sum equal to the full amount due to him with respect to the remaining term of the agreement. Should Mr. Mullen's engagement with us be terminated as a result of death or disability, as a result of involuntary

termination or without cause, Mr. Mullen's restricted stock will fully vest, and he or his estate generally will have a period of two years (or the remainder of the applicable option term if less than two years) after the date of such termination to exercise any outstanding stock options. In addition, in the event that, prior to November 17, 2017, a change in control of Bottomline occurs, Mr. Mullen's restricted stock will fully vest. Mr. Mullen is also eligible to be reimbursed by us for reasonable business expenses and, until he reaches age 70, to participate in our standard U.S. health insurance plan.

The following table sets forth information concerning the compensation of our non-employee directors for fiscal 2014.

#### Fiscal 2014 Director Compensation

| Name              | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) (1) | Option Awards (\$) (2) | All Other Compensation (\$) | Total (\$) |
|-------------------|----------------------------------|-----------------------|------------------------|-----------------------------|------------|
| Joseph L. Barry   | 22,250                           | \$ 130,880            |                        |                             | 153,130    |
| Michael J. Curran | 24,500                           | \$ 130,880            |                        |                             | 155,380    |
| Jennifer M. Gray  | 23,000                           | \$ 130,880            |                        |                             | 153,880    |
| Jeffrey C. Leathe | 37,500                           | \$ 130,880            |                        |                             | 168,380    |
| James L. Loomis   | 26,000                           | \$ 130,880            |                        | 17,987(3)                   | 174,867    |
| Daniel M. McGurl  | 23,500                           | \$ 130,880            |                        |                             | 154,380    |
| Joseph L. Mullen  |                                  | \$ 130,880            |                        | 132,987(4)                  | 263,867    |
| James W. Zilinski | 29,000                           | \$ 130,880            |                        |                             | 159,880    |

- (1) As of June 30, 2014, each of our non-employee directors had 4,000 unvested restricted stock awards outstanding. The amounts reported in this column are computed based on the closing price of our common stock on the date the awards were granted (the grant date fair value).
- (2) As of June 30, 2014, our directors had the following aggregate number of stock option awards outstanding: Jeffrey C. Leathe, 15,000; Joseph L. Mullen, 29,006.
- (3) Represents medical and dental insurance premiums paid by the company on behalf of Mr. Loomis.
- (4) Consists of \$115,000 paid to Mr. Mullen pursuant to the 2013 Letter Agreement and \$17,987 in medical and dental insurance premiums paid by the company on behalf of Mr. Mullen.

#### Executive Compensation

##### Compensation Discussion and Analysis

The leadership development and compensation committee of our Board of Directors oversees, reviews and approves all compensation decisions relating to our named executive officers. In the discussion that follows, "executives" refers to our fiscal year 2014 named executive officers, Messrs. Eberle, Donovan and Savory.

##### Objectives and Philosophy of Our Executive Compensation Program

The primary objectives of the leadership development and compensation committee with respect to executive compensation are to:

enable us to attract, retain and motivate the best possible executive talent by ensuring that our compensation packages are competitive with those offered by similarly situated companies;

align our executive compensation with our corporate strategies and business objectives;

promote the achievement of key strategic and financial performance measures; and

align executives' incentives with the creation of stockholder value.



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To achieve these objectives, the leadership development and compensation committee evaluates our executive compensation program with the goal of setting compensation at levels the committee believes are competitive with those of other companies of a comparable size within our industry. In addition, a portion of

each executive's compensation is tied to corporate performance, including financial performance and the achievement of strategic and operational goals such as the establishment and maintenance of key strategic and customer relationships, product development initiatives and senior management team development and retention. Executives are also evaluated on their professional growth and individual contributions to the company's success. We provide a significant portion of our executive compensation in the form of restricted stock awards that vest over time, typically four years, which we believe promotes the retention of our executives and aligns their interests with those of our stockholders since this form of compensation allows our executives to participate in the long-term success of our company as reflected in stock price appreciation.

In making compensation decisions, the leadership development and compensation committee compares our executive compensation against that of a peer group of publicly traded companies. This peer group, which is reviewed and updated each fiscal year, consists of technology companies that we believe are generally comparable to our company. The companies included in this peer group for fiscal 2014 were: ACI Worldwide, Actuate Corporation, Advent Software, Inc., Aspen Technology, Inc., athenahealth, Inc., Blackbaud, Inc., Cogent Communications, CommVault Systems, Concur Technologies, EPIQ Systems, Inc., NetSuite, Official Payments, Pegasystems, Inc. SolarWinds, Inc. and The Ultimate Software Group, Inc. Our analysis for the past several fiscal years, including the analysis we completed for fiscal 2014, has shown that the overall compensation packages of our executives have been competitive with those of the peer group we analyzed.

In addition, for purposes of assessing our CEO's compensation, the leadership development and compensation committee periodically reviews the compensation packages of recently hired CEOs at publicly traded companies with annual revenues of up to two times our annual revenue. For fiscal year 2014, the companies the committee considered for this analysis were Blueknight Energy Partners LLC., Digital River, Extreme Networks, Inc., LodgeNet, Lone Pine Resources, Rainmaker Systems, SourceFire and UniTek Global Services. The leadership development and compensation committee believes this is a useful analysis because it provides a view into current market conditions with respect to CEO compensation. Our analysis has generally shown our CEO's compensation package to be competitive with those of the companies we analyzed.

#### *Compensation Challenges*

We face challenges in hiring and retaining our executives and other key employees due to several factors. These challenges are similar to those faced by other high-growth technology companies and make recruiting and retaining our executives and other key employees difficult. Our leadership development and compensation committee philosophy is designed to address these challenges, which include:

*Our growth rate* We are a growing, highly acquisitive company and we have experienced rapid changes in our geographical areas of operation and our product set. Not all executives are suited to manage or succeed in such an environment. This amplifies the value of our existing executive officers and makes recruiting new executives difficult.

*Competitive industry* We operate in a very competitive industry. The competition for qualified executive talent is intense. Our executives and other key employees are regularly perceived as very attractive candidates for employment with other companies and we believe our executives and other key employees are frequently targeted for employment opportunities with other technology companies. In many cases, other companies are able and willing to offer significantly higher compensation packages than we currently provide. This creates additional retention challenges for us.

*Our environment* We operate in a very fast-moving industry and we are a demanding employer. We place extraordinary demands of time and attention on our executive officers and other key employees. Accordingly, our ability to attract and retain executive talent that can be successful in our environment is critical.

*Components of our Executive Compensation Program*

The primary elements of our executive compensation program are:

base salary;

cash bonuses;

restricted stock awards;

insurance, retirement and other employee benefits; and

severance and change in control benefits.

None of our executive officers receive, nor do we have any present plan to provide, payment for personal aircraft, financial planning, supplemental retirement plans, retirement benefits or deferred compensation arrangements (other than those available to substantially all our employees, such as under our 401(k) plan or equivalent plans), country club dues, security services, estate or tax planning or split dollar life insurance policies.

We do not have any formal or informal policy or target for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation or among the different forms of non-cash compensation. Instead, the leadership development and compensation committee determines what it believes to be the appropriate level and mix of the various compensation components based on recommendations from our chief executive officer, company performance against stated objectives, individual performance and overall comparisons to the comparable company analyses described above.

**Base Salary**

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our executives. When establishing base salaries, the leadership development and compensation committee considers the survey data of compensation levels in the peer group, as well as a variety of other factors such as the executive's scope of responsibility, individual performance, prior employment experience and salary history, relative pay adjustments within the company and our overall financial performance. Base salaries are reviewed at least annually by our leadership development and compensation committee and may be adjusted from time to time based upon market conditions, individual responsibilities and company and individual performance.

Our executive officers have periodically declined to accept base salary increases in past years, or declined to accept salary increases above the percentage increase provided to the employee base generally, in order to make additional funds available to our other employees.

The table below shows executive base salaries as of June 30 for each of our fiscal years 2011 through 2014.

| <b>Name</b>         | <b>2011 Base<br/>Salary (1)</b> | <b>2012 Base<br/>Salary (1)</b> | <b>2013 Base<br/>Salary (1)</b> | <b>2014 Base<br/>Salary</b> |
|---------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Robert A. Eberle    | \$ 330,000                      | \$ 330,000                      | \$ 330,000                      | \$ 350,000                  |
| Kevin M. Donovan    | \$ 190,000                      | \$ 190,000                      | \$ 190,000                      | \$ 195,700                  |
| Nigel K. Savory (2) | \$ 246,000                      | \$ 244,728                      | \$ 242,411                      | \$ 276,760                  |

- (1) As has occurred frequently in the past, our executives declined base salary increases in order to make additional funds available for salary increases to other employees.

- (2) Mr. Savory was paid in British Pounds Sterling, which for purposes of this presentation were converted to US Dollars at the average exchange rate for the twelve months ended June 30, 2011, 2012, 2013 and 2014 of 1.592, 1.584, 1.569 and 1.628, respectively, US Dollars per British Pound Sterling.

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**Cash Bonuses**

Cash bonuses are used to compensate and align our executives toward certain financial, strategic and operational goals. The leadership development and compensation committee approves payment of quarterly cash bonuses as part of the overall compensation packages of our executive officers, and retains the authority to review and adjust the overall bonus at year-end. Mr. Eberle's cash bonus opportunity is based on a percentage of his base compensation, which for fiscal year 2014 was 120%. Mr. Donovan and Mr. Savory's cash bonus opportunities are based on a fixed dollar amount, which for fiscal year 2014 were \$120,000 and \$162,800, respectively. None of our executive officers are eligible for multi-year guaranteed bonuses.

In November 2009, the leadership development and compensation committee approved a cash bonus framework for Mr. Eberle that will remain in effect until modified by the committee. Under this framework, Mr. Eberle's quarterly cash bonus is principally based upon a combination of revenue and non-GAAP operating income targets, which represent 67% of his total bonus opportunity, and designated key management objectives, which represent 33% of his bonus opportunity. Non-GAAP operating income is measured on a pre-tax basis and excludes amortization of intangible assets, stock compensation expense, acquisition and integration related expenses, restructuring charges, impairment losses on equity investments and certain other non-cash items. The revenue and non-GAAP operating income targets are approved by the Board at or prior to the beginning of each fiscal year as part of the presentation of our annual operating plan. These targets may be revised during the year to account for acquisitions, industry developments and economic conditions. In addition, the leadership development and compensation committee may determine that a bonus above or below the amount determined under the framework is appropriate in any given period, in the context of the company's overall performance. For fiscal year 2014, the revenue and non-GAAP operating income targets in effect were \$298.5 million and \$46.3 million, respectively. Key management objectives are typically reviewed by the leadership development and compensation committee quarterly and generally consist of progress against key strategic initiatives, establishment and maintenance of strategic partner and key customer relationships, execution against major customer deliverables, growth in orders, recruitment and retention of key talent, improvements to the functionality, design and usability of our products, product development initiatives and growth through acquisitions. Bottomline's level of execution against the key management objectives is determined by the leadership development and compensation committee and this assessment is subjective.

At the end of each quarter, management prepares a summary of our corporate performance for the quarter, including performance against the revenue targets, non-GAAP operating income targets and designated key management objectives, which accompanies Mr. Eberle's recommendation to the leadership development and compensation committee in respect of executive bonuses, if any, recommended for that quarter. The leadership development and compensation committee uses the framework discussed above for evaluating Mr. Eberle's quarterly cash bonus. Mr. Eberle must achieve at least 80% of both the revenue and non-GAAP operating income targets before any bonus tied to financial targets is earned under the framework. Mr. Eberle must achieve 100% of the pre-determined revenue and non-GAAP operating income targets and demonstrate strong execution against the key management objectives for 75% of his total bonus opportunity to be due under the framework.

For fiscal year 2014, Bottomline achieved the revenue and operating income targets at a level of 101.0% and 114.1%, respectively, and demonstrated a high level of achievement against the key management objectives. During fiscal 2014, as in 2013 and in certain other instances in the past, Mr. Eberle recommended, and the committee approved, quarterly bonus amounts that were less in the aggregate than the amounts that he had earned under the framework, in order to allocate bonus funds more broadly to our employee base. Mr. Eberle's total bonus payment under the framework for fiscal 2014 was \$160,350, or 38% of his total bonus opportunity for fiscal 2014.

Mr. Donovan and Mr. Savory's bonus is recommended to the leadership development and compensation committee by Mr. Eberle based on both corporate performance and Mr. Eberle's assessment of their individual performance. Although the bonus framework discussed above does not apply to Mr. Donovan or Mr. Savory specifically, the company's performance against the revenue and non-GAAP operating income targets and the

designated key management objectives for the fiscal year are typically key factors in Mr. Eberle's assessment of Messrs. Donovan and Savory and his ultimate recommendation to the leadership development and compensation committee concerning their bonuses. Final determinations regarding the bonus amounts for Messrs. Donovan and Savory are made by the leadership development and compensation committee.

Fiscal 2014 cash bonuses for Messrs. Savory and Donovan were \$152,625 and \$52,000, respectively, which represented payouts of 94% and 43% of their total bonus opportunity for the fiscal year.

From time to time the leadership development and compensation committee may approve discretionary cash bonuses for our executives which are outside of the bonus framework described above. For fiscal year 2014, there were no such discretionary cash bonuses. The table below shows total cash bonuses for our executives for 2011 through 2014.

| Name                | 2011 Cash Bonus (1) | 2012 Cash Bonus (1) | 2013 Cash Bonus (1) | 2014 Cash Bonus (1) |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| Robert A. Eberle    | \$ 343,000          | \$ 228,850          | \$ 199,250          | \$ 160,350          |
| Kevin M. Donovan    | \$ 94,500           | \$ 65,000           | \$ 67,500           | \$ 52,000           |
| Nigel K. Savory (2) | \$ 114,624          | \$ 120,780          | \$ 121,205          | \$ 152,625          |

- (1) In 2014, as has occurred in the past, our executives declined certain cash bonus amounts that they would have otherwise earned under our compensation framework in order to make additional funds available to other employees.
- (2) Mr. Savory was paid in British Pounds Sterling, which for purposes of this presentation were converted to US Dollars at the average exchange rate for the twelve months ended June 30, 2011, 2012, 2013 and 2014 of 1.592, 1.584, 1.569 and 1.628, respectively, US Dollars per British Pound Sterling.

#### **Restricted Stock**

Restricted stock awards are the primary vehicle for offering long-term compensation incentives to our executives. Our leadership development and compensation committee believes that consistent levels of annual restricted stock awards are the optimum vehicle to promote, create and reward long term stockholder value creation. The committee believes that a management team that knows that it has the opportunity to earn restricted stock awards and has an expectation that, with performance and achievement of business objectives, there will be the opportunity for annual stock awards is optimally aligned with stockholders and, importantly, reflects a compensation philosophy that is designed to create value not just for the short term but with an essential emphasis on the longer term.

We typically make an initial award of restricted stock when a new executive is hired, after which annual awards are granted as part of the overall executive compensation program. All restricted stock awards to our executives are approved by the leadership development and compensation committee. Since awards of restricted stock are issued at no cost to the executive, they have a built-in value at the time the awards are made. Accordingly, we generally grant fewer shares of restricted stock than the number of stock options or other types of equity awards that might have been issued for a similar purpose, which helps to reduce dilution to our stockholders. To maximize the long-term incentives for our executives and to minimize the dilutive effect on existing stockholders, we consider it likely that future equity awards to our executives will continue to be in the form of restricted stock rather than stock options.

To date, all restricted stock awards to our executives have had a four year vesting term, with 25% of the shares vesting after the first year and 6.25% of the shares vesting at the end of each quarter thereafter. Except in the case of death or disability and certain severance and change in control situations, vesting typically ceases on the date of termination of employment. Other than the ability to sell or transfer the shares prior to vesting, restricted stock awards generally entitle the recipient to full rights as a stockholder at the time of the award; however, consistent with company policy, holders of unvested restricted shares are not entitled to receive dividends on these shares.

Restricted stock awards to our executives are evaluated annually by the leadership development and compensation committee in conjunction with the review of individual performance of our executives and the financial and operational performance of the company. This review typically occurs during our fourth fiscal quarter each year for purposes of establishing the award level for the immediately following fiscal year.

*Leadership Development and Compensation Committee Equity Incentive Policy Statement*

The objective of our equity incentive plans is to directly align management incentives with the creation of shareholder value. Our equity compensation program has been consistently applied and has been a key driver of the performance of the company and the retention success we have had with our executives and other key employees.

In May 2012, the leadership development and compensation committee provided Mr. Eberle with a non-binding letter setting forth the committee's philosophy on equity compensation, reviewing the results of Bottomline's business since Mr. Eberle became CEO, and outlining the committee's intention and expectation for future equity awards to Mr. Eberle. In September 2012, the leadership development and compensation committee adopted an Equity Incentive Policy Statement which applies the general principles set forth in Mr. Eberle's letter to all of our executives. Neither the Equity Incentive Policy Statement nor the letter to Mr. Eberle create any binding contractual obligation or a specific award of stock to any individual, but instead set forth the fundamental objectives and philosophy underlying Bottomline's equity compensation program.

Underpinning the Equity Incentive Policy Statement and the letter to Mr. Eberle is the principle that annual restricted stock awards should be determined based upon the number of shares granted, rather than the value of those shares. The committee believes that this results in annual awards that are predictable and that provide a consistent motivation and retention tool that is linked directly to our stock price performance. In past years, the number of shares granted to our executives has been relatively consistent; when the market price of our stock was lower, executives did not receive more shares and, similarly, as the success of the company has been reflected in an appreciated stock price, they have not received fewer shares. The committee views this as fair because executives know that if they can increase the value of the company the value of the stock grants they have received to date and will receive in the future is similarly increased. It directly aligns management incentive with the creation of shareholder value.

We believe our equity incentive compensation program has been a key factor not only in recruiting management talent to Bottomline, but also in retaining our current executives and other key employees. Mr. Eberle, Mr. Donovan and Mr. Savory have served Bottomline for approximately 16, 15 and 14 years, respectively, and many of our other key employees have had similarly long tenures with the company.

Accordingly, it is the intention and expectation of the leadership development and compensation committee to provide the company's executive officers with the opportunity for annual awards of restricted stock that are generally consistent with awards made to them for recent fiscal years. The leadership development and compensation committee is not obligated to make any such awards, and may modify the size of any such awards in its discretion. Factors that the committee may consider in the exercise of that discretion include, but are not limited to, the following:

the company's performance;

the executive's individual performance;

the total compensation being paid to the executive;

the executive's anticipated contributions to Bottomline's future performance;

the executive's scope of responsibility;

the executive's current position with Bottomline;





the number and size of equity awards granted to comparable executive officers by peer group companies; and

in case of executives other than Mr. Eberle, Mr. Eberle's recommendations concerning individual performance, role changes and other factors.

For fiscal 2014, the leadership development and compensation committee approved restricted stock awards of 100,000, 20,000 and 49,000 shares to Messrs. Eberle, Donovan and Savory, respectively. In total, grants to our named executive officers represented approximately 15% of all equity awards granted by the company during fiscal 2014.

#### *Equity Pool Policy*

In order to provide greater certainty regarding the level of equity awards over time, the leadership development and compensation committee has approved a formal equity pool policy providing that the annual equity pool be adjusted upwards or downwards depending upon Bottomline's stock price (based on a 30-day trailing average as of July 1 of each year) and non-GAAP net income and revenues for the preceding fiscal year. The percentage change in each metric is multiplied by one-third (thus weighting each equally), and the sum of the resulting net percentage divided by two. The equity pool for the prior fiscal year is then adjusted upwards or downwards by a percentage equal to that amount, to determine the equity pool for the current year. The leadership development and compensation committee has approved this policy through fiscal 2017.

#### *Other Equity Matters*

We do not have any equity ownership guidelines for our executives. Our insider trading policy prohibits all employees, executives and directors from engaging in speculative transactions in our securities, including short sales or hedging transactions (such as purchases or sales of puts, calls, options or other derivative securities) that are designed to hedge or offset a decrease in value of our securities. During fiscal 2014, none of our executives or directors pledged company shares. Furthermore, our 2009 Stock Incentive Plan does not contain an evergreen provision or permit share recycling for options and stock appreciation rights. As such, (i) any shares of our common stock delivered to satisfy payment of the exercise price of an award or any applicable tax withholding obligation (including shares retained from the award creating the tax obligation) will not be added back to the number of shares available for the future grant of awards under the plan, (ii) shares of our common stock repurchased by us on the open market using the proceeds from the exercise of an award will not increase the number of shares available for future grant of awards under the plan, and (iii) the full number of shares subject to a stock appreciation right multiplied by the percentage of the stock appreciation right actually exercised will count against the number of shares available for grant, regardless of the number of shares actually issued to settle the stock appreciation right upon exercise.

88% of the votes cast by our stockholders at our 2013 annual meeting of stockholders approved, in a non-binding advisory vote, our executive compensation program as set forth in our 2013 proxy statement. We have considered the results of this vote, and believe it reflects our stockholders' assessment that our compensation programs are successfully achieving their objectives. We hold an advisory vote on our executive compensation on an annual basis. Our next stockholder advisory vote on the frequency of executive compensation advisory votes is scheduled to be held at our 2017 annual meeting of stockholders, although an earlier vote may be held at the discretion of the Board.

#### *Benefits and Other Compensation*

We maintain broad-based benefits that are provided to all of our employees, including health and dental insurance, life and disability insurance, an employee stock purchase plan and a 401(k) plan. Executives are eligible to participate in all of our employee benefit plans, in each case on the same terms as our other employees.

During fiscal 2014, we provided supplemental executive long-term disability insurance to Mr. Eberle and Mr. Savory. In addition, we paid the premiums for private medical insurance and provided an automobile allowance to Mr. Savory. Mr. Eberle and Mr. Savory do not receive tax-gross ups on these benefits. We anticipate that we will continue to provide these benefits in fiscal 2015.

From time to time, we make tickets to cultural and sporting events available to our executives and other employees for business purposes. If not utilized for business purposes, these tickets are generally made available for the personal use of our employees, including our executives.

### *Severance and Change in Control Benefits*

Pursuant to employment and retention agreements we have entered into with our executives, the terms of our 2009 Stock Incentive Plan and certain resolutions of our Board of Directors in connection with our equity programs, our executives are entitled to certain benefits in the event of a change in control of our company or the termination of their employment under specified circumstances, including termination following a change in control. We have provided more detailed information about these benefits, along with estimates of their value under certain circumstances, under the caption *Employment and Other Agreements and Potential Payments Upon Termination or Change in Control* below.

We believe these benefits help us compete for and retain executive talent and are generally in line with severance packages offered to executives by the companies in our peer group. We also believe that these benefits would serve to minimize the distraction caused by any change in control scenario and reduce the risk that key talent would leave the company before any such transaction closes, which could reduce the value of the company if such transaction failed to close.

### *Summary Compensation*

The following table sets forth certain information concerning the compensation for the individuals who served as our principal executive officer and our principal financial officer during fiscal 2014 and our only other executive officer, who we collectively refer to as our named executive officers.

**Fiscal 2014 Summary Compensation Table**

| <b>Name and Principal Position</b>                  | <b>Fiscal Year</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Stock Awards (\$)(2)</b> | <b>Non-Equity Incentive Plan Compensation (\$)(3)</b> | <b>All Other Compensation (\$)(4)</b> | <b>Total (\$)</b> |
|---|--------------------|--------------------|-------------------|-----------------------------|---|---------------------------------------|-------------------|
| Robert A. Eberle,<br><i>President and</i>           | 2014               | \$ 333,333         |                   | \$ 2,615,000                | \$ 160,350  | \$ 13,370                             | \$ 3,122,053      |
|   | 2013               | \$ 330,000         |                   | \$ 1,805,000                | \$ 199,250  | \$ 13,181                             | \$ 2,347,431      |
| <i>Chief Executive Officer</i>                      | 2012               | \$ 330,000         | \$ 14,850(1)      | \$ 2,500,000                | \$ 214,000  | \$ 13,931                             | \$ 3,072,781      |
| Kevin M. Donovan,<br><i>Chief Financial Officer</i> | 2014               | \$ 190,950         |                   | \$ 523,000                  | \$ 52,000   | \$ 6,111                              | \$ 772,061        |
|   | 2013               | \$ 190,000         |                   | \$ 361,000                  | \$ 67,500   | \$ 6,563                              | \$ 625,063        |
| <i>and Treasurer</i>                                | 2012               | \$ 190,000         | \$ 3,000(1)       | \$ 600,000                  | \$ 62,000   | \$ 6,313                              | \$ 861,313        |
| Nigel K. Savory,<br><i>Managing Director,</i>       | 2014               | \$ 257,835         |                   | \$ 1,339,590                | \$ 152,625  | \$ 37,521                             | \$ 1,787,571      |
|   | 2013               | \$ 242,411         |                   | \$ 595,650                  | \$ 121,205  | \$ 35,826                             | \$ 995,092        |
| <i>Europe (5)</i>                                   | 2012               | \$ 244,728         | \$ 5,940(1)       | \$ 825,000                  | \$ 114,840  | \$ 34,704                             | \$ 1,225,212      |

- (1) Represents discretionary bonuses awarded in recognition of our progress against our key strategic goals during fiscal 2012.
- (2) The amounts reported in this column are computed based on the closing price of our common stock on the date the awards were granted (the grant date fair value).
- (3) The amounts in this column reflect cash bonus awards paid to our named executive officers under our executive incentive compensation program. See *Compensation Discussion and Analysis Components of our Executive Compensation Program Cash Bonuses* above for a description of this program.



- (4) These amounts consist of: our matching contributions to each executive's retirement savings plan account; the portions of premiums paid by us for supplemental executive long-term disability insurance for Mr. Eberle and Mr. Savory; and automobile allowances and private medical insurance premiums paid by us on Mr. Savory's behalf.
- (5) Mr. Savory was paid in British Pounds Sterling, which for purposes of this presentation were converted to US Dollars at the average exchange rate for the twelve months ended June 30, 2014, 2013 and 2012 of 1.628, 1.569 and 1.584, respectively, US Dollars per British Pound Sterling.

#### **Grants of Plan-Based Awards**

The following table sets forth information concerning each grant of an award made to a named executive officer during fiscal 2014 under any plan, contract, authorization or arrangement pursuant to which cash, securities, similar instruments or other property may be received. Non-equity incentive plan awards were made pursuant to our executive incentive compensation program described in our Compensation Discussion and Analysis under the caption "Cash Bonuses".

#### **Fiscal 2014 Grants of Plan-Based Awards**

| Name             | Grant Date               | Date of Leadership Development and Compensation Committee Action (2) | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) |                 |                  | All Other Stock Awards: Number of Shares of Stock or Units (#) (6) | Grant Date Fair Value of Stock Awards (7) |
|------------------|--------------------------|--|---|-----------------|------------------|--|---|
|                  |                          |  | Threshold (\$ (3))  | Target (\$ (4)) | Maximum (\$ (5)) |  |   |
| Robert A. Eberle | 07/01/2013               | 05/23/2013   | 84,000  | 315,000         | 420,000          | 100,000  | \$ 2,615,000                              |
| Kevin M. Donovan | 07/01/2013               | 05/23/2013   | 24,000  | 90,000          | 120,000          | 20,000   | \$ 523,000                                |
| Nigel K. Savory  | 07/01/2013<br>08/20/2013 | 05/23/2013<br>05/23/2013   | 32,560  | 122,100         | 162,800          | 33,000<br>16,000   | \$ 862,950<br>476,640                     |

- (1) Amounts in these columns show estimates of possible threshold, target and maximum cash award amounts under our executive incentive compensation program for fiscal 2014. Actual amounts paid are disclosed and reported in the Summary Compensation Table under the caption Non-Equity Incentive Plan Compensation. Actual amounts paid may vary substantially from the figures shown in this table due to the factors discussed in Compensation Discussion and Analysis under the caption "Cash Bonuses".
- (2) Annual restricted stock awards are typically approved by the leadership development and compensation committee in May, with an effective date of July 1, the first date of our fiscal year. If an executive is not employed by us in July 1, he will not receive the award.
- (3) Reflects an estimate of the minimum amount that would have been earned if the minimum targets for all of the quarterly and annual metrics were achieved and a portion of the designated key management objectives were met.
- (4) Reflects an estimate of the amount that would have been earned if the targeted quarterly and annual metrics were achieved and a majority of the designated key management objectives were met.
- (5) Reflects an estimate of the maximum amount that would have been earned if the maximum targets for all of the quarterly and annual metrics were achieved and the designated key management objectives were met in full.
- (6) Reflects awards of restricted stock. These shares vest as to 25% of the shares on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. In addition, as described below under "Employment and Other Agreements and Potential Payments Upon Termination or Change in Control", the vesting of these shares may be accelerated following employment termination or a change in control under certain circumstances.

- (7) Calculated by multiplying the number of shares of stock by the closing price per share of our common stock on the NASDAQ Global Select Market, \$26.15 on July 1, 2013 and \$29.79 on August 20, 2013.
- (8) Mr. Savory received two stock awards in fiscal year 2014: an annual grant of 33,000 shares of our Common Stock and a special grant of 16,000 shares of our Common Stock in recognition of his contribution toward our acquisition of SF21 SA (Sterci) in August 2013.

**Equity Awards and Holdings**

The following table sets forth information concerning unvested restricted stock awards for each of the named executive officers as of June 30, 2014.

**Fiscal 2014 Outstanding Equity Awards at Fiscal Year-End**

| Name             | Stock Award Grant Date | Stock Awards   |  |
|------------------|------------------------|--|--|
|                  |                        | Number of Shares or Units of Stock That Have Not Vested(1) (1) | Market Value of Shares or Units of Stock That Have Not Vested(\$)(2) (2) |
| Robert A. Eberle | 07/01/2013             | 100,000  | \$ 2,992,000   |
|                  | 07/01/2012             | 56,250   | \$ 1,683,000   |
|                  | 07/01/2011             | 31,250   | \$ 935,000   |
|                  | 07/01/2010             | 6,250  | \$ 187,000   |
| Kevin M. Donovan | 07/01/2013             | 20,000   | \$ 598,400   |
|                  | 07/01/2012             | 11,250   | \$ 336,600   |
|                  | 07/01/2011             | 7,500  | \$ 224,400   |
|                  | 07/01/2010             | 1,500  | \$ 44,880  |
| Nigel K. Savory  | 08/20/2013             | 16,000   | \$ 478,720   |
|                  | 07/01/2013             | 33,000   | \$ 987,360   |
|                  | 07/01/2012             | 18,562   | \$ 555,375   |
|                  | 07/01/2011             | 10,312   | \$ 308,535   |
|                  | 07/01/2010             | 2,062  | \$ 61,695  |

- (1) These shares vest as to 25% of the shares on the first anniversary of the date of grant and 6.25% of the shares each quarter thereafter. However, as described below under Employment and Other Agreements and Potential Payments Upon Termination or Change in Control, the vesting of these shares may be accelerated following employment termination or a change in control under certain circumstances.
- (2) Calculated by multiplying the number of unvested shares by \$29.92, the closing price per share of our common stock on The NASDAQ Global Select Market on June 30, 2014.

**Stock Vested in Fiscal 2014**

The following table sets forth information regarding vesting of restricted stock held by the named executive officers during the fiscal year ended June 30, 2014.

Amounts shown under the column "Value Realized on Vesting" represents the number of shares of restricted stock that vested multiplied by the closing price of our common stock on the vesting date.

**Fiscal 2014 Stock Vested**

| Name             | Stock Awards                                      |                                      |
|------------------|---|--------------------------------------|
|                  | Number of Shares<br>Acquired<br>on Vesting<br>(#) | Value<br>Realized on<br>Vesting (\$) |
| Robert A. Eberle | 99,687  | \$ 3,027,230                         |
| Kevin M. Donovan | 22,000  | \$ 669,415                           |
| Nigel K. Savory  | 32,813  | \$ 995,142                           |

**Employment and Other Agreements and Potential Payments upon Termination or Change in Control**

We are party to employment agreements or similar arrangements with Mr. Eberle, Mr. Donovan and Mr. Savory. The following description is only a summary of these agreements and is qualified by reference to the full agreements.

**Robert A. Eberle Employment Agreement**

We entered into an employment agreement with Mr. Eberle as of September 30, 1998, which was amended as of June 1, 2001, amended and restated as of November 21, 2002, and amended as of September 30, 2005, November 16, 2006 and December 23, 2008. The employment agreement automatically renews for successive three year renewal periods unless the agreement is not renewed by either us or Mr. Eberle pursuant to written notice, or is sooner terminated in accordance with its terms. Further, the employment agreement automatically renews for a three year period in the event we experience a change in control. The current renewal period under the employment agreement extends through November 21, 2014.

Under the employment agreement, a change in control of Bottomline would occur if:

any person becomes the beneficial owner of more than 50% of the voting power of our outstanding securities;

our stockholders approve a merger or consolidation of Bottomline, subject to certain limited exceptions; or

our stockholders approve a plan of liquidation or a sale of all or substantially all of our assets.

In the event of a change in control, Mr. Eberle's restricted stock will vest in full.

If Mr. Eberle's employment is terminated by Mr. Eberle as a result of an involuntary termination (as defined below) or by us without cause (as defined below), in either case prior to a potential change in control, or if we do not renew Mr. Eberle's agreement as provided above, all shares of Mr. Eberle's restricted stock will vest in full, and he will be entitled to receive continuation of benefits for a period of 24 months and a lump sum payment equal to two times the sum of his then current annual salary plus two times the maximum amount of bonus he was eligible to earn for the then current fiscal year. Mr. Eberle will not be entitled to any of the foregoing payments or benefits if he breaches material obligations under his employment agreement or any other agreement with Bottomline including those that impose confidentiality, proprietary information, assignment of inventions, non-competition or similar obligations on him.



An involuntary termination would occur if Mr. Eberle's duties were changed in a manner such that it resulted in a material diminution in his authority, duties or responsibilities, including his level of budget authority; his base compensation was materially reduced (other than in connection with a company-wide reduction in salaries); he no longer reported directly to the Board of Directors; his place of work was relocated by more than 50 miles; or Bottomline breached a material provision of his employment agreement.

Cause means, prior to a change in control of Bottomline, the discharge of Mr. Eberle resulting from:

a felony conviction;

willful and persistent failure to attend to material duties or obligations;

the breach of confidentiality, non-competition or similar material obligations by Mr. Eberle; or

an act or omission which would constitute a crime involving Bottomline's property.

The second and third items specified above would not constitute cause after a change in control of Bottomline.

If Mr. Eberle's employment is terminated upon or after a potential change in control, or after a change in control, either by Mr. Eberle as a result of an involuntary termination or by us without cause, all shares of his restricted stock will vest in full, and Mr. Eberle will be entitled to receive continuation of benefits for a period of 24 months and a lump sum payment equal to three times the sum of Mr. Eberle's then annual salary plus up to three times the maximum amount of any bonus Mr. Eberle was eligible to earn for the then current fiscal year. Mr. Eberle will not be entitled to any of the foregoing payments or benefits if he breaches material obligations under his employment agreement or any other agreement with Bottomline including those that impose confidentiality, proprietary information, assignment of inventions, non-competition or similar obligations on him.

A potential change in control of Bottomline would occur if:

we enter into an agreement that would cause a change in control;

any person publicly announces an intention to take any action which, if consummated, would constitute a change in control; or

our Board of Directors adopts a resolution to the effect that, for purposes of the employment agreement, a potential change in control has occurred.

The employment agreement also provides that, in the event of a change in control, we would pay any excise tax for which Mr. Eberle would be liable under Section 4999 of the Internal Revenue Code of 1986 (the Code) as a result of having received the severance benefits, as well as the amount necessary to pay all additional taxes imposed on Mr. Eberle as a result of our payment of the excise tax.

In addition, following termination of employment by us other than for cause, restricted stock held by Mr. Eberle would automatically vest in full. In the event of Mr. Eberle's termination for death or disability, he or his estate, as applicable, would be entitled to the vesting acceleration described above, as well as the maximum bonus he was eligible to earn in the then current fiscal year.

#### *Kevin M. Donovan Retention Agreement*

We entered into a retention agreement with Mr. Donovan on November 16, 2006, which was amended on December 23, 2008. The retention agreement automatically renews for successive one-year periods on June 30 of each year unless we give Mr. Donovan prior notice of non-renewal.



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Under the agreement, if Mr. Donovan's employment is terminated by us without cause (as defined below) or by Mr. Donovan for good reason (as defined below) within 12 months following a change in control (as defined

below), then all restricted stock held by Mr. Donovan will vest in full. In addition, Mr. Donovan will be entitled to, among other things, a cash amount equal to his base salary for the 12 months prior to the date of termination, 100% of his annual bonus opportunity for the most recently completed fiscal year, a prorated portion of the annual bonus paid or payable to Mr. Donovan for the most recently completed fiscal year through the date of termination and the continuation of benefits for a period of 12 months after the date of termination. In the event of Mr. Donovan's termination for death or disability within 12 months following a change in control, he or his estate, as applicable, would be entitled to the benefits described in the preceding sentence, other than the cash amount equal to his base salary for the preceding 12 months. Mr. Donovan will not be entitled to any of the foregoing payments or benefits if he breaches material obligations under any agreement with Bottomline that imposes confidentiality, proprietary information, assignment of inventions, non-competition or similar obligations on him.

For purposes of Mr. Donovan's retention agreement, a change in control of Bottomline would occur under the same circumstances as noted above for Mr. Eberle. For purposes of Mr. Donovan's retention agreement, cause means a discharge resulting from a felony conviction or an act or omission which would constitute a crime involving Bottomline's property, and good reason means a material diminution in Mr. Donovan's authority, duties or responsibilities (including budgetary authority), a material reduction in his base compensation, a relocation of his work location by more than 50 miles, or a breach by Bottomline of a material provision of the retention agreement.

#### *Nigel K. Savory Service Agreement*

We are party to a service agreement with Mr. Savory dated as of November 22, 1999, which we assumed in connection with our acquisition of Checkpoint Holdings, Ltd., which is now our wholly owned subsidiary, Bottomline Technologies Limited (Bottomline Europe). This service agreement was amended on February 18, 2011.

Mr. Savory's service agreement, as amended, remains in effect, absent our termination of Mr. Savory for cause or due to incapacity, until terminated by at least six months' written notice by us or by at least 12 months' written notice by Mr. Savory. We also have the right to terminate the agreement on less than six months' written notice, but in lieu of notice, we are required to pay Mr. Savory his salary and other contractual benefits under the service agreement for the duration of the period for which notice was not given. In addition, if in connection with our termination of his employment Mr. Savory executes a satisfactory compromise agreement with us, he will be entitled to a severance payment equivalent to six months' base salary and car allowance plus a sum equivalent to six months' bonus entitlement calculated on a pro rata basis according to the level of bonuses actually paid to him over the preceding period of 12 months. If we terminate the service agreement for cause or due to Mr. Savory's incapacity, we are not required to pay Mr. Savory any compensation other than accrued compensation, although Mr. Savory will be entitled to the equity acceleration described below in the event of his termination due to incapacity.

For purposes of Mr. Savory's service agreement (other than the provisions relating to equity acceleration discussed below) cause means the discharge of Mr. Savory resulting from, among other things:

material breach of the terms of the agreement;

serious misconduct or willful neglect in the discharge of his duties under the agreement;

conviction of a criminal offense which in our reasonable opinion materially or adversely affects Mr. Savory's ability to continue as an employee or officer of the company;

acts of fraud or material dishonesty; or

deliberate discrimination or harassment on grounds on race, religion, creed, sex or disability.

If we terminate Mr. Savory's employment without cause prior to a change in control, all shares of his restricted stock will vest in full. If a change in control occurs during the term of the service agreement and

Mr. Savory's employment is terminated by us other than for cause, or by Mr. Savory for good reason, within 12 months following the change in control date, all shares of his restricted stock will vest in full.

For purposes of the equity acceleration provisions of Mr. Savory's service agreement, the terms "cause" and "change in control" have substantially the same meaning as in Mr. Eberle's employment agreement, and "good reason" has the following meaning:

a significant change in Mr. Savory's duties;

a reduction in his base compensation;

a relocation of his place of work by more than 50 miles; or

a breach by Bottomline of any material provision of the service agreement.

Pursuant to the service agreement, Mr. Savory has agreed not to compete with Bottomline for a period of 12 months after the termination of his employment in any business within the United Kingdom which is competitive with our business and with which Mr. Savory had been involved during the 12 months immediately preceding termination. In addition, Mr. Savory has agreed that during this 12-month period, he will not solicit our customers, potential customers or employees with whom he had dealings during the 12 months immediately preceding termination.

The table below shows estimates of the benefits potentially payable to each of our named executive officers if his employment terminated under certain circumstances or as a result of a change in control event. The amounts below are calculated on the assumption that the employment termination or change in control took place on June 30, 2014, the last business day of fiscal 2014.

| Name   | Base Salary<br>(\$) | Bonus<br>(\$)(2) | Accelerated<br>Vesting of<br>Restricted<br>Stock<br>(\$)(3) | Benefits<br>(\$) | Total<br>(\$) |
|--|---------------------|------------------|---|------------------|---------------|
| Robert A. Eberle   |                     |                  |   |                  |               |
| change in control  |                     |                  | 5,797,000   |                  | 5,797,000     |
| involuntary termination or termination without cause prior to a potential change in control, or non-renewal of employment agreement by company (1)           | 700,000             | 840,000          | 5,797,000   | 65,808           | 7,402,808     |
| involuntary termination or termination without cause upon or after a potential change in control or change in control  | 1,050,000           | 1,260,000(4)     | 5,797,000   | 65,808           | 8,172,808     |
| termination as a result of death or disability   |                     | 420,000          | 5,797,000   |                  | 6,217,000     |
| Kevin M. Donovan   |                     |                  |   |                  |               |
| termination without cause or for good reason within 12 months following a change in control  | 195,700             | 120,000          | 1,204,280   | 26,001           | 1,545,981     |
| termination as a result of death or disability within 12 months following a change in control  |                     | 120,000          | 1,204,280   | 26,001           | 1,350,281     |
| Nigel K. Savory  |                     |                  |   |                  |               |
| termination without cause prior to a change in control or termination without cause or for good reason within 12 months following a change in control (5)(6) | 276,760             | 76,313           | 2,391,685   | 27,552           | 2,772,310     |
| termination for incapacity (6)   |                     |                  | 2,391,685   |                  | 2,391,685     |

- (1) Assumes no change in control takes place.
- (2) This amount would be reduced by any bonus amounts previously paid to the named executive officers for fiscal 2014.
- (3) Calculated by multiplying the number of unvested shares by \$29.92, the closing price per share of our common stock on the NASDAQ Global Select Market on June 30, 2014.
- (4) For purposes of calculating Mr. Eberle's bonus in a termination without cause scenario, we have assumed his earned bonus equals his maximum bonus opportunity.
- (5) Assumes that we make a severance payment in lieu of six months' notice and that Mr. Savory enters into a compromise agreement with us in connection with the termination of his employment.
- (6) Mr. Savory is paid in British Pounds Sterling. For purposes of this presentation, salary and target bonus were converted to US Dollars at the average exchange rate for the twelve months ended June 30, 2014 of 1.628 US Dollars per British Pound Sterling.

**Tax Considerations**

Section 162(m) of Code and guidance issued thereunder, generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the company's Chief Executive Officer and the three most highly compensated executive officers other than the Chief Executive Officer and the Chief Financial Officer. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The Compensation Committee reviews the potential effect of Section 162(m) periodically and uses its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes such payments are appropriate and in the best interests of the company and its stockholders, after taking into consideration changing business conditions and the performance of its employees.

**Leadership Development and Compensation Committee Report**

The leadership development and compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Bottomline's management. Based on this review and discussion, the leadership development and compensation committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Leadership Development and Compensation Committee of the Board of Directors of Bottomline Technologies (de), Inc.

Michael J. Curran, Chairman

Jennifer M. Gray

James W. Zilinski

**Equity Compensation Plan Information**

The following table provides information about the securities authorized for issuance under our equity compensation plans as of June 30, 2014:

| Plan Category  | (a)<br>Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b)<br>Weighted-average exercise price of outstanding options, warrants and rights | (c)<br>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|--|--|--|
| Equity compensation plans approved by security holders (1)     | 378,079  | \$ 11.03   | 6,376,868(2)   |
| Equity compensation plans not approved by security holders (3) | 26,811   | 6.91   | 12,023   |
| <b>Total</b>   | <b>404,890</b>   | <b>\$ 10.76</b>  | <b>6,388,891</b>   |

- (1) Consists of the following equity compensation plans: the 1998 Director Plan, the 2000 Employee Stock Purchase Plan, as amended, or the 2000 ESPP, and the 2009 Stock Incentive Plan. Shares of common stock are available for future issuance only under the 2000 ESPP and the 2009 Stock Incentive Plan.
- (2) Consists of 2,454,285 shares issuable under the 2000 ESPP in connection with current and future offering periods under such plan and 3,922,583 shares currently issuable under the 2009 Stock Incentive Plan.
- (3) The amount reported consists of outstanding stock options issued by Andera under the Andera Plan and assumed by the company, on an as-converted basis (the "Assumed Awards"). Each Assumed Award continues to have the same terms and conditions in effect prior to the acquisition of Andera, except that the number of shares to be received upon exercise of such option and the exercise price of such options were adjusted in accordance with the transaction terms. Please see the Registration Statement on Form S-8 filed by the company with the SEC on May 12, 2014 and "Other Stock Plans" below for additional information regarding the Andera Plan.

**Other Stock Plans***Andera Plan*

A brief summary of the Andera Plan is outlined below. The following summary is not a complete description of all the provisions of the Andera Plan and is qualified in its entirety by reference to the Andera Plan, a copy of which is attached as Exhibit 99.1 of the Registration Statement on Form S-8 filed by the company with the SEC on May 12, 2014.

**Purpose.** The Andera Plan allows the company to provide Eligible Participants (as defined below) who are selected to receive awards under the Andera Plan the opportunity to acquire an equity interest in the company. The Board believes that equity incentives are a significant factor in retaining and motivating employees who joined the company through the Andera acquisition whose present and potential contributions are important to the company.

**Key Provisions.**

*Eligible Participants:* Employees, directors, consultants and advisors of the company or a subsidiary of the company hired after April 3, 2014 (the "Acquisition Date") or individuals employed by Andera prior to the Acquisition Date in compliance with applicable law, including the rules and regulations of NASDAQ (or any stock exchange or quotation system on which the company's shares are then listed or quoted).

*Shares Originally Authorized Under the Plan, Shares Assumed, and Grant History:* As of the Acquisition Date, Andera shareholders had authorized a total of 199,293 shares under the Andera Plan. The company assumed a total of 107,336 shares on an as-converted basis consisting of:

28,462 unvested options to purchase Andera common stock that were outstanding immediately prior to the Acquisition Date and that were assumed by the company and converted into options to purchase the company's common stock subject to the same vesting and other conditions that applied to the Andera options immediately prior to the acquisition. All options were granted at fair market value on the date of grant pursuant to the terms of the Andera Plan.

69,392 shares of unvested Andera common stock that were outstanding immediately prior to the Acquisition Date and that were assumed by the company and converted into the company's common stock subject to the same vesting and other conditions that applied to the Andera restricted common stock immediately prior to the acquisition.

9,482 shares available for future issuance under the Andera Plan.

**Administration.** The Andera Plan is administered by the Board of Directors. The Board of Directors will select the employees of the company and other persons who shall receive awards in compliance with applicable law, including the rules and regulations of the NASDAQ (or any stock exchange or quotation system on which the company's shares are then listed or quoted), determine the number of shares covered thereby, and establish the terms, conditions and other provisions of the grants. The Board of Directors may interpret the Andera Plan and establish, amend and rescind any rules relating to the Andera Plan.

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

During fiscal 2014, Messrs. Curran, McGurl and Zilinski and Ms. Gray each served as members of the leadership development and compensation committee of our Board of Directors. In response to feedback and suggestions received in respect of the presence of a former company executive officer on the leadership development and compensation committee, even though independent under NASDAQ rules, Mr. McGurl voluntarily resigned from our leadership development and compensation committee in June, 2014.

From May 1989 until his retirement in August 2002, Mr. McGurl served as Chief Executive Officer of Bottomline, and from May 1989 to September 2000, Mr. McGurl also served as President of Bottomline. As described below under *Certain Relationships and Related Transactions*, Mr. McGurl's son is an employee of Bottomline.

During fiscal 2014, no executive officer of Bottomline served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity whose executive officer served as a director or member of our leadership development and compensation committee.

#### **Certain Relationships and Related Transactions**

During 2014, D. Michael McGurl (son of Daniel M. McGurl), Jason Mullen (son of Joseph L. Mullen) and Bob Mullen (brother of Joseph L. Mullen) were employed by the company. Joseph L. Mullen and Daniel M. McGurl are members of our Board of Directors. The compensation packages for D. Michael McGurl, Jason Mullen and Bob Mullen are comparable to the compensation of Bottomline employees holding similar positions, and they are entitled to participate in other employment benefits that are standard for all of Bottomline's employees. The total compensation earned during 2014, including base salary, commissions, bonus and equity compensation (based on vesting date stock values), did not exceed \$200,000 for any of these individuals.

#### *Policies and Procedures for Related Person Transactions*

Our Board of Directors has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which Bottomline is a participant, the amount involved exceeds \$120,000, and one

of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, the related person must report the proposed transaction to our chief financial officer. The policy calls for the proposed transaction to be reviewed and, if deemed appropriate, approved by the audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the audit committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that may arise between audit committee meetings, subject to ratification by the full audit committee at its next meeting. Any related person transactions that are ongoing in nature are reviewed annually by the audit committee.

A related person transaction reviewed under our policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the related person's interest in the transaction. The audit committee will review and consider such information regarding the transaction as it deems appropriate under the circumstances.

The audit committee may approve or ratify the transaction only if it determines that, under all of the circumstances, it is in Bottomline's best interests. Further, the audit committee may impose any conditions on the transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the Board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, and (c) the amount involved in the transaction equals less than the greater of \$200,000 or 25% of the annual consolidated gross revenues of the other entity that is a party to the transaction; and

a transaction that is specifically contemplated by provisions of Bottomline's charter or bylaws.

The policy also provides that transactions involving compensation of executive officers shall be reviewed and approved by the leadership development and compensation committee in the manner specified in its charter.

Our employment of a son of each of Messrs. McGurl and Mullen and a brother of Mr. Mullen, which is described above in Certain Relationships and Related Transactions, has been fully disclosed to our audit committee as part of our annual update with respect to related person transactions.

### **Corporate Citizenship**

From time to time, our shareholders have asked about our corporate citizenship. Our company is deeply committed to the communities where our employees work and live. We believe that our commitment to responsible corporate citizenship is reflected through our employees, our corporate culture and, ultimately, through our actions. We have been fortunate to receive civic and community recognition such as the Granite State Award from the University of New Hampshire, we are a Best Company to Work For hall of fame member and we are consistently recognized for our charitable and volunteer programs that positively impact our communities.

## Corporate Governance

Our Board of Directors shares our core values and believes that strong corporate governance practices are important to ensure that Bottomline is managed for the benefit of its stockholders over the long term. This section describes key corporate governance practices that we have adopted. Complete copies of the committee charters and code of conduct described below are available on our website at [www.bottomline.com](http://www.bottomline.com). Alternatively, you can request a copy of any of these documents by writing to Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary.

### *Board Leadership Structure*

We have separated the roles of chief executive officer and chairman of our Board of Directors, in recognition of the differences between these two positions. Our chief executive officer is responsible for setting the strategic direction of our business and overseeing the day to day operation of the company. The chairman of the Board provides guidance to our chief executive officer, sets the agenda for Board meetings and presides over meetings of the Board as the Board fulfills its fundamental role of providing advice to, and oversight of, management.

### *Risk Oversight*

We, like all businesses, face a number of risks that include economic risks, operational risks and legal risks. Our management team is responsible for the day to day risks we face, while our Board of Directors as a whole has responsibility for the oversight of risk management.

The Board believes that open communications between management and the Board of Directors are essential for effective risk management and oversight. Our chairman meets regularly with our chief executive officer to discuss strategy and the risks facing our company. The Board periodically holds strategic planning sessions with members of senior management to discuss strategies, challenges, risks and opportunities of the company.

While our full Board is ultimately responsible for risk oversight, our three Board committees assist the Board in fulfilling its responsibilities in certain areas of risk, as follows:

Our audit committee provides the principal oversight in respect of financial reporting and internal financial controls.

Our leadership development and compensation committee provides the principal oversight in respect of our executive compensation policies and programs and the development of senior company leadership.

Our nominations and corporate governance committee provides the principal oversight in respect of our Board organization, membership and structure, succession planning for our directors and chief executive officer and corporate governance. Our Board is regularly informed, by the respective committee chairmen, of any particular risks evaluated at the committee level.

### *Compensation Risk*

We believe that risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on our company, as we believe we have allocated compensation among base salary and short- and long-term compensation opportunities in a manner that does not encourage excessive risk taking. We have reached this conclusion based on the following factors:

Base salaries, including those of our executive officers, are fixed and based on the respective responsibility of the individual. Base salaries are designed to provide a steady income, regardless of



our stock price performance, so that our employees and executives do not feel pressured to focus exclusively on stock price performance to the detriment of other important business metrics.

Short-term compensation opportunities, which are predominantly cash bonuses, including cash bonuses to our senior management team and executive officers, are generally based on company-wide objectives rather than on the objectives of a specific operating geography or operating segment. We believe this encourages decision making that is in the best interest of our company and stockholders as a whole. Further, we believe that considering the operating performance of the company as a whole is a balanced approach for assessing performance. For example, using company-wide metrics encourages decision making that considers more than just revenue targets, thus ensuring that our focus is not purely on sales levels without regard to cost structure.

Long-term compensation opportunities, which are predominantly equity-based awards such as restricted stock, that generally vest over four years. We believe that this encourages our employees, including our executive officers and senior management team, to make decisions that are in the best long-term interests of our company as a whole since the ultimate value of these awards is realized through a sustained stock price and stock price appreciation over the long-term.

#### *Board Determination of Independence*

Our Board of Directors has determined that all of our directors, other than Mr. Eberle, are independent under applicable NASDAQ and SEC rules. In making this assessment the board has determined that there are no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

#### *Meetings*

Our Board of Directors held 4 meetings, including by telephone conference, during fiscal 2014. The leadership development and compensation committee of our Board of Directors held 4 meetings, including by telephone conference, during fiscal 2014. The audit committee of our Board of Directors held 12 meetings, including by telephone conference, during fiscal 2014. The nominations and corporate governance committee of our Board of Directors held 3 meetings during fiscal 2014. Our directors regularly meet without management present during our Board meetings.

All of our directors attended at least 75% of the aggregate of the meetings of the Board of Directors and meetings of the committees on which they served, if any, during the period that they served on our Board of Directors or any such committees. We do not have a policy with respect to director attendance at annual meeting of stockholders. Mr. Eberle and Mr. Mullen attended our 2013 annual meeting of stockholders.

#### *Board Committees*

Our Board of Directors has established three standing committees – audit, leadership development and compensation, and nominations and corporate governance – each of which operates under a charter that has been approved by our Board. Current copies of each committee’s charter are posted on the Corporate Governance section of our website, [www.bottomline.com](http://www.bottomline.com).

Our Board of Directors has determined that all of the members of each of the Board’s three standing committees are independent as defined under the rules of The NASDAQ Stock Market, including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

All of our standing Board committees, as well as the full Board, have the authority to retain independent advisors without management approval.

*Audit Committee*

The audit committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;

overseeing the work of our registered public accounting firm, including through the receipt and consideration of certain reports from the registered public accounting firm;

reviewing and discussing with management and our registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

establishing procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our registered public accounting firm and management; and

preparing the audit committee report required by SEC rules which is included in this proxy statement.

Our Board of Directors has determined that Mr. Leathe is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K.

*Leadership Development and Compensation Committee*

The leadership development and compensation committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to CEO compensation;

overseeing the performance of our CEO and our other executive officers;

determining the CEO's compensation;

reviewing and approving the compensation of our other executive officers;

overseeing and administering our incentive compensation and equity-based plans;

reviewing and making recommendations to the Board with respect to director compensation; and

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reviewing and monitoring the development of executive officers and the broader senior leadership group.

The leadership development and compensation committee may delegate its authority to management to grant awards pursuant to its equity-based plans. The leadership development and compensation committee has delegated to Mr. Mullen and Mr. Eberle the authority to make grants of restricted stock from the authorized pool under our 2009 Stock Incentive Plan and delegated to Mr. Eberle and Mr. Donovan the authority to make stock option grants from the authorized pool under our 2009 Stock Incentive Plan other than, in each case, awards to executive officers, which must always be authorized by the leadership development and compensation committee. The leadership development and compensation committee also retains the authority to make additional equity awards in its discretion.

### *Nominations and Corporate Governance Committee*

The nominations and corporate governance committee's responsibilities include:

identifying individuals qualified to become Board members;

recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;

developing and recommending to the Board corporate governance principles; and

overseeing the evaluation of the Board.

*Director Candidates and Board Diversity*

The process followed by the nominations and corporate governance committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and the Board. In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the nominations and corporate governance committee will apply the criteria included in the committee's charter. These general criteria include that all nominees should have a reputation for integrity, honesty and adherence to high ethical standards. Criteria also include the nominee's demonstrated business acumen, experience, commitment to our business and industry, and the ability to act in the best interests of all stockholders; including being willing and able to contribute positively to the decision making process. Nominees should not have, or appear to have, any conflicts of interest that would impair their ability to represent the interests of our stockholders. Ultimately, the nominations and corporate governance committee seeks nominees with a broad range of experience, professions, skills and backgrounds. The committee does not assign specific weights to any particular criteria and no particular criterion is necessarily applicable to all prospective nominees. While the committee does not have a formal policy in respect of diversity, the committee considers the value of diversity in respect of the Board's overall composition.

Stockholders may recommend individuals to the nominations and corporate governance committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to Nominations and Corporate Governance Committee, c/o Corporate Secretary, Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the committee or the Board, by following the procedures set forth under Stockholder Proposals for 2015 Annual Meeting.

*Communicating with the Directors*

The Board will give appropriate attention to written communications that are submitted by stockholders and will respond if and as appropriate. The chairman of the Board is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of the Board considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to our Board of Directors c/o Corporate Secretary, Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801.

*Code of Business Conduct and Ethics*

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, which is located at [www.bottomline.com](http://www.bottomline.com). In addition, we intend to post on our website all disclosures that are required by law or NASDAQ Stock Market listing standards concerning any amendments to, or waivers from, any provision of the code.

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

Based solely on our review of copies of reports filed by reporting persons pursuant to Section 16(a) of the Exchange Act, or written representations from reporting persons that no Form 5 filing was required for such persons, we believe that all filings required to be made by our reporting persons were timely made in accordance with the requirements of the Exchange Act.

**Report of the Audit Committee of the Board of Directors**

The audit committee oversees Bottomline's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the preparation of Bottomline's financial statements, for maintaining effective internal control over financial reporting, for assessing the effectiveness of internal control over financial reporting, and for maintaining an appropriate reporting process, including adequate systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed and discussed Bottomline's audited financial statements and schedule for the fiscal year ended June 30, 2014 with management, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures contained in the financial statements and schedule.

The committee reviewed with Bottomline's independent registered public accounting firm, Ernst & Young LLP, which is responsible for expressing an opinion as to the conformity of Bottomline's audited financial statements and schedule with generally accepted accounting principles, the judgments of Ernst & Young, LLP as to the quality, not just the acceptability, of Bottomline's accounting principles and discussed such other matters as are required to be discussed with Ernst & Young LLP under generally accepted auditing standards, including Auditing Standard No. 16, Communications with Audit Committees, other standards of the Public Company Accounting Oversight Board, rules of the SEC, and other applicable regulations. In addition, the committee has received the written disclosures and the letter from Ernst & Young LLP required by the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with Ernst & Young LLP its independence from management and Bottomline, including the compatibility of non-audit services with its independence.

The committee also reviewed management's report on its assessment of the effectiveness of Bottomline's internal control over financial reporting and the independent registered public accounting firm's report on the effectiveness of Bottomline's internal control over financial reporting.

The committee discussed with Ernst & Young LLP the overall scope and plans for its audits. The committee meets with Ernst & Young LLP, with and without management present, to discuss the results of its examinations, its evaluations of Bottomline's internal control over financial reporting, and the overall quality of Bottomline's financial reporting. The committee held 12 meetings, including by telephone conference, during fiscal year 2014.

Based on the reviews and discussions referred to above, the committee recommended to the Board of Directors that the audited financial statements and schedule be included in Bottomline's annual report on Form 10-K for the fiscal year ended June 30, 2014 for filing with the SEC. The committee and the Board of Directors have also recommended, subject to stockholder ratification, the selection of Ernst & Young LLP as Bottomline's registered independent public accounting firm for the fiscal year ending June 30, 2015.

By the Audit Committee of the Board of Directors of Bottomline Technologies (de), Inc.

Jeffrey C. Leathe, Chairman

James L. Loomis

James W. Zilinski

**Principal Accounting Fees and Services**

The following table discloses the fees that Ernst & Young LLP billed us for professional services rendered in each of the last two fiscal years. For fiscal 2014, audit fees include an estimate of amounts not yet billed.

| Type of Fee            | Fiscal Year   | Fiscal Year   |
|------------------------|---------------|---------------|
|                        | Ended         | Ended         |
|                        | June 30, 2014 | June 30, 2013 |
| Audit Fees (1)         | \$ 1,197,556  | \$ 896,937    |
| Audit-Related Fees (2) | \$ 99,741     | \$ 359,524    |
| Tax Fees (3)           | \$ 450,375    | \$ 224,100    |
| All Other Fees (4)     | \$ 1,995      | \$ 1,995      |

- (1) Represents fees for professional services rendered in connection with the audit of our financial statements and the audit of internal control for the fiscal year indicated, audit procedures associated with businesses that we acquire, reviews of the financial statements included in each of our quarterly reports on Form 10-Q during the fiscal year indicated, and services performed in connection with certain registration statements we filed.
- (2) Represents acquisition related due diligence and accounting and financial reporting consultations.
- (3) Represents fees for tax consulting services relating principally to international tax planning.
- (4) Represents annual fee for access to accounting and financial reporting research tool.

**Pre-Approval Policies and Procedures**

The audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our registered public accounting firm. This policy generally provides that we will not engage our registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the audit committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the audit committee may pre-approve specified types of services that are expected to be provided to us by our registered public accounting firm. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The audit committee has also delegated to the chairman of the audit committee the authority to approve any audit or non-audit services to be provided to us by our registered public accounting firm. Any approval of services by the chairman of the audit committee pursuant to this delegated authority is reported to the full audit committee at its next quarterly meeting.

All of the services shown in the table above were approved by the audit committee in accordance with these pre-approval policies and procedures.

**PROPOSAL II APPROVAL OF AMENDMENT TO 2009 STOCK INCENTIVE PLAN**

On May 22, 2014, our Board of Directors adopted, subject to stockholder approval, an amendment to our 2009 Stock Incentive Plan (the 2009 Plan ) to increase the number of shares of our common stock authorized for issuance under the 2009 Plan by 1,500,000 shares. We are asking our stockholders to approve this amendment at our 2014 annual meeting of stockholders. Our 2009 Plan was originally adopted by our Board of Directors on November 19, 2009 and was amended on November 17, 2011 and November 14, 2013.

*Why We Are Requesting Shareholder Approval of the Amendment of the 2009 Plan.*

The approval by our shareholders of the amendment of the 2009 Plan will allow us to continue to grant incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-unit awards to our employees, officers and directors, as well as consultants and advisors.

We believe that our success to date is due in large part to our highly talented employee base, and that our future success depends on our ability to attract and retain qualified employees. The market for qualified personnel in our industry is highly competitive. Among the companies we compete with for employee talent are many early stage, private and ventured-backed entities. These companies regularly offer equity incentives as a central and significant component of their compensation packages. We believe that these companies frequently target our employees in an effort to hire top talent away from us. The ability to grant equity awards is critical to our ability to attract and retain the top talent that we need to sustain our growth.

If our stockholders do not approve the proposed amendment to the 2009 Plan, our ability to attract and retain the qualified employees we need to grow our business will be impaired.

*Information Regarding Awards Granted under the 2009 Plan, Dilution.*

As of September 30, 2014, options covering 394,455 shares of our Common Stock with a weighted average exercise price of \$10.77 and a weighted average remaining term of 3.51 years were outstanding under the 2009 Plan and our other equity compensation plans. As of September 30, 2014, unvested restricted stock issued under the 2009 Plan and our other equity compensation plans covering 1,911,867 shares of our Common Stock were outstanding. Finally, as of September 30, 2014, 3,597,006 shares of Common Stock were available for future grant under the 2009 Plan.

The 2009 Plan is, and the 2009 Plan, as amended, is intended to be, a broad-based plan that allows for the issuance of equity awards throughout our organization. In fiscal 2014, 85% of all equity awards issued by the company were issued to individuals other than executive officers.

The additional 1,500,000 shares that we are requesting to add to the 2009 Plan was based upon careful consideration of the equity compensation needs of the company, including an assessment of the number of shares likely to be needed for future equity grants. As described below, the company also considered the potential dilution to our stockholders that would result from their approval of the amendment of the 2009 Plan. The company believes that approving the additional 1,500,000 shares of Common Stock for issuance under the 2009 Plan, as amended, is appropriate and in the best interests of stockholders given our current expectations on hiring and employee retention demands created by recent business growth, the highly competitive environment in which we recruit and retain employees, the dilution rate of our peers and our historical rate of issuing equity awards. Our Board of Directors and our management will carefully consider all proposed grants under the 2009 Plan, as amended.

In developing our share request for the 2009 Plan and analyzing the impact of utilizing equity on our shareholders, we considered our burn rate , which we consider to be a key metric of how our equity compensation program affects our shareholders.

Burn rate provides a measure of the potential dilutive impact of our annual equity awards. Our burn rate is below average for a technology company which demonstrates our prudent use of equity incentives. Set forth below is a table that reflects our burn rate for the 2012, 2013 and 2014 fiscal years as well as the average over those years.

| Fiscal Year               | Options<br>Granted (1) | Restricted<br>Stock<br>Granted | Total<br>Granted (3) | Basic Weighted<br>Average Number of<br>Common Shares<br>Outstanding | Gross<br>Burn<br>Rate (2) |
|---------------------------|------------------------|--------------------------------|----------------------|---|---------------------------|
| 2014                      |                        | 1,104,000                      | 2,208,000            | 36,834,000  | 5.99%                     |
| 2013                      |                        | 879,000                        | 1,758,000            | 35,444,000  | 4.96%                     |
| 2012                      |                        | 965,000                        | 1,930,000            | 34,268,000  | 5.63%                     |
| <b>Three-Year Average</b> |                        | 983,000                        | 1,966,000            | 35,515,000  | 5.54%                     |

- (1) Excludes options assumed in connection with acquisitions of other companies and equity awards previously issued by such acquired companies.
- (2) Gross Burn Rate is defined as the number of equity awards granted in the year divided by the basic weighted average number of common shares outstanding.
- (3) Total Granted reflects the number of equity awards issued in the year, adjusted by a burn-rate multiplier. The burn rate multiplier incorporates a measure of stock price volatility into the overall calculation and the multiplier was 2.0 for each of the fiscal years 2014, 2013 and 2012.

We believe that our future success depends, in large part, upon our continued ability to attract and retain exceptional employee talent. This includes providing long term retention vehicles, such as equity compensation, which serve to retain and motivate those individuals who are expected to make important contributions to the company by providing them with equity ownership opportunities that align their interests with those of the company's shareholders. Stock-based incentive compensation encourages and rewards employee performance by increasing the value of their compensation if our stock performance improves. Vesting requirements also encourage long-term retention, which is beneficial to our growth and success. We need additional shares under the 2009 Plan to ensure that we have the continued ability to use equity compensation to motivate existing high-performing employees, hire additional, qualified employees and align the interests of our employees, directors, consultants and advisors with those of our stockholders. Accordingly, the Board of Directors believes the proposed amendment of the 2009 Plan is in the best interests of the company and its stockholders and recommends a vote FOR the amendment of the 2009 Plan.

#### Description of the 2009 Plan, as Proposed to be Amended

If our stockholders approve the amendment to the 2009 Plan, the 2009 Plan will remain unchanged in all respects other than the increase to the number of shares of our common stock authorized for issuance under the 2009 Plan by 1,500,000 shares. Below is a brief summary of the 2009 Plan, as proposed to be amended. The full text of the 2009 Plan, including the proposed amendment, is attached as Appendix A to this Proxy statement.

#### Shares Issuable

After giving effect to the proposed amendment, up to 9,450,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events) will be authorized for issuance pursuant to awards granted under the 2009 Plan, plus such additional number of shares of common stock as is equal to the number of shares of common stock subject to awards granted under the company's 1998 Director Stock Option Plan, the company's 2000 Stock Incentive Plan and the company's 1997 Stock Incentive Plan (Amended & Restated), which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of incentive stock options, to any limitations of the Internal Revenue Code of 1986, as amended (the Code)).



### ***Types of Awards***

The 2009 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Code, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards as described below (collectively, Awards ).

***Incentive Stock Options and Non-statutory Stock Options.*** Optionees receive the right to purchase a specified number of shares of common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options may not be granted at an exercise price less than 100% of the fair market value of the common stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of the voting power of the company). Options may not be granted for a term in excess of ten years. The 2009 Plan permits the following forms of payment of the exercise price of options: (i) payment by cash, check or in connection with a cashless exercise through a broker, (ii) subject to certain conditions, surrender to the company of shares of common stock, (iii) subject to certain conditions, in the case of non-statutory stock options, by delivery of a notice of net exercise to the company, (iv) subject to certain conditions, delivery to the company of a promissory note, (v) any other lawful means, or (vi) any combination of these forms of payment. Options may not contain provisions entitling recipients to the automatic grant of additional options in connection with any exercise of the original option. No more than 10,000,000 shares of common stock may be issued in the form of incentive stock options under the plan.

***Stock Appreciation Rights.*** A stock appreciation right, or SAR, is an award entitling the holder, upon exercise, to receive an amount in common stock or cash or a combination thereof determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of common stock. SARs may be granted independently or in tandem with an Option.

***Restricted Stock Awards.*** Restricted stock awards entitle recipients to acquire shares of our common stock, subject to the right of the company to repurchase all or part of such shares from the recipient in the event that the conditions specified in the applicable Award are not satisfied prior to the end of the applicable restriction period established for such Award.

***Restricted Stock Unit Awards.*** Restricted stock unit awards entitle the recipient to receive shares of common stock or cash to be delivered at the time such shares vest pursuant to the terms and conditions established by the Board of Directors.

***Other Stock and Cash-Based Awards.*** Under the 2009 Plan, the Board of Directors has the right to grant other Awards based upon our common stock having such terms and conditions as the Board of Directors may determine, including the grant of shares based upon certain conditions, the grant of Awards that are valued in whole or in part by reference to, or otherwise based on, shares of common stock, and the grant of Awards entitling recipients to receive shares of common stock to be delivered in the future. The company may also grant other awards denominated in cash rather than shares of common stock.

### ***Dividends and Dividend Equivalents***

As a policy, we universally require participants in our 2009 Stock Incentive Plan to waive their rights to accumulate or be paid any dividend or dividend equivalent on any unvested Award.

### ***Transferability of Awards***

Except as the Board of Directors may otherwise determine or provide in an Award, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order. During the life of the participant, Awards are exercisable only by the participant.

**Eligibility to Receive Awards**

Employees, officers, directors, consultants and advisors of the company and its subsidiaries are eligible to be granted Awards under the 2009 Plan. Except where the context otherwise requires, company includes any of the company's present or future parent or subsidiary corporations as defined under Sections 424(e) and (f) of the Code and any other business ventures (including, without limitation, joint venture or limited liability companies in which the company has a controlling interest, as determined by the Board of Directors). Under present law, however, incentive stock options may only be granted to employees of the company and its parent or subsidiaries.

The maximum number of shares with respect to which Awards may be granted to any participant under the 2009 Plan may not exceed 1,000,000 shares per calendar year. For purposes of this limit, the combination of an option in tandem with SAR is treated as a single award.

**Plan Benefits**

As of June 30, 2014, approximately 1,350 persons were eligible to receive Awards under the 2009 Plan, including the company's three executive officers and eight non-employee directors. The granting of Awards under the 2009 Plan is discretionary, and the company cannot now determine the number or type of Awards to be granted in the future to any particular person or group. The table below sets forth, as of June 30, 2014, awards that have been granted under the 2009 Plan.

| <b>Name and Position</b>   | <b>Number of Shares<br/>of Restricted Stock</b> | <b>Number of Stock<br/>Options</b> |
|--|---|------------------------------------|
| Robert A. Eberle   | 400,000   |                                    |
| <i>President and Chief Executive Officer</i>   |   |                                    |
| Kevin M. Donovan   | 88,000  |                                    |
| <i>Chief Financial Officer and Treasurer</i>   |   |                                    |
| Nigel K. Savory  | 148,000   |                                    |
| <i>Managing Director, Europe</i>   |   |                                    |
| All Executive Officers (3 persons)   | 636,000   |                                    |
| All Non Executive Directors (8 persons)  | 110,000   |                                    |
| Each nominee for election as a director:   |   |                                    |
| Joseph L. Barry  | 14,000  |                                    |
| Robert A. Eberle   | 400,000   |                                    |
| Jeffery C. Leathe  | 14,000  |                                    |
| All employees, including all current officers who are not executive officers, as a group (1) | 3,134,420                                       | 5,000                              |

(1) Includes shares that were subsequently forfeited due to employee departures.

On August 29, 2014, the closing price of our Common Stock on the Nasdaq Global Select Market was \$28.16.

**Administration**

The 2009 Plan is administered by the Board of Directors. The Board of Directors has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2009 Plan and to interpret the provisions of the 2009 Plan. Pursuant to the terms of the 2009 Plan, the Board of Directors may delegate authority under the 2009 Plan to one or more committees or subcommittees of the Board of Directors.

Subject to any applicable limitations contained in the 2009 Plan, the Board of Directors, the compensation committee, or any other committee to whom the Board of Directors delegates authority, as the case may be, selects the recipients of Awards and determines (i) the number of shares of common stock covered by options



and the dates upon which such options become exercisable, (ii) the exercise price of options (which may not be less than 100% of fair market value of the common stock), (iii) the duration of options (which may not exceed 10 years), and (iv) the number of shares of common stock subject to any SAR, restricted stock award, restricted stock unit award or other stock- or cash-based Awards and the terms and conditions of such Awards, including conditions for repurchase, issue price and repurchase price.

To the extent permitted by applicable law and under the 2009 Plan, the Board of Directors may delegate to one or more officers of the company the power to grant options and other Awards that constitute rights under Delaware law to employees or officers of the company and to exercise such other powers under the 2009 Plan as the Board of Directors may determine. The Board of Directors fixes the terms of the Awards to be granted to such officers (including the exercise price of the Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to such Awards that the officers may grant. No officer will be authorized to grant awards to any executive officer or officer of the company, as such terms are defined under the Exchange Act.

Discretionary Awards to non-employee directors will only be granted and administered by a committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Stock Market rules.

### ***Adjustments and Reorganization Events***

The Board of Directors is required to make equitable adjustments in connection with the 2009 Plan and any outstanding Awards to reflect stock splits, stock dividends, recapitalizations, spin-offs and other similar changes in capitalization or any dividend or distribution to holders of company common stock other than ordinary cash dividends. The 2009 Plan also contains provisions addressing the consequences of any Reorganization Event, which is defined as (i) any merger or consolidation of the company with or into another entity as a result of which all of the common stock of the company is converted into or exchanged for the right to receive cash, securities or other property, or is cancelled or (b) any transfer or disposition of all of the common stock of the company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the company. In connection with a Reorganization Event, the Board of Directors may take any one or more of the following actions as to all or any outstanding other than restricted stock or restricted stock unit Awards on such terms as the Board of Directors determines: (i) provide that Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice, provide that all unexercised Options or other unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised within a specified period following the date of such notice, (iii) provide that outstanding Awards will become exercisable, realizable or deliverable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of common stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the Acquisition Price), make or provide for a cash payment to an Award holder equal to (A) the Acquisition Price times the number of shares of common stock subject to the holder's Awards (to the extent the exercise price does not exceed the Acquisition Price) minus (B) the aggregate exercise price of all the holder's outstanding Awards less any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the company, Awards will convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof) and (vi) any combination of the foregoing. The Board of Directors is not obligated by the 2009 Plan to treat all Awards, all Awards held by a participant in the Plan or all Awards of the same type identically.

Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the company, the repurchase and other rights of the company under each outstanding restricted stock or restricted stock unit award will inure to the benefit of the company's successor and will, unless the Board determines otherwise, apply to the cash, securities or other property which our common stock was converted into or exchanged for pursuant to such

Reorganization Event in the same manner and to the same extent as they applied to the common stock subject to such restricted stock or restricted stock unit award. However, the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any restricted stock or restricted stock unit award or any other agreement between a participant and the company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the company, except to the extent specifically provided to the contrary in the instrument evidencing any restricted stock or restricted stock unit award or any other agreement between a Participant and the Company, all restrictions and conditions on all restricted stock or restricted stock unit awards then outstanding will automatically be deemed terminated or satisfied.

The 2009 Plan also contains provisions addressing the consequences of a Change in Control Event (as defined in the 2009 Plan). In connection with a Change in Control Event, except as provided to the contrary in an instrument evidencing an option or any other agreement between a participant and the company, the vesting schedule of each option will be accelerated in part so that the number of shares that would have otherwise become vested on any date within one year after the date of the Change in Control Event will immediately become vested. Subject to the following sentence, the remaining shares will continue to become vested in each case one year in advance of the original vesting schedule set forth for such option. Additionally, each option will be immediately exercisable in full if, on or prior to the second anniversary of the date of the consummation of the Change in Control Event, the participant's employment with the company or the acquiring or succeeding corporation is terminated for Good Reason (as defined in the 2009 Plan) by the participant or is terminated without Cause (as defined in the 2009 Plan) by the company or the acquiring or succeeding corporation. In addition, in connection with a Change in Control Event, except as provided to the contrary in an instrument evidencing a restricted stock or restricted stock unit award or any other agreement between a participant and the company, the vesting schedule of each restricted stock or restricted stock unit award will be accelerated in part so that the number of shares that would have otherwise become free from conditions or restrictions on any date within one year after the date of the Change in Control Event will immediately become free from conditions or restrictions. Subject to the following sentence, the remaining shares will continue to become free from conditions or restrictions in each case one year in advance of the original schedule set forth for such restricted stock or restricted stock unit award. Additionally, each restricted stock or restricted stock unit award will immediately become free from all conditions or restrictions if, on or prior to the second anniversary of the date of the consummation of the Change in Control Event, the participant's employment with the company or the acquiring or succeeding corporation is terminated for Good Reason by the participant or is terminated without Cause by the company or the acquiring or succeeding corporation.

The Board of Directors may at any time provide that any Award will become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

If any Award expires or is terminated, surrendered, cancelled or forfeited, the unused shares of common stock covered by such Award will again be available for grant under the 2009 Plan, subject, however, in the case of incentive stock options, to any limitations under the Code.

#### ***Fungible Share Pool***

Subject to adjustment in the event of stock splits and other similar events, any Award that is not a full-value award (as defined below) will be counted against the 2009 Plan share limits as one share for each share of common stock subject to such Award and any Award that is a full-value award will be counted against the 2009 Plan share as 1.28 shares for each one share of common stock subject to such full-value award.

Full-value award means any restricted stock award or other stock-based award with a per share price or per unit purchase price lower than 100% of fair market value on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the 2009 Plan, each applicable share reserve will be credited with one share. To the extent that a share that was subject to an Award that counts as 1.28 shares is returned to the 2009 Plan, each applicable share reserve will be credited with 1.28 shares.

### ***Share Counting***

Shares of Common Stock repurchased by the company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

### ***Substitute Awards***

In connection with a merger or consolidation of an entity with the company or the acquisition by the company of property or stock of an entity, the Board of Directors may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms, as the Board of Directors deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the 2009 Plan. Substitute Awards will not count against the 2009 Plan's overall share limit, except as may be required by the Code.

### ***Limitation on Repricing***

Except in connection with a corporate transaction involving the company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not, without stockholder approval, be amended to reduce the exercise price of outstanding options or SARs or cancel outstanding options or SARs in exchange for cash, other Awards or options or SARs with an exercise price that is less than the exercise price of the original options or SARs. The company would not take any action that would constitute a repricing under the NASDAQ rules without prior shareholder approval.

### ***Provisions for Foreign Participants***

The Board of Directors may modify Awards granted to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the 2009 Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

### ***Amendment or Termination***

No Award may be made under the 2009 Plan after November 19, 2019 but Awards previously granted may extend beyond that date. The Board of Directors may at any time amend, suspend or terminate the 2009 Plan; provided that no amendment requiring stockholder approval under any applicable legal, regulatory or listing requirement will become effective until such stockholder approval is obtained. No Award will be made that is conditioned upon stockholder approval of any amendment to the 2009 Plan.

### ***Federal Income Tax Consequences***

The following is a summary of the United States federal income tax consequences that generally will arise with respect to Awards granted under the 2009 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. In addition, this summary assumes that all Awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below.

### ***Incentive Stock Options***

A participant will not have income upon the grant of an incentive stock option. Also, except as described below, a participant will not have income upon exercise of an incentive stock option if the participant has been employed by the company or its corporate parent or 50% or more-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the participant exercises the option.

If the participant has not been so employed during that time, then the participant will be taxed as described below under Non-statutory Stock Options. The exercise of an incentive stock option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the stock for more than one year and otherwise will be short-term. If a participant sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

#### ***Non-statutory Stock Options***

A participant will not have income upon the grant of a non-statutory stock option. A participant will have compensation income upon the exercise of a non-statutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

#### ***Stock Appreciation Rights***

A participant will not have income upon the grant of a stock appreciation right. A participant generally will recognize compensation income upon the exercise of an SAR equal to the amount of the cash and the fair market value of any stock received. Upon the sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the SAR was exercised. This capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

#### ***Restricted Stock Awards***

A participant will not have income upon the grant of restricted stock unless an election under Section 83(b) of the Code is made within 30 days of the date of grant. If a timely 83(b) election is made, then a participant will have compensation income equal to the value of the stock less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the date of grant. If the participant does not make an 83(b) election, then when the stock vests the participant will have compensation income equal to the value of the stock on the vesting date less the purchase price. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

#### ***Restricted Stock Units***

A participant will not have income upon the grant of a restricted stock unit. A participant is not permitted to make a Section 83(b) election with respect to a restricted stock unit award. When the restricted stock unit vests, the participant will have income on the vesting date in an amount equal to the fair market value of the stock on the vesting date less the purchase price, if any. When the stock is sold, the participant will have capital gain or loss equal to the sales proceeds less the value of the stock on the vesting date. Any capital gain or loss will be long-term if the participant held the stock for more than one year and otherwise will be short-term.

***Other Stock-Based Awards***

The tax consequences associated with any other stock-based Award granted under the 2009 Plan will vary depending on the specific terms of such Award. Among the relevant factors are whether or not the Award has a readily ascertainable fair market value, whether or not the Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the Award and the participant's holding period and tax basis for the Award or underlying common stock.

***Tax Consequences to the Company***

There will be no tax consequences to the company except that the company will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

***The Board recommends a vote FOR Proposal II.***



### PROPOSAL III ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010) and related rules of the SEC, we are including a separate proposal subject to stockholder vote to approve, on a non-binding, advisory basis, the compensation of those of our executive officers listed in the Summary Compensation Table appearing elsewhere in this proxy statement, or our named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC.

Our executive compensation program is designed to attract, retain and motivate the best possible executive talent and to align our executives incentives with our business objectives and the creation of stockholder value, and we believe it has successfully achieved these goals. Key features of our executive compensation program include:

use of restricted stock as a significant portion of our executives' compensation, which directly links executive and stockholder interests and rewards executives for sustained appreciation in our stock price while minimizing dilution to our stockholders;

an annual cash bonus program that is linked to corporate performance, including the achievement of financial, strategic and operational objectives;

executive salaries and cash bonuses that are competitive with similarly situated executive officers based on a peer group analysis that is updated annually; and

limited use of executive-only perquisites (none of our executive officers receive, nor do we have any present plan to provide, payment for personal aircraft, financial planning, supplemental retirement plans, retirement benefits or deferred compensation arrangements (other than our 401(k) plan), country club dues, security services, estate or tax planning or split dollar life insurance policies).

We encourage you to read the Compensation Discussion and Analysis and compensation tables and narrative discussion in this proxy statement for additional details on our executive compensation program.

The vote on this proposal is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC. To the extent there is any significant vote against our named executive officer compensation as disclosed in this proxy statement, the leadership development and compensation committee will evaluate whether any actions are necessary to address the concerns of stockholders.

Based on the above, we request that you indicate your support for our executive compensation philosophy and practices by voting to approve, on a non-binding, advisory basis, the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in the proxy statement for the 2014 Annual Meeting of Stockholders, is hereby APPROVED.

As an advisory vote, the vote on this Proposal III is not binding upon the company and serves only as a recommendation to our Board. Nonetheless, the Board and our leadership development and compensation committee value the opinions expressed by stockholders and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

*The Board recommends a vote FOR Proposal III.*

**PROPOSAL IV RATIFICATION OF THE SELECTION OF  
REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our Board of Directors has selected Ernst & Young LLP as our registered public accounting firm for the current fiscal year, subject to ratification by our stockholders at the annual meeting. If our stockholders do not ratify the selection of Ernst & Young LLP, our audit committee will reconsider the matter. A representative of Ernst & Young LLP, which served as our registered public accounting firm for fiscal 2014, is expected to be present at the annual meeting to respond to appropriate questions and to make a statement if he or she so desires. Even if the selection of Ernst & Young LLP is ratified, our audit committee may, in its discretion, select a different registered public accounting firm at any time during the year if our audit committee determines that such a change would be in the best interest of Bottomline and its stockholders.

*The Board recommends a vote FOR Proposal IV.*

### **STOCKHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

Any proposal that a stockholder intends to present at the 2015 annual meeting of stockholders must be submitted to our principal executive offices at 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary, no later than June 12, 2015 in order to be considered for inclusion in the proxy statement and proxy card relating to the 2015 annual meeting of stockholders. However, if the date of our 2015 annual meeting is prior to October 21, 2015 or after December 20, 2015, the deadline is 10 business days before we begin to print and mail our proxy materials for the 2015 annual meeting.

If a stockholder wishes to present a proposal at the 2015 annual meeting but has not complied with the requirements for inclusion of the proposal in our proxy materials pursuant to Rule 14a-8 under the Exchange Act, the stockholder must also give notice of the proposal to our corporate secretary at our principal executive offices. Our amended and restated bylaws, as amended, require that we be given advance written notice of stockholder nominations regarding election to our Board of Directors and certain other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in our proxy discussed above). We must receive this notice at least 60 days, but not more than 90 days, prior to the date of the 2015 annual meeting, which is expected to be November 19, 2015; provided that if less than 70 days notice or prior public disclosure of the date of the meeting is given to stockholders, such notice must instead be received no later than the tenth day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. Our bylaws also specify requirements relating to the content of the notice which stockholders must provide, including for stockholder nominations for director, in order for such proposals or nominations to be properly presented at a stockholder meeting.

### **HOUSEHOLDING OF PROXY STATEMENT**

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement or annual report may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of our annual report and/or proxy statement to you if you call or write us at the following address or phone number: Bottomline Technologies (de), Inc., 325 Corporate Drive, Portsmouth, New Hampshire 03801, Attention: Corporate Secretary, (603) 436-0700. If you would like to receive separate copies of the annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

### **OTHER MATTERS**

Our Board of Directors knows of no other business that will be presented for consideration at the annual meeting other than that described above. Under our bylaws, the deadline for stockholders to notify us of any proposals or director nominations to be presented at the annual meeting has passed. However, if any other business should come before the annual meeting, it is the intention of the persons named in the enclosed proxy to vote, or otherwise act, in accordance with their best judgment on such matters.

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and regular employees may, without additional remuneration, solicit proxies by telephone, telegraph, facsimile and personal interviews. We will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse brokerage houses and other persons for their reasonable expenses in connection with this distribution. In addition, we have retained Georgeson, Inc. to act as a proxy solicitor in conjunction with the annual meeting, and have agreed to pay that firm \$8,500, plus reasonable expenses, for proxy solicitation services.

*We encourage you to attend the annual meeting in person. However, in order to make sure that you are represented at the annual meeting, if you are a stockholder of record we urge you to complete, sign and return the enclosed proxy card, in the enclosed postage-prepaid envelope, or vote by phone or internet according to the instructions on the proxy card, as promptly as possible. If the shares you own are held in street name by a bank or broker, please follow the voting instructions provided to you by your bank or broker. If you are a stockholder of record and attend the meeting in person, you may vote your stock personally even if you have sent in your proxy card or voted by phone or internet. If you hold your shares in street name and wish to vote in person at the annual meeting, please contact your bank or broker for instructions.*

By order of the Board of Directors,

/s/ Joseph L. Mullen  
Joseph L. Mullen

*Chairman of the Board of Directors*

October 10, 2014

Portsmouth, New Hampshire

**BOTTOMLINE TECHNOLOGIES (de), INC.**

**AMENDMENT NO. 3 TO 2009 STOCK INCENTIVE PLAN**

The 2009 Stock Incentive Plan of Bottomline Technologies (de), Inc., pursuant to Section 11(d) thereof, is hereby amended as follows:

Section 4(a)(1) is hereby amended by deleting the first sentence thereof and inserting the following new first sentence to read in its entirety as follows:

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to (i) 9,450,000 shares of common stock, \$0.001 par value per share, of the Company (the Common Stock ), plus (ii) such additional number of shares of Common Stock as is equal to the number of shares of Common Stock subject to awards granted under the Company s 1998 Director Stock Option Plan, the Company s 2000 Stock Incentive Plan and the Company s 1997 Stock Incentive Plan (Amended & Restated) (collectively, the Existing Plans ) which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options (as hereinafter defined) to any limitations of the Code).

Approved by the Annual Meeting Committee of the Board of Directors on October 8, 2014, pursuant to delegated authority granted by the Board of Directors on May 22, 2014.

Approved by Stockholders on \_\_\_\_\_, 2014.

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**BOTTOMLINE TECHNOLOGIES (de), INC.**

2009 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this 2009 Stock Incentive Plan (the *Plan*) of Bottomline Technologies (de), Inc., a Delaware corporation ( *Bottomline* or the *Company* ), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term *Company* shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the *Code*) and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the *Board*).

2. Eligibility

All of the Company's employees, officers, and directors are eligible to be granted options, stock appreciation rights ( *SARs* ), restricted stock, restricted stock units and other stock- and cash-based awards (each, an *Award*) under the Plan. Consultants and advisors to the Company (as such terms are defined and interpreted for purposes of Form S-8 (or any successor form)) are also eligible to be granted Awards. Each person who is granted an Award under the Plan is deemed a *Participant*.

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a *Committee*). All references in the Plan to the *Board* shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. To the extent permitted by applicable law, the Board may delegate to one or more officers of the Company the power to grant Options and other Awards that constitute rights under Delaware law (subject to any limitations under the Plan) to employees or officers of the Company or any of its present or future subsidiary corporations and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of the Awards to be granted by such officers (including the exercise price of the Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to such Awards that the officers may grant; provided further, however, that no officer shall be authorized to grant Awards to any executive officer of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the *Exchange Act*)) or to any officer of the Company (as defined by Rule 16a-1 under the Exchange Act). The Board may not delegate authority under this Section 3(c) to grant restricted stock, unless Delaware law then permits such delegation.

(d) Awards to Non-Employee Directors. Discretionary Awards to non-employee directors will only be granted and administered by a Committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the NASDAQ Marketplace Rules.

#### 4. Stock Available for Awards

##### (a) Number of Shares: Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 9, Awards may be made under the Plan for up to (i) 7,950,000 shares of common stock, \$0.001 par value per share, of the Company (the **Common Stock** ), plus (ii) such additional number of shares of Common Stock as is equal to the number of shares of Common Stock subject to awards granted under the Company's 1998 Director Stock Option Plan, the Company's 2000 Stock Incentive Plan and the Company's 1997 Stock Incentive Plan (Amended & Restated) (collectively, the **Existing Plans** ) which awards expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options (as hereinafter defined) to any limitations of the Code). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Fungible Share Pool. Subject to adjustment under Section 9, any Award that is not a Full-Value Award shall be counted against the share limits specified in Section 4(a)(1) as one share for each share of Common Stock subject to such Award and any Award that is a Full-Value Award shall be counted against the share limits specified in Section 4(a)(1) as 1.28 shares for each one share of Common Stock subject to such Full-Value Award. **Full-Value Award** means any Restricted Stock Award or other Stock-Based Award with a per share price or per unit purchase price lower than 100% of Fair Market Value (as defined below) on the date of grant. To the extent a share that was subject to an Award that counted as one share is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with one share. To the extent that a share that was subject to an Award that counts as 1.28 shares is returned to the Plan pursuant to Section 4(a)(3), each applicable share reserve will be credited with 1.28 shares.

(3) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan, (i) all shares of Common Stock covered by independent SARs shall be counted against the number of shares available for the grant of Awards; (ii) if any Award (A) expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (B) results in any Common Stock not being issued (including as a result of an independent SAR that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code; and provided further, in the case of independent SARs, that the full number of shares subject to any stock-settled SAR shall be counted against the shares available under the Plan and against the sublimits listed in the first clause of this Section in proportion to the portion of the SAR actually exercised regardless of the number of shares actually used to settle such SAR upon exercise; (iii) shares of Common Stock delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (A) purchase shares of Common Stock upon the exercise of an Award or (B) satisfy tax withholding obligations (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and (iv) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Per-Participant Limit. Subject to adjustment under Section 9, the maximum number of shares of Common Stock with respect to which Awards may be granted to any Participant under the Plan shall be

1,000,000 per calendar year. For purposes of the foregoing limit, the combination of an Option in tandem with an SAR shall be treated as a single Award. The per Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code or any successor provision thereto, and the regulations thereunder ( *Section 162(m)* ).

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1) or any sublimits contained in the Plan, except as may be required by reason of Section 422 and related provisions of the Code.

## 5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an *Option* ) and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option that is not intended to be an Incentive Stock Option shall be designated a *Nonstatutory Stock Option*.

(b) Incentive Stock Options. An Option that the Board intends to be an incentive stock option as defined in Section 422 of the Code (an *Incentive Stock Option* ) shall only be granted to employees of Bottomline, any of Bottomline's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option. No more than 10,000,000 shares of Common Stock may be issued in the form of Incentive Stock Options under the Plan.

(c) Exercise Price. The Board shall establish the exercise price of each Option and specify the exercise price in the applicable option agreement. The exercise price shall be not less than 100% of the Fair Market Value (as defined below) on the date the Option is granted; provided that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; *provided, however*, that no Option will be granted with a term in excess of 10 years.

(e) Exercise of Options. Options may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Company, together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;



(2) except as may otherwise be provided in the applicable option agreement, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable option agreement or approved by the Board, in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their fair market value as determined by (or in a manner approved by) the Board ( *Fair Market Value* ), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Nonstatutory Stock Option agreement or approved by the Board in its sole discretion, by delivery of a notice of net exercise to the Company, as a result of which the Participant would receive the number of shares of Common Stock underlying the Option so exercised reduced by the number of shares of Common Stock equal to the aggregate exercise price of the Option divided by the Fair Market Value on the date of exercise;

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, in its sole discretion, by (i) delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (ii) payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) Limitation on Repricing. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not, without stockholder approval be amended to reduce the exercise price of outstanding Options or cancel outstanding Options in exchange for cash, other Awards or Options or SARs with an exercise price that is less than the exercise price of the original Options.

(h) No Reload Options. No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with any exercise of the original Option.

(i) No Dividend Equivalents. No option shall provide for the payment or accrual of dividend equivalents.

#### 6. Stock Appreciation Rights

(a) General. The Board may grant Awards consisting of SARs entitling the holder, upon exercise, to receive an amount of Common Stock or cash or a combination thereof (such form to be determined by the Board) determined by reference to appreciation, from and after the date of grant, in the Fair Market Value of a share of Common Stock over the measurement price established pursuant to Section 6(c). The date as of which such appreciation is determined shall be the exercise date.

(b) Grants. SARs may be granted in tandem with, or independently of, Options granted under the Plan.

(1) Tandem Awards. When SARs are expressly granted in tandem with Options, (i) the SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable (except to the extent designated by the Board in connection with a Reorganization Event or a Change in Control Event) and

will be exercisable in accordance with the procedure required for exercise of the related Option; (ii) the SAR will terminate and no longer be exercisable upon the termination or exercise of the related Option, except to the extent designated by the Board in connection with a Reorganization Event or a Change in Control Event and except that a SAR granted with respect to less than the full number of shares covered by an Option will not be reduced until the number of shares as to which the related Option has been exercised or has terminated exceeds the number of shares not covered by the SAR; (iii) the Option will terminate and no longer be exercisable upon the exercise of the related SAR; and (iv) the SAR will be transferable only with the related Option.

(2) Independent SARs. A SAR not expressly granted in tandem with an Option will become exercisable at such time or times, and on such conditions, as the Board may specify in the SAR Award.

(c) Measurement Price. The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Fair Market Value on the date the SAR is granted; provided that if the Board approves the grant of a SAR with a measurement price to be determined on a future date, the measurement price shall be not less than 100% of the Fair Market Value on such future date.

(d) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; *provided, however*, that no SAR will be granted with a term in excess of 10 years.

(e) Exercise of SARs. SARs may be exercised by delivery to the Company of a written notice of exercise signed by the proper person or by any other form of notice (including electronic notice) approved by the Company, together with any other documents required by the Board.

(f) Limitation on Repricing. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not, without stockholder approval, be amended to reduce the exercise price of outstanding SARs or cancel outstanding SARs in exchange for cash, other Awards or Options or SARs with an exercise price that is less than the exercise price of the original SARs.

#### 7. Restricted Stock; Restricted Stock Units

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ( *Restricted Stock* ), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. Instead of granting Awards for Restricted Stock, the Board may grant Awards entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests ( *Restricted Stock Units* ) (Restricted Stock and Restricted Stock Units are each referred to herein as a *Restricted Stock Award* ).

(b) Terms and Conditions for All Restricted Stock Awards. The Board shall determine the terms and conditions of a Restricted Stock Award, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock.

(1) Dividends. Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such shares, unless otherwise provided by the Board. Unless otherwise provided

by the Board, if any dividends or distributions are paid in shares, or consist of a dividend or distribution to holders of Common Stock other than an ordinary cash dividend, the shares, cash or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid. Each dividend payment will be made no later than the end of the calendar year in which the dividends are paid to shareholders of that class of stock or, if later, the 15th day of the third month following the date the dividends are paid to shareholders of that class of stock.

(2) Stock Certificates. The Company may require that any stock certificates issued in respect of shares of Restricted Stock shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the **Designated Beneficiary**). In the absence of an effective designation by a Participant, **Designated Beneficiary** shall mean the Participant's estate.

(d) Additional Provisions Relating to Restricted Stock Units.

(1) Settlement. Upon the vesting of and/or lapsing of any other restrictions (i.e., settlement) with respect to each Restricted Stock Unit, the Participant shall be entitled to receive from the Company one share of Common Stock or an amount of cash equal to the Fair Market Value of one share of Common Stock, as provided in the applicable Award agreement. The Board may, in its discretion, provide that settlement of Restricted Stock Units shall be deferred, on a mandatory basis or at the election of the Participant in a manner that complies with Section 409A of the Code.

(2) Voting Rights. A Participant shall have no voting rights with respect to any Restricted Stock Units.

(3) Dividend Equivalents. To the extent provided by the Board, in its sole discretion, a grant of Restricted Stock Units may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock (**Dividend Equivalents**). Dividend Equivalents may be paid currently or credited to an account for the Participants, may be settled in cash and/or shares of Common Stock and may be subject to the same restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, as determined by the Board in its sole discretion, subject in each case to such terms and conditions as the Board shall establish, in each case to be set forth in the applicable Award agreement.

#### 8. Other Stock-Based and Cash-Based Awards

(a) General. Other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property, may be granted hereunder to Participants (**Other Stock-Based-Awards**), including without limitation Awards entitling recipients to receive shares of Common Stock to be delivered in the future. Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. The Company may also grant other Awards denominated in cash rather than shares of Common Stock (**Cash-Based Awards**).

(b) Terms and Conditions. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award or Cash-Based Awards, including any purchase price applicable thereto.

9. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the sub-limits and share counting rules set forth in Sections 4(a) and 4(b), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share- and per-share provisions and the measurement price of each SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding Restricted Stock Award and (vi) the share- and per-share-related provisions and the purchase price, if any, of each outstanding Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A **Reorganization Event** shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock Awards. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock Awards on such terms as the Board determines: (i) provide that Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to a Participant, provide that the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant within a specified period following the date of such notice, (iii) provide that outstanding Awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the **Acquisition Price**), make or provide for a cash payment to a Participant equal to the excess, if any, of (A) the Acquisition Price times the number of shares of Common Stock subject to the Participant's Awards (to the extent the exercise price does not exceed the Acquisition Price) over (B) the aggregate exercise price of all such outstanding Awards and any applicable tax withholdings, in exchange for the termination of such Awards, (v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (vi) any combination of the foregoing. In taking any of the actions permitted under this Section 9(b), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for

each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of common stock of the acquiring or succeeding corporation (or an affiliate thereof) equivalent in value (as determined by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(3) Consequences of a Reorganization Event on Restricted Stock Awards. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company under each outstanding Restricted Stock Award shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to the Common Stock subject to such Restricted Stock Award; *provided, however*, that the Board may provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, either initially or by amendment. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other agreement between a Participant and the Company, all restrictions and conditions on all Restricted Stock Awards then outstanding shall automatically be deemed terminated or satisfied.

(c) Change in Control Events.

(1) Definitions.

(A) A Change in Control Event shall mean:

(I) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the *Exchange Act* )) (a *Person* ) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of the Company (the *Outstanding Company Common Stock* ) or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the *Outstanding Company Voting Securities* ); *provided, however*, that for purposes of this subsection (I), the following acquisitions shall not constitute a Change in Control Event: (1) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (3) any acquisition by any corporation pursuant to a Business Combination (as defined below) which complies with clauses (x) and (y) of subsection (III) of this definition; or

(II) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term *Continuing Director* means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of this Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing

Directors at the time of such nomination or election; *provided, however*, that there shall be excluded from this clause (y) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(III) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a ***Business Combination***), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the ***Acquiring Corporation***) in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person (excluding any employee benefit plan (or related trust) maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(IV) the liquidation or dissolution of the Company.

(B) ***Good Reason*** shall mean any significant diminution in the Participant's duties, authority, or responsibilities from and after the Change in Control Event or any reduction in the annual cash compensation payable to the Participant from and after such Change in Control Event or the relocation of the place of business at which the Participant is principally located to a location that is greater than 50 miles from its location immediately prior to the Change in Control Event.

(C) ***Cause*** shall mean any (i) willful failure by the Participant, which failure is not cured within 30 days of written notice to the Participant from the Company, to perform his or her material responsibilities to the Company or (ii) willful misconduct by the Participant which affects the business reputation of the Company. The Participant shall be considered to have been discharged for ***Cause*** if the Company determines, within 30 days after the Participant's resignation, that discharge for Cause was warranted.

(2) **Effect on Options**. Notwithstanding the provisions of Section 9(b), except to the extent specifically provided to the contrary in the instrument evidencing any Option or any other agreement between a Participant and the Company, the vesting schedule of each Option shall be accelerated in part so that the number of shares that would otherwise have become vested on any date within one year after the date of the Change in Control Event shall immediately become vested. Subject to the following sentence, the remaining shares shall continue to become vested in each case one year in advance of the original vesting schedule set forth for such Option. Additionally, each Option shall be immediately exercisable in full if, on or prior to the second anniversary of the date of the consummation of the Change in Control Event, the Participant's employment with the Company or the acquiring or succeeding corporation is terminated for Good Reason by the Participant or is terminated without Cause by the Company or the acquiring or succeeding corporation.

(3) **Effect on Restricted Stock Awards**. Notwithstanding the provisions of Section 9(b), except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock Award or any other

agreement between a Participant and the Company, the vesting schedule of each Restricted Stock Award shall be accelerated in part so that the number of shares that would otherwise have become vested on any date within one year after the date of the Change in Control Event shall immediately become vested. Subject to the following sentence, the remaining shares shall continue to become vested in each case one year in advance of the original vesting schedule set forth for such Restricted Stock Award. Additionally, each Restricted Stock Award shall immediately become free from all conditions or restrictions if, on or prior to the second anniversary of the date of the consummation of the Change in Control Event, the Participant's employment with the Company or the acquiring or succeeding corporation is terminated for Good Reason by the Participant or is terminated without Cause by the Company or the acquiring or succeeding corporation.

(4) Effect on SARs and Other Stock-Based Awards. The Board may specify in an Award at the time of the grant the effect of a Change in Control Event on any SAR and Other Stock-Based Award.

#### 10. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if, with respect to such proposed transferee, the Company would be eligible to use a Form S-8 for the registration of the sale of the Common Stock subject to such Award under the Securities Act of 1933, as amended; provided, further, that the Company shall not be required to recognize any such transfer until such time as the Participant and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

(e) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise or release from forfeiture of an Award or, if the Company so requires, at the same time as payment of the exercise price unless the Company determines otherwise. If provided for in an Award or approved by the Board in its sole discretion, a Participant may satisfy

such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value; *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(f) Amendment of Award. Except as otherwise provided in Section 11(d) with respect to actions requiring shareholder approval, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 9 hereof.

(g) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(h) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

#### 11. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date the Plan is approved by the Company's stockholders (the *Effective Date*). No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) to the extent required by Section 162(m), no Award granted to a Participant that is intended to comply with Section 162(m) after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award, unless and until the Company's stockholders approve such amendment if required by Section 162(m) (including the vote required under Section 162(m)); (ii) no amendment that would require stockholder approval under the rules of the NASDAQ Stock Market ( *NASDAQ* ) may be made effective unless and until the Company's stockholders approve such amendment; and (iii) if the NASDAQ amends its corporate



governance rules so that such rules no longer require stockholder approval of NASDAQ material amendments to equity compensation plans, then, from and after the effective date of such amendment to the NASDAQ rules, no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 9), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 11(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan.

(e) Authorization of Sub-Plans. The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities or tax laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Non U.S. Employees. Awards may be granted to Participants who are non-U.S. citizens or residents employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Participants employed in the United States as may, in the judgment of the Board, be necessary or desirable in order to recognize differences in local law or tax policy. The Board also may impose conditions on the exercise or vesting of Awards in order to minimize the Board's obligation with respect to tax equalization for Participants on assignments outside their home country. The Board may approve such supplements to or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan.

(g) Compliance with Section 409A of the Code. Except as provided in individual Award agreements initially or by amendment, if and to the extent any portion of any payment, compensation or other benefit provided to a Participant in connection with his or her employment termination is determined to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code and the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, as determined by the Company in accordance with its procedures, by which determination the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of separation from service (as determined under Section 409A of the Code) (the *New Payment Date*), except as Section 409A of the Code may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A of the Code but do not to satisfy the conditions of that section.

(h) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, other employee, or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument he or she executes in his or her capacity as a director, officer, other employee, or agent of the Company. The Company will indemnify and hold harmless each director, officer, other employee, or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning this Plan unless arising out of such person's own fraud or bad faith.

(i) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

C123456789

**IMPORTANT ANNUAL  
MEETING INFORMATION**

|                  |        |          |                     |
|------------------|--------|----------|---------------------|
| ENDORSEMENT_LINE | 000004 | SACKPACK | 00000000.000000 ext |
|                  |        |          | 00000000.000000 ext |
|                  |        |          | 00000000.000000 ext |
|                  |        |          | 00000000.000000 ext |
|                  |        |          | 00000000.000000 ext |
|                  |        |          | 00000000.000000 ext |

MR A SAMPLE

DESIGNATION (IF ANY)

ADD 1

ADD 2

ADD 3

ADD 4

ADD 5

ADD 6

**Electronic Voting Instructions  
Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED  
BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone  
must be received by 1:00 a.m., Eastern Time, on  
November 20, 2014.**

**Vote by Internet**

Go to

**[www.envisionreports.com/EPAY](http://www.envisionreports.com/EPAY)**

Or scan the QR code with your  
smartphone

Follow the steps outlined on the secure  
website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the  
USA, US territories & Canada on a touch tone  
telephone

Using a **black ink** pen, mark your votes  
with an **X** as shown in this example.  
Please do not write outside the  
designated areas.

x

Follow the instructions provided by the recorded  
message

**Annual Meeting Proxy Card**

**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

q



**A Proposals** The Board of Directors recommends that you vote **FOR** all the nominees listed and **FOR** Proposal 2, 3 and 4.

- |                                   |            |                 |  |                        |                 |    |                         |                 |          |
|-----------------------------------|------------|-----------------|--|------------------------|-----------------|----|-------------------------|-----------------|----------|
| 1. Election of Class I Directors: | <b>For</b> | <b>Withhold</b> |  | <b>For</b>             | <b>Withhold</b> |    | <b>For</b>              | <b>Withhold</b> | <b>+</b> |
| 01 - Joseph L. Barry, Jr*         | ..         | ..              |  | 02 - Robert A. Eberle* | ..              | .. | 03 - Jeffrey C. Leathe* | ..              | ..       |

\* Each to be elected as Class I directors of the Company for the ensuing three years.

- |   |            |                |                |   |            |                |                |
|---|------------|----------------|----------------|---|------------|----------------|----------------|
|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
| 2. Amendment to the Company's 2009 Stock Incentive Plan to increase the number of shares of common stock authorized for issuance under the Plan from 7,950,000 to 9,450,000 as further set forth in the accompanying proxy statement. | ..         | ..             | ..             | 3. Non-binding advisory vote to approve executive compensation. | ..         | ..             | ..             |
| 4. Ratification of the selection of Ernst & Young LLP as the Company's registered public accounting firm for the current fiscal year.   | ..         | ..             | ..             |   |            |                |                |

**B Non-Voting Items**

**Change of Address** Please print new address below.

**Comments** Please print your comments below.

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as your name(s) appear(s) hereon. All holders must sign. When signing as attorney, executor, administrator or other fiduciary, please give your full title as such. Joint owners should each sign personally. If a corporation, please sign in full corporate name, by authorized officer. If a partnership, please sign in partnership name by authorized person. Please be sure to sign and date this proxy below.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

/ /

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q



**Proxy** BOTTOMLINE TECHNOLOGIES (de), INC.

**PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS to be held on November 20, 2014**

**This Proxy is solicited on behalf of the Board of Directors of Bottomline Technologies (de), Inc.**

You hereby authorize Joseph L. Mullen, Robert A. Eberle and Kevin M. Donovan, or any of them, with full power of substitution, as Proxies to represent and vote all of your shares of common stock of Bottomline Technologies (de), Inc. that you are entitled to vote at the Annual Meeting of Stockholders of the company to be held on Thursday, November 20, 2014 or at any postponement or adjournment of that meeting. You hereby revoke all proxies previously given.

This proxy, when properly executed, will be voted in the manner that you direct on this proxy card. **If no such directions are given, the Proxies will vote your shares in accordance with the recommendations of the Board of Directors set forth on this proxy card. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting.**

Please vote, date and sign on the reverse side of this proxy card and return it promptly in the enclosed postage pre-paid envelope.

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

**SEE REVERSE SIDE**